



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

ANNUAL AUDIT REPORT

On The

MUNICIPALITY OF HERNANI
Province of Eastern Samar

For the Year Ended December 31, 2018



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

OFFICE OF THE MAYOR
 Hernani, Eastern Samar
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March 29, 2019

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, 2018.

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. Cash advances in the amount of P53,820.00 remained outstanding and unliquidated for more than five months to eleven months and additional cash advances were granted despite non-liquidation of the previous ones, contrary to COA Circular No. 97-002 dated February 10, 1997, and Section 89 of P. D. 1445, thereby exposing government funds to possible loss or unauthorized use.
2. The existence, accuracy and reliability of the Property, Plant and Equipment (PPE) amounting to P120,341,813.60 cannot be fully ascertained due to: 1) failure of the agency to prove the existence of ICT Equipment amounting to P919,940.55; 2) the agency did not conduct physical count of inventory at year end; 3) discrepancy between the submitted Inventory List of PPE and the balances reflected in the FS

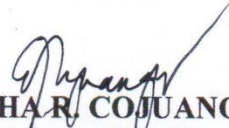
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3. Road Networks of P37,870,185.84 for the year 2018 could not be ascertained of its reliability due to the non-preparation and submission of Local Road Inventory and Road Map contrary to COA Circular No. 2015-008 thereby, fair presentation of the account Infrastructure Assets- Road Networks in the Financial Statement is not assured.
4. Monthly net take home pay of various employees of the Municipality of Hernani were below P5,000.00 due to deductions made for the payment of loans contrary to Section 48 of the General Provisions of RA 10964 (General Appropriations Act for FY 2018) thus showing lack of proper supervision and inadequate controls in the processing of payrolls.
5. The Bids and Awards Committee failed to recommend through a resolution that the agency will resort to an alternative methods of procurement, in contrary to Rule XVI, Section 48 on Alternative Methods of Procurement casting doubt on the validity of the procurement process and may not obtained the most advantageous price for the LGU.
6. Submission of accounts and reports by the Municipal Accountant were delayed by an average of 80 days, likewise the non-submission of Pre-Closing Trial Balance and Statement of Appropriation, Obligations and Balances were all in violation of Section 347 of RA 7160 and Section 7.2.1 paragraph (a) of COA Circular No. 2009-006 and Section 70 of the NGAS Manual for LGUs, Vol I, thus depriving the management on the prompt communication of the audit results.
7. The agency has unutilized funds totaling P9,636,119.20 or 95% worth of idle current year appropriations under the 20% Development Fund (DF) contrary to Department of Interior and Local Government- Department of Budget and Management (DILG-DBM) Joint Memorandum Circular (JMC) No. 2017-1, dated February 22, 2017, thus exposing the government from suffering higher cost on the unimplemented projects which is not beneficial to the government and the community.
8. The Special Education Fund (SEF) of P516,518.01 was not utilized due to: 1) Failure of the Local School Board (LSB) to prepare and submit a budget for the year; 2) Failure of the Municipal Treasurer to transfer the collected SEF share in the general fund amounting to P313,818.80 to SEF depository account, 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 request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the action(s) taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI) form within 60 days from the receipt hereof.

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

Very truly yours,


EDITHA R. COJUANGCO
State Auditor IV
OIC- Supervising Auditor

Copy Furnished:

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

EXECUTIVE SUMMARY

Introduction

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

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

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

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

HIGHLIGHTS OF FINANCIAL OPERATION

Sources and Application of Funds

A. Income

The municipality collected a total income of P91,045,122.32 from various sources. This year’s collection represented a decrease of P33,807,602.88 or 27.07% from that of CY 2017, as follows:

Income Sources	2018	2017	Increase/Decrease	
			Amount	%
Tax Revenue	761,690.96	653,283.15	108,407.81	16.59
Share from Internal Revenue Collections	50,695,096.00	47,276,799.00	3,418,297.00	7.23
Service and Business Income	1,663,760.02	1,477,643.05	186,116.97	12.60
Gants and Donations	37,870,185.84	75,445,000.00	(37,574,814.16)	(49.80)
Other Income	54,389.50	-	54,389.50	-
Total	91,045,122.32	124,852,725.20	(33,807,602.88)	(27.07)

B. Appropriations and Expenditures

a) Appropriations

The municipality appropriated P58,010,354.65 for the current year. There was a decrease of P1,927,753.84 or -3.22% from that of last year's appropriations of P59,938,108.49 as presented below:

a.1) Appropriations per Program/Project:

Function/ Program/ Projects	2018	2017	Increase/Decrease	
			Amount	%
General Public Services	28,073,712.32	25,674,172.32	2,399,540.00	9.35
Health Services	3,828,101.34	3,512,000.96	316,100.38	9.00
Social Welfare Services	660,559.03	695,242.92	(34,683.89)	(4.99)
Economic Services	3,629,673.65	3,275,169.50	354,504.15	10.82
Other Services	21,818,308.31	26,781,522.79	(4,963,214.48)	(18.53)
Total	58,010,354.65	59,938,108.49	(1,927,753.84)	(3.22)

2) Appropriations per Expense Classification:

Allotment Class	2018	2017	Increase/Decrease	
			Amount	%
Personal Services	29,574,528.87	28,233,845.81	1,340,683.06	4.75
MOOE	14,270,834.14	29,272,356.80	(15,001,522.66)	(51.25)
Capital Outlay	14,164,991.64	2,301,905.88	11,863,085.76	515.36
Financial Expense	-	130,000.00	(130,000.00)	100.00)
Total	58,010,354.65	59,938,108.49	(1,927,753.84)	(3.22)

b) Expenditures

Expenditures incurred from current appropriations amounted to P44,496,656.52. There was a decrease of P6,658,600.31 or -13.02% over that of last year, as shown below:

b.1) Expenditures per Program/Project

Function/ Program/ Projects	2018	2017	Increase/Decrease	
			Amount	%
General Public Services	26,373,031.56	22,117,647.14	4,255,384.42	19.23
Health Services	3,432,478.77	3,154,578.06	277,900.71	8.81
Social Welfare Services	643,405.16	591,548.32	51,856.84	8.77
Economic Services	3,468,233.54	3,165,651.10	302,582.44	9.56
Other Services	10,579,507.49	22,125,832.21	(11,546,324.72)	(52.18)
Total	44,496,656.52	51,155,256.83	(6,658,600.31)	(13.02)

b.2) Expenditures per Expense Classification

Expense Classification	2018	2017	Increase/Decrease	
			Amount	%
Personal Services	27,956,186.06	26,044,987.34	1,911,198.72	7.34
MOOE	12,669,473.54	23,537,637.41	(10,868,163.87)	(46.17)
Capital Outlay	3,870,996.92	1,470,245.58	2,400,751.34	106.33
Financial Expense	0.00	102,386.50	(102,386.50)	(100.00)
Total	44,496,656.52	51,155,256.83	(6,658,600.31)	(13.02)

Financial Position and Performance

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

	2018	2017	Increase (Decrease)	
			Amount	%
Assets	172,386,626.30	144,517,779.44	27,868,846.86	19.28
Liabilities	32,770,093.52	45,546,442.13	(12,776,348.61)	(28.05)
Equity	139,529,532.78	98,971,337.31	40,558,195.47	40.98
Income	91,045,122.32	124,852,725.20	(33,807,602.88)	(27.08)
Expenses	50,487,006.85	52,025,663.66	(1,538,656.81)	(2.96)

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, 2018. The audit was conducted in accordance with laws and Philippine Public Sector Standards in Auditing. Those standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. Our audit included examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, verification and analysis of account, and such other procedures considered necessary under the circumstances. The audit was aimed to ascertain the propriety and validity of disbursements and receipts as well as the reliability of the accounts as presented in the financial statements. This year's audit was focused on the selected thrust areas for local government sector and pursuant to Audit Instructions dated July 9, 2018, and on such others that were deemed necessary during the course of our actual audit.

INDEPENDENT AUDITORS' REPORT ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion in the financial statement for the reason that existence, accuracy and reliability of the Property, Plant and Equipment (PPE) amounting to P120,341,813.60 cannot be fully ascertained due to: 1) failure of the agency to prove the existence of ICT Equipment amounting to P919,940.55; 2) the agency did not conduct physical count of inventory at year end; 3) discrepancy between the submitted Inventory List of PPE and the balances reflected in the FS amounting to P9,903,515.98; and 4) non-preparation of PPE ledger cards and Property Cards, contrary to Section 114 and Section 124, Volume 1 of the New Government Accounting System for LGU and RA 7160, Book II -Title IV Section 375.

SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

A. Financial and Compliance Audit

1. Cash advances in the amount of P53,820.00 remained outstanding and unliquidated for more than five months to eleven months and additional cash advances were granted despite non-liquidation of the previous ones, contrary to COA Circular No. 97-002 dated February 10, 1997, and Section 89 of P. D. 1445, thereby exposing government funds to possible loss or unauthorized use.

We recommended that management:

- a. **Enforce the immediate liquidation and refund of these unliquidated cash advances. The Head of Office and the Accountant to send demand letters to the concerned employees to liquidate/settle the outstanding**

cash advances, otherwise the sanctions of non-liquidation of advances for travel, which is to delete the name of the official or employee from the subsequent payrolls until such time that the travel cash advance has been fully liquidated shall be imposed in pursuant to Section 3.1.2.1 of COA Circular No. 96-004 dated April 19, 1996 and/or to suspend the salaries of these employees pursuant to Section 9.2 of COA Circular No. 2012-004

- b. Closely monitor liquidation of outstanding cash advances and demand the immediate liquidation or settlement of the same pursuant to Section 5.1.3 of COA Circular No. 97-002 dated February 10, 1997 that the Accountant shall send written reminders within ten days before the thirty-day period for advances on travels.**
 - c. Instruct the Accountant to refrain from granting additional cash advance to officials and employees with outstanding advances until previous cash advances are fully settled /liquidated.**
2. The existence, accuracy and reliability of the Property, Plant and Equipment (PPE) amounting to P120,341,813.60 cannot be fully ascertained due to: 1) failure of the agency to prove the existence of ICT Equipment amounting to P919,940.55; 2) the agency did not conduct physical count of inventory at year end; 3) discrepancy between the submitted Inventory List of PPE and the balances reflected in the FS amounting to P9,903,515.98; and 4) non-preparation of PPE ledger cards and Property Cards, contrary to Section 114 and Section 124, Volume 1 of the New Government Accounting System for LGU and RA 7160, Book II - Title IV Section 375.

We recommended to the Municipal Mayor or his representative to:

- a. direct the property unit to prove the existence of the ICT Equipment in the amount of P919,940.55 and present the Property Acknowledgement Receipt (PAR) to determine the accountability thereof;**
- b. create an Inventory Committee which will conduct the physical count of inventory every year-end;**
- c. direct the accountant and property unit to reconcile the deficiencies noted in the amount of P9,903,515.98;**
- d. direct the property unit to conduct annual physical count of PPE, prepare and submit complete inventory reports to the auditor promptly and maintain Property Cards (PCs) on each item of PPE; instruct the accounting unit to maintain Property, Plant and**

Equipment Ledger Cards (PPELCs) and facilitate reconciliation of records;

- e. direct the GSO or Municipal Treasurer to provide a complete list of all donated PPEs;**
 - f. direct the Accountant to make the necessary adjusting entries for unrecorded depreciation.**
3. Road Networks of P37,870,185.84 for the year 2018 could not be ascertained of its reliability due to the non-preparation and submission of Local Road Inventory and Road Map contrary to COA Circular No. 2015-008 thereby, fair presentation of the account Infrastructure Assets- Road Networks in the Financial Statement is not assured.

We recommended that the Local Chief Executive require the concerned municipal officials to strictly follow the provision of COA Circular No. 2015-008 on the proper accounting and reporting for local road and road network system to ensure that all roads are properly valued and recorded, and to assure the fair presentation of the account infrastructure assets in the financial statements.

4. Monthly net take home pay of various employees of the Municipality of Hernani were below P5,000.00 due to deductions made for the payment of loans contrary to Section 48 of the General Provisions of RA 10964 (General Appropriations Act for FY 2018) thus showing lack of proper supervision and inadequate controls in the processing of payrolls.

We recommended that the minimum net take home pay should be observed by the agency. Loans of employees obtained from entities should be settled/paid by the employee themselves in cases if net take home pay would already be below what is prescribed by law. We wish to put emphasis that the general provisions of the GAA be looked every year since these would differ from year to year.

5. The Bids and Awards Committee failed to recommend through a resolution that the agency will resort to an alternative methods of procurement, in contrary to Rule XVI, Section 48 on Alternative Methods of Procurement casting doubt on the validity of the procurement process and may not obtained the most advantageous price for the LGU.

We recommended that the BAC thru a resolution, advise HOPE on what alternative mode of procurement to endorse by adopting Rule XVI, Section 48 of 2016 Revised Implementing Rules and Regulations.

6. Submission of accounts and reports by the Municipal Accountant were delayed by an average of 80 days, likewise the non-submission of Pre-Closing Trial Balance and Statement of Appropriation, Obligations and Balances were all in violation of Section 347 of RA 7160 and Section 7.2.1 paragraph (a) of COA Circular No. 2009-006 and Section 70 of the NGAS Manual for LGUs, Vol I, thus depriving the management on the prompt communication of the audit results.

We recommended that the Municipal Accountant prepare and submit the accounts and reports to COA within the period prescribed by existing laws and regulations.

B. 20 % Development Fund

The agency has unutilized funds totaling P9,636,119.20 or 95% worth of idle current year appropriations under the 20% Development Fund (DF) contrary to Department of Interior and Local Government- Department of Budget and Management (DILG-DBM) Joint Memorandum Circular (JMC) No. 2017-1, dated February 22, 2017, thus exposing the government from suffering higher cost on the unimplemented projects which is not beneficial to the government and the community.

We recommended that the Local Chief Executive direct the Municipal Planning and Development Officer and the Municipal Engineer to ensure the efficient implementation of the PPAs in the 20% Development fund to timely benefit its constituents.

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

The municipality properly appropriated P2,594,754.80 for the LDRRMF of the current year. Prior year's continuing appropriation totaled P5,944,434.67. Total available appropriations amounted to P8,539,189.47.

For CY 2018, the municipality utilized P2,537,513.79 for road concreting going to the evacuation center, trainings, purchase of medicines and various LDRRM supplies and equipment. Balances of appropriations amounted to P6,001,675.68. (*Annex G*)

D. Audit of Environmental Protection and Waste Management Program

The municipality has prepared a 10-year Solid Waste Plan but still in the process for approval by the National Solid Waste Management Commission. Also, despite our prior year's recommendation, the LGU still failed to implement the 10-year Solid Waste Plan and according to the concerned officials, implementation

was delayed due to the sudden resignation of the MPDC and absence of land site appropriate for waste disposal.

During the ocular inspection, it was revealed that the municipality has an existing structure for MRF but not yet functional.

E. Audit of Special Education Fund

The Special Education Fund (SEF) of P516,518.01 was not utilized due to: 1) Failure of the Local School Board (LSB) to prepare and submit a budget for the year; 2) Failure of the Municipal Treasurer to transfer the collected SEF share in the general fund amounting to P313,818.80 to SEF depository account, 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 to the Municipal Mayor or his representative to:

- a. Convene the Local School Board (LSB) and cause preparation of the budget and furnish a copy thereof the Municipal Budget Officer, Accountant and Treasurer as basis for disbursement or certification of availability of funds and for recording purposes.**
- b. Direct the Municipal Treasurer to immediately transfer the remaining P343,818.88 SEF share to its depository account in compliance with Section 310 of Republic Act No. 7160.**

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

The municipality has incorporated the GAD related PPAs in the 20% development fund, LDRRMF, and other fund sources. Total appropriation amounted to P2,855,008.84. Utilization for the year amounted to P1,734,048.84. Balance of Appropriation amounted to P1,120,960.00. (*Annex H*)

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

The Management still 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) despite prior year audit recommendation.

H. Compliance with Tax Laws

For CY 2018, 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 P5,389,059.96 and remitted P4,795,117.35. Unremitted balances as of year-end were duly remitted on 2019.

I. Credit Financing/Debt Servicing

The Municipality has not obtained any loan for CY 2018. 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.

J. Status of Suspensions, Disallowances and Charges

The total audit suspensions, disallowances, and charges issued in the course of audit of various transactions of the Municipal Government of Hernani, Eastern Samar, as of December 31, 2018 amounted to P383,492.98. For details, please see Annex I.

	Beginning Balance (As of January 1, 2018)	This Period January 1 to December 31, 2018		Ending Balance (As of December 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	2,272,537.62	0.00	1,889,044.64	383,492.98
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	2,272,537.62	0.00	1,889,044.64	383,492.98

K. Status of Implementation of Prior Years' Audit Recommendations

Of the twenty-four (24) audit recommendations embodied in the CY 2017 Audit Report, ten (11) was implemented, two (3) were partially implemented and seven (10) was not implemented by management.

TABLE OF CONTENTS

	Page
Part I	
Financial Statements	
Independent Auditor's Report	1
Statement of Management's Responsibility for Financial Statements	3
Consolidated Statement of Financial Position	4
Consolidated Statement of Financial Performance	5
Consolidated Statement of Cash Flows	6
Consolidated Statement of Changes in Equity	7
Statement of Comparison of Budget and Actual Amounts	8
Notes to Financial Statements	11
Part II	
Detailed Findings and Recommendations	25
Part III	
Status of Implementation of Prior Years' Audit Recommendations	38
Part IV	
Annexes	



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

INDEPENDENT AUDITOR’S REPORT

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

Qualified Opinion

We have audited the financial statements of the Municipality of Hernani, which comprise the statement of financial position as at December 31, 2018, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the Municipality of Hernani as at December 31, 2018, and its financial performance, its cash flows and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs)

Basis for Modified Opinion

As discussed in Part II of this report, the existence, accuracy and reliability of the Property, Plant and Equipment (PPE) amounting to P120,341,813.60 cannot be fully ascertained due to: 1) failure of the agency to prove the existence of ICT Equipment amounting to P919,940.55; 2) the agency did not conduct physical count of inventory at year end; 3) discrepancy between the submitted Inventory List of PPE and the balances reflected in the FS amounting to P9,903,515.98; and 4) non-preparation of PPE ledger cards and Property Cards, contrary to Section 114 and Section 124, Volume 1 of the New Government Accounting System for LGU and RA 7160, Book II -Title IV Section 375

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor’s Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical

responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

Except for the matter described in the *Basis for Qualified Opinion* section, we have determined that there are no other key audit matters to communicate in our report.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

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

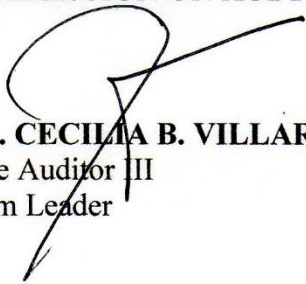
Those charged with governance are responsible for overseeing the LGU’s financial reporting process.

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:



MA. CECILIA B. VILLARETE
State Auditor III
Team Leader

March 27, 2019



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, 2018, and the related Statement of Income and Expenses and Statement of Cash Flows for the period then ended. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

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

A handwritten signature in black ink, appearing to read "Sylvia E. Almazan".

SYLVIA E. ALMAZAN
Municipal Accountant

A handwritten signature in black ink, appearing to read "Edgar C. Boco".

HON. EDGAR C. BOCO
Municipal Mayor

Local Government Unit - Hernani
Consolidated Statement of Financial
As at December 31, 2018
(in PHP)

ASSETS	<i>Note</i>	2018	2017
Current Assets			
Cash and Cash Equivalents	4	45,872,958.93	51,387,785.57
Investment			
Receivables	5	5,354,703.01	5,031,371.45
Inventories	6	735,942.00	735,942.00
Prepayments and Deferred	7	31,696.01	97,936.80
Total Current Assets		51,995,299.95	57,253,035.82
Noncurrent Assets			
Investments			
Receivables			
Investment Property	8	49,512.75	49,512.75
Property, Plant and Equipment	9	120,341,813.60	87,215,230.87
Biological Assets			
Intangible Assets			
Total Non-Current Assets		120,391,326.35	87,264,743.62
Total Assets		172,386,626.30	144,517,779.44
LIABILITIES			
	10		
Current Liabilities			
Financial Liabilities		1,916,957.29	1,854,241.59
Inter-Agency Payables		18,747,331.41	33,906,115.93
Intra-Agency Payables		939,886.76	-
Trust Liabilities		11,165,918.06	5,944,434.67
Other Liabilities			
Other Payables			3,754,649.94
Total Current Liabilities		32,770,093.52	45,459,442.13
Non-current Liabilities			
Financial Liabilities			
Deferred Credits/ Unearned Income		87,000.00	87,000.00
Provisions			
Other Payables			
Total Non-Current Liabilities		87,000.00	87,000.00
Total Liabilities		32,857,093.52	45,546,442.13
NET ASSETS/ EQUITY			
Government Equity		139,529,532.78	98,971,337.31
Total Liabilities and Net Assets/ Equity		172,386,626.30	144,517,779.44

Local Government Unit - Hernani
Consolidated Statement of Financial Performance
For the Year Ended December 31, 2018
(in Php)

	<i>Note</i>	<u>2018</u>	<u>2017</u>
Revenue			
Tax Revenue	<i>11</i>	761,690.96	653,283.15
Share from Internal Revenue Collections		50,695,096.00	47,276,799.00
Other Share from National Taxes			
Service and Business Income	<i>12</i>	1,663,760.02	1,477,643.05
Shares, Grants and Donation		37,870,185.84	75,445,000.00
Gains			
Other Income		54,389.50	
Total Revenue		<u>91,045,122.32</u>	<u>124,852,725.20</u>
Less: Current Operating Expenses			
Personnel Services	<i>13</i>	27,956,186.06	26,044,987.34
Maintenance and Other Operating Expenses	<i>14</i>	12,902,197.98	16,198,265.49
Non-cash expenses	<i>16</i>	6,414,600.43	1,944,873.38
Financial Expenses	<i>15</i>		102,386.50
Total current operating expenses		<u>47,272,984.47</u>	<u>44,290,512.71</u>
Surplus (Deficit) from Current Operation		43,772,137.85	80,562,212.49
Add (deduct)			
Transfers, Assistance and Subsidy from			
Transfers, Assistance and Subsidy to		3,214,022.38	7,735,150.95
Surplus (Deficit) for the period		<u><u>40,558,115.47</u></u>	<u><u>72,827,061.54</u></u>

See accompanying notes to Financial Statements

Consolidated Statement of Cash Flows

As at December 31, 2018

(in Php)

	<u>2018</u>	<u>2017</u>
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Collection from taxpayers	2,093,249.47	2,301,313.56
Share from Internal Revenue Allotment	50,695,096.00	42,276,799.00
Receipts from business/service income	928,021.96	14,482,512.84
Interest Income	54,389.50	-
Receipts in Trust	27,228,122.23	22,518,613.55
Other Receipts	8,895,832.52	28,646,389.67
Total Cash Inflows	89,894,711.68	110,225,628.62
<i>Cash Outflows</i>		
Payment of expenses	15,631,404.58	14,202,288.39
Payments to suppliers and creditors	14,759,382.67	10,053,605.74
Payments to employees	14,830,155.00	16,127,727.03
Interest Expense		102,386.50
Other Expenses	48,517,599.15	39,857,741.13
Total Cash Outflows	93,738,541.40	80,343,748.79
Net Cash Flows from Operating Activities	(3,843,829.72)	29,881,879.83
Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Proceeds from Sale of Non-Current Investments		
Total Cash Inflows		
<i>Cash Outflows</i>		
Purchase/Construction of Property, Plant and Equipment	1,670,996.92	
Total Cash Outflows	(1,670,996.92)	
Net Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
<i>Cash Inflows</i>		
Proceeds from Loans		
Total Cash Inflows		
<i>Cash Outflows</i>		
Payment of loan amortization		1,665,452.83
Total Cash Outflows		1,665,452.83
Net Cash Flows from Financing Activities	-	(1,665,452.83)
Total Cash Provided by Operating, Investing and Financing Activities	(5,514,826.64)	28,216,427.00
Add: Cash at the Beginning of the year	51,387,785.57	23,171,358.57
Cash Balance at the End of the Year	45,872,958.93	51,387,785.57

See accompanying notes to Financial Statements

Local Government Unit - Hernani

Consolidated Statement of Changes in Net Assets/ Equity

As at December 31, 2018

(in Php)

	<u>2018</u>	<u>2017</u>
Balance at January 1, 2018	98,971,337.31	20,705,097.28
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	80.00	5,439,178.49
Restated Balance	<u>98,971,417.31</u>	<u>26,144,275.77</u>
Add (Deduct) Changes in net assets/equity during the year		
Adjustment of net revenue recognized directly in net assets/equity		
Surplus (Deficit) for the period	40,558,115.47	72,827,061.54
Total recognized revenue and expenses for the period	<u>40,558,115.47</u>	<u>72,827,061.54</u>
Balance at December 31, 2018	<u>139,529,532.78</u>	<u>98,971,337.31</u>

See accompanying notes to Financial Statements

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

For the Year Ended December 31, 2018

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Revenue						
A. Local Sources						
1. Tax Revenue						
a. Tax Revenue- Property		260,000.00	260,000.00		110,697.69	(149,302.31)
b. Tax Revenue – Goods and Services		400,000.00	400,000.00		410,371.00	10,371.00
c. Other Local Taxes		120,000.00	120,000.00		122,100.00	2,100.00
Total Tax Revenue		780,000.00	780,000.00		643,168.69	
2. Non-Tax Revenue						
a. Service Income		300,000.00	300,000.00		483,766.20	183,766.20
b. Business Income		120,000.00	120,000.00		244,249.71	124,249.71
c. Other Income and Receipts		800,000.00	800,000.00		985,096.65	185,096.65
Total Non-Tax Revenue		1,220,000.00	1,220,000.00		1,713,112.56	493,112.56
B. External Sources						
1. Share from the National Internal Revenue Taxes		50,695,096.00	50,695,096.00		50,695,096.00	
2. Share from GOCCs						
3. Other Shares from National Tax Collections						
a. Share from Ecozone						
b. Share from EVAT						
c. Share from National Wealth						
d. Share from Tobacco Excise Tax						
4. Other Receipts						
a. Grants and Donations						
b. Other Subsidy Income						
5. Inter-local Transfer						
6. Capital /Investment Receipts						
a. Sale of Capital Assets						
b. Sale of Investments						
c. Proceeds from Collections of Loans Receivable						
C. Receipts from Borrowings						
Total Revenues and Receipts		52,695,096.00	52,695,096.00		53,051,377.25	356,281.25

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Expenditures						
General Public Services						
Personnel Services		21,326,239.30	21,354,239.30	(28,000.00)	19,929,299.84	1,424,939.46
Maintenance and Other Operating Expenses		5,911,633.02	5,915,633.02	(4,000.00)	5,913,383.32	2,249.70
Capital Outlay		560,000.00	803,840.00	(243,840.00)	530,348.40	237,491.60
Education						
Personnel Services						
Maintenance and Other Operating Expenses						
Capital Outlay						
Health, Nutrition and Population Control						
Personnel Services		3,299,525.12	3,450,879.12	(151,354.00)	3,257,475.77	193,403.35
Maintenance and Other Operating Expenses		317,222.22	317,222.22		173,171.00	144,051.22
Capital Outlay		60,000.00	60,000.00		1,832.00	58,168.00
Labor and Employment						
Personnel Services						
Maintenance and Other Operating Expenses						
Housing and Community Development						
Personnel Services						
Maintenance and Other Operating Expenses						
Social Services and Social Welfare						
Personnel Services		492,440.16	493,440.16	(1,000.00)	493,440.16	
Maintenance and Other Operating Expenses		107,118.87	107,118.87		94,430.00	12,688.87
Capital Outlay		60,000.00	60,000.00		55,535.00	4,465.00
Economic Services						
Personnel Services		3,132,317.04	3,141,317.04	(9,000.00)	3,141,317.04	
Maintenance and Other Operating Expenses		368,356.61	368,356.61		267,008.18	101,348.43
Capital Outlay		120,000.00	120,000.00		59,908.32	60,091.68
Other Purposes:						
Maintenance and Other Operating Expenses		500,000.00	617,985.00	(117,985.00)	617,985.00	
Capital Outlay		300,000.00	300,000.00			300,000.00
LDRRMF						
Maintenance and Other Operating Expenses		2,440,754.80	2,440,754.80		1,099,732.42	1,341,022.38
Capital Outlay		154,000.00	154,000.00		81,000.00	73,000.00
20% Development Fund						
Capital Outlay		10,139,019.20	10,139,019.20		502,900.00	9,636,119.20
Project Equity/Share LGU Counterpart Nagaja-			1,800,000.00	(1,800,000.00)	1,800,000.00	

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Land & Land Improvement- Canhugas Nature Park Share from National Wealth			728,132.44	(728,132.44)	583,527.00	144,605.44
Maintenance and Other Operating Expenses						
Capital Outlay						
Allocation for Senior Citizens and PWD						
Maintenance and Other Operating Expenses						
Capital Outlay						
Others					2,035,507.90	
Personnel Services		800,000.00	1,134,653.25	(334,653.25)	1,134,653.25	
Maintenance and Other Operating Expenses		2,606,469.66	4,503,763.62	(1,897,293.96)	4,503,763.62	
Capital Outlay						
Continuing Appropriations (Capital Outlay)						
General Public Services					255,946.20	(255,946.20)
Education						
Health, Nutrition and Population Control						
Labor and Employment						
Housing and Community Development						
Social Services and Social Welfare						
Economic Services						
Total		52,695,096.00	58,010,354.65	(5,315,258.65)	44,496,656.52	13,513,698.13
Surplus (Deficit) for the period					8,554,720.73	

Republic of the Philippines
Province of Eastern Samar
MUNICIPALITY OF HERNANI

Notes to Condensed Financial Statements

Note I - Profile

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

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

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

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

Note 2- Basis for Financial Statements Presentation

The consolidated financial statements of the LGU have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS). The consolidated financial statements are presented in pesos, which is the functional and reporting currency of the LGU. The accounting policies have been applied starting the year 2015.

Note 3 - Summary of significant accounting policies

3.1 Basis of accounting

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

3.2 Revenue recognition

Revenue from non-exchange transactions

Taxes, fees and fines

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

Transfers from other government entities

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

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

Revenue from exchange transactions

Rendering of services

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

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

3.3 Property, Plant and Equipment

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

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

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

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

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

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

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

3.4 Cash and cash equivalents

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

3.5 Changes in accounting policies and estimates

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

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

3.6 Related parties

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

3.7 Significant judgments and sources of estimation uncertainty

Judgments

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

Estimates and assumptions

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

Useful lives and residual values

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

- a) The condition of the asset based on the assessment of experts employed by the LGU;

- b) The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- c) The nature of the processes in which the asset is deployed; and
- d) Changes in the market in relation to the asset

Note 4 - Cash and Cash Equivalents	2018	2017
<i>Cash on Hand</i>	932,931.03	648,266.06
Cash-Local Treasury		
<i>Cash in Bank-Local Currency</i>		
Cash in Bank-Local Currency- Current Account	44,940,027.90	50,739,519.51
Total Cash and Cash Equivalent	45,872,958.93	51,387,785.57

Cash in banks earns interest based on the prevailing bank deposits rates. The LGU bank balances is composed of P43,082,671.10, P361,475.07 and P1,509,059.73 for General Fund, Special Education Fund and Trust Fund, respectively.

Note 5 – Receivable	2018	2017
<i>Loans and Receivable Accounts</i>		
Accounts Receivable	309,900.00	536,405.34
Total	309,900.00	536,405.34
<i>Inter-Agency Receivable</i>		
Due from GOCCs	2,499,588.76	2,581,529.27
Due from LGU's	802.35	802.35
Total	2,500,391.11	2,582,331.62
<i>Intra-Agency Receivable</i>		
Due from Other Funds	1,060,046.72	692,927.16
Total	1,060,046.72	692,927.16
<i>Advances</i>		
Advances for Payroll	221,505.36	191,885.75
Advances to Special Disbursing Officer	202,865.25	21,647.01
Advances for Officers and Employees	53,820.00	
Total	478,190.61	213,532.76

Other Receivables

Due from Officers and Employees	917,096.97	917,096.97
Other Receivables	89,077.60	89,077.60
Total	<u>1,006,174.57</u>	<u>1,006,174.57</u>

Note 6 - Inventories

Inventory Held for Manufacturing

	2018	2017
Raw Materials Inventory	720,942.00	720,942.00
Finished Goods Inventory	15,000.00	15,000.00
Total	<u>735,942.00</u>	<u>735,942.00</u>

Note 7 - Prepayments

	2018	2017
Advances to Contractors	31,696.01	97,936.80
Total	<u>31,696.01</u>	<u>97,936.80</u>

Note 8 - Investments

	2018	2017
Other Investments	49,512.75	49,512.75
Total	<u>49,512.75</u>	<u>49,512.75</u>

At December 31, 2018, 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.

Note 9. Property, Plant and Equipment

	2018	2017
Land	3,142,759.25	3,142,759.25
Land Improvements	3,045,669.56	2,462,142.56
Accumulated Depreciation-Land Improvements		
Net Book Value	<u>6,188,428.81</u>	<u>5,604,901.81</u>
Office Buildings	65,658,197.45	65,658,197.45
Accumulated Depreciation-Office Buildings	10,359,351.87	5,914,557.04
Net Book Value	<u>55,298,845.58</u>	<u>59,743,640.41</u>

Hospitals & Health Center	9,644,916.29	9,644,916.29
Accumulated Depreciation-Hospital&Health Center	566,700.00	
Net Book Value	9,078,216.29	9,644,916.29
Markets	10,045,402.24	10,045,402.24
Accumulated Depreciation-Markets	2,505,402.24	2,025,402.24
Net Book Value	7,540,000.00	8,020,000.00
Office Equipment	1,468,718.98	1,435,118.98
Accumulated Depreciation-Office Equipment	1,292,058.98	1,277,118.98
Net Book Value	176,660.00	158,000.00
Furnitures and Fixtures	3,564,877.12	2,769,394.00
Accumulated Depreciation-Furnitures and Fixtures	1,785,924.30	1,380,308.00
Net Book Value	1,778,952.82	1,389,086.00
I.T Equipment and Software	2,560,733.12	2,302,346.32
Accumulated Depreciation-I.T Equipment	2,014,288.76	1,977,288.32
Net Book Value	546,444.36	325,058.00
Machineries	7,447,312.45	7,447,312.45
Accumulated Depreciation-Macheneries	6,124,277.90	5,683,012.84
Net Book Value	1,323,034.55	1,764,299.61
Communication Equipment	388,287.00	388,287.00
Accumulated Depreciation-Communication Equipment	277,660.40	253,377.00
Net Book Value	110,626.60	134,910.00
Medical Equipment	4,750.00	4,750.00
Accumulated Depreciation-Medical Equipment		
Net Book Value	4,750.00	4,750.00
Other Machineries & Equipment	284,021.00	284,021.00
Accumulated Depreciation-Other Machineries & Equipment		
Net Book Value	284,021.00	284,021.00
Motor Vehicles	2,866,566.25	2,866,566.25
Accumulated Depreciation-Motor Vehicles	2,729,018.50	2,729,018.50
Net Book Value	137,547.75	137,547.75

Other Property Plant & Equipment	299,650.20	299,650.20
Accumulated Depreciation-Other Property Plant & Equipment	295,550.20	295,550.20
Net Book Value	<u>4,100.00</u>	<u>4,100.00</u>
Road Networks	37,870,185.84	
Net Book Value	<u>37,870,185.84</u>	
Total	<u>120,341,813.60</u>	<u>87,215,230.87</u>

Note 10. LIABILITIES	2018	2017
<i>Payable Accounts</i>		
Accounts Payable	621,631.52	810,645.62
Due to Officers and Employees	1,102,353.81	1,043,721.00
Interest Payable		
Other Payables	192,971.96	
Loans Payable Domestic		
	<u>1,916,957.29</u>	<u>1,854,241.59</u>

Trade payables are non-interest bearing and are normally settled on 60-days terms.

<i>Inter-Agency Payables</i>	2018	2017
Due to BIR	593,942.61	168,929.07
Due to GSIS	67,722.51	31,038.19
Due to PAG-IBIG	28,766.21	(189.54)
Due to PHILHEALTH	127,944.96	128,287.73
Due to Other NGA's	16,417,514.81	31,778,784.04
Due to Other GOCC's	12,016.03	340,209.64
Due to LGU's	1,499,424.28	1,459,056.80
Other Payables		
Total	<u>18,747,331.41</u>	<u>33,906,115.93</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:

	2018
Philhealth/TB DOTS/MCP	82,801.00
DILG RO-08 Implementation in Recovery Assistance (RAY 2) 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)	7,014,296.16
DILG-Assistance to Municipality 2016	229,585.08
BID DOCS	3,500.00
DSWD-RO-8 CBLA	50,700.00
DILG-Assistance to Municipality 2017	7,771,562.00
DOST RO-08 Financial Assistance for the processing of Agri. Products	300,000.00
DOLE RO-08 Livelihood Assistance on Hog Raising/Fattening Project	716,825.53
	16,417,514.81

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

	2018
Entry Fee (Intertown Basketball)	15,000.00
PTO - Borongan Financial Assistance for EVBL	83,500.00
BNEO	7,244.70
Financial Assistance Typhoon Yolanda	124,795.36
Provincial Share RPT	49,503.64
Provincial Share SEF	70,719.45
Municipal Share SEF	343,813.88
Barangay Share	282,118.95
<i>Brgy. 01 Poblacion</i>	<i>15,281.64</i>
<i>Brgy. 02 Poblacion</i>	<i>30,471.85</i>
<i>Brgy. 03 Poblacion</i>	<i>12,339.94</i>
<i>Brgy. 04 Poblacion</i>	<i>14,830.28</i>
<i>Brgy. Padang</i>	<i>45,500.07</i>
<i>Brgy. Canciledes</i>	<i>34,020.77</i>
<i>Brgy. Nagaja</i>	<i>28,649.34</i>
<i>Brgy. Carmen</i>	<i>26,325.36</i>
<i>Brgy. San Isidro</i>	<i>10,568.32</i>

	<i>Brgy. Batang</i>	22,133.48	
	<i>Brgy. Garawon</i>	25,118.41	
	<i>Brgy. San Miguel</i>	15,625.69	
	<i>Brgy. Cacatmonan</i>	1,253.80	
		<u>282,118.95</u>	
Fund for reconciliation (contra account)			<u>522,728.30</u>
Total			<u>1,499,424.28</u>

<i>Intra-Agency Payables</i>	2018	2017
Due to other Funds	<u>939,886.76</u>	-
Total	<u>939,886.76</u>	-

Trust Liabilities		2018
Trust Liabilities-Disaster Risk Reduction and Management Fund		6,001,675.68
Bail Bonds Payable		5,023,942.38
Guarantee/Security/Deposits Payable		140,300.00
Total		<u>11,165,918.06</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) 1,677,741.69

21.2 Disaster Preparedness Fund
(70% of the LDRRMF) 4,323,933.99

Total **6,001,675.68**

Deferred Credits/Unearned Income

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

Note 11 - Tax Revenue

Tax Revenue-Individual and Corporation

Community Tax 103,169.96

<i>Tax Revenue-Property</i>	
Real Property Tax	94,817.78
Special Education Tax	118,522.27
Real Property Tax Transfer	
<i>Tax Revenue-Goods and Services</i>	
Business Tax	305,141.04
Tax on Delivery Trucks & Vans	2,060.00
<i>Tax Revenue-Others</i>	
Other Taxes	122,100.00
Fines and Penalties	15,879.91
	<u>761,690.96</u>
<i>Share from National Taxes</i>	
Share from Internal Revenue Collection	<u>50,695,096.00</u>
Total	<u>51,456,786.96</u>

Note 12 - Service and Business Income	2018
<i>Service Income</i>	
Permit Fees	266,961.20
Registration Fees	85,185.00
Clearance and Certificate Fees	91,470.00
Occupation Fees	184,790.21
Fees for Sealing and Licensing of Weights & Measures	5,810.00
<i>Business Income</i>	
Parking Fees	16,940.00
Slaughterhouse Operation	5,070.00
Sales Revenue	5,036.96
Garbage Fees	17,400.00
Other Business Income	917,985.00
Municipal Share (Coconut Cutting)	21,120.00
Municipal Share STL PCSO	45,991.65
<i>Other Income</i>	
Interest Income	54,389.50
<i>Subsidy Income</i>	
Grants & Donations in Kind	<u>37,870,185.84</u>
Total	<u>39,588,335.36</u>

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

17,188,756.24

Other***Compensation***

Personal Economic Relief allowance	1,009,000.00
Representation Allowance	1,283,625.00
Transportation Allowance	1,283,625.00
Clothing/Uniform Allowance	264,000.00
Subsistence Allowance	109,725.00
Productivity Incentive Allowance	210,000.00
Hazard Pay	145,354.00
Year-End Bonus	2,884,926.55
Cash Gift	219,750.00
Other Bonuses and Allowances	

Personnel Benefit***Contribution***

Retirement and Life Insurance Premiums	1,911,543.22
Pag-ibig Contribution	50,600.00
Philhealth Contribution	187,996.87
Employees Compensation Insurance	48,110.95

Other Personnel***Benefits***

Terminal Leave Benefits	1,134,653.25
Other Personnel Benefits	24,519.98

Total

27,956,186.06**Note 14 - Maintenance and Other Operating Expenses*****Travelling Expenses***

Travelling Expenses-Local	2,425,287.78
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Training and Scholarship Expenses

Training Expenses	400,800.00
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Supplies and Materials Expenses

Office Supplies Expenses	257,673.60
Accountable Forms Expenses	15,470.00
Fuel, Oil and Lubricant Expenses	395,791.42
Other Supplies and Materials	279,436.00
Drugs and Medicines	849,326.85

Utility Expenses

Electricity Expenses	953,521.16
Postage and Courier Services	5,685.00

Communication Expenses

Telephone Expense	529,000.00
Internet Subscription Expenses	29,466.17
Prizes	317,000.00
Advertising Expenses	21,430.00
Rent Expenses	51,250.00
Representation Expenses	694,160.00
<i>Confidential, Intelligence and Extraordinary Expenses</i>	
Confidential Expenses	50,000.00
Total	<u><u>7,275,297.98</u></u>

Contracted Services

Professional Services

Auditing Services	
Other General Services	4,344,660.90
Other Professional Services	51,000.00
Total	<u><u>4,395,660.90</u></u>

Repair & Maintenance

Repair & Maintenance-Land and Land Improvements	5,000.00
Repair & Maintenance-Buildings and Other Structure	42,879.00
Repair & Maintenance-Machinery and Equipment	64,074.00
Repair & Maintenance-Transportation Equipment	310,754.00
Total	<u><u>422,707.00</u></u>

Financial Assistance/Subsidy

Subsidy to NGAs	
Subsidy to Local Government Units	561,900.00
Total	<u><u>561,900.00</u></u>

Transfer

Transfer of Unspent Current Year DRRM Funds to the Trust Fund	1,414,022.38
Transfer for Project Equity Share	1,800,000.00
Total	<u><u>3,214,022.38</u></u>

Taxes, Insurance Premiums and Other Fees

Taxes, Duties and Licenses	11,489.50
Fidelity Bond Premiums	99,142.50
Total	<u><u>110,632.00</u></u>

Other Maintenance and Operating Expenses

Representation Expenses	
Rent/Lease Expenses	
Donations	55,000.00
Other Maintenance and Operating Expenses	81,000.00
Total	<u>136,000.00</u>

Note 15 - Financial Expenses

Interest Expenses	
Other Financial Charges	
Guarantee Fees	
Total	<u> </u>

Note 16 - Non-Cash Expenses

Depreciation and Amortization

Depreciation-Buildings and Other Structure	5,491,494.83
Depreciation-Machinery and Equipment	517,489.30
Depreciation-Transportation Equipment	
Depreciation-Furniture, Fixtures and Books	405,616.30
Inventory Loss (Bagsakan Center Typhoon Yolanda)	
Total	<u>6,414,600.43</u>

PART II – DETAILED FINDINGS AND RECOMMENDATIONS

SIGNIFICANT ACCOMPLISHMENTS OF THE LGU:

The Municipality has the following significant accomplishments for the year:

1. Concreting of Sitio Lingsad Carmen to San Isidro
2. Construction of Evacuation Center
3. Construction of Road going to the Evacuation Center
4. Improvement of Diversion Dam at Brgy. Garawon
5. Establishment of Swip/ Diversion Dam at Brgy. Padang
6. Construction of Poblacion 01, Brgy. Road
7. Construction of Vermiculture Facility
8. Construction of Warehouse
9. Concreting of remaining 822 meters for Nagaja-Cancilides FMR
10. Construction of Goat House at Brgy. Padang

A. Financial and Compliance Audit

1. **Cash Advances in the amount of P53,820.00 remained outstanding and unliquidated for more than five months to eleven months and additional cash advances were granted despite non-liquidation of the previous ones, contrary to COA Circular No. 97-002 dated February 10, 1997, and Section 89 of P. D. 1445, thereby exposing government funds to possible loss or unauthorized use.**

Likewise, Sec. 89 of P. D. 1445 states that:

“No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.” (Underscoring Supplied)

COA Circular No. 97-002 dated February 10, 1997 restated with amendments of the rules and regulations on the granting, utilization and liquidation of cash advances. It states, among others, the following provisions:

5.1.3 Xxx

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 as provided for under paragraphs 9.2 and 9.3 hereof.”

5.8 All cash advances shall be fully liquidated at the end of each year. Except for petty cash fund, the AO shall refund any unexpended balance to the Cashier/Collecting Officer who will issue the necessary official receipt.”

8. *It shall be the responsibility of the Head of the Agency to ensure the proper granting, utilization and liquidation of all cash advances is in accordance with these rules and regulations.”*

Examination of pertinent records disclosed that cash advances of P53,820.00 remained unsettled at year-end and there were prior cash advances which remained unliquidated, yet their succeeding ones were already liquidated. These are broken down as follows:

Date CA Granted	Check No.	Payee	Nature of Payment	Amount	Amount Due	REMARKS
					91- 365 days	
3/14/2018	0001070980	JULIE C. HABAGAT	CA for travel on March 14-16,2018	20,820.00	20,820.00	
05/18/2018	0001122372	*WILMAR S. CANDIDO	CA	17,960.00		*Liquidated
01/00/1900	0001122375	*JULIE C. HABAGAT	CA	17,960.00		*Liquidated
07/04/2018	0001122545	WILMAR S.CANDIDO	CA for travel on July 16-18,2018	16,500.00	16,500.00	
07/04/2018	0001122547	REOVEN N.COLLARGA	CA for travel on July 16-18,2018	16,500.00	16,500.00	
				89,740.00	53,820.00	

The management commits to comply with the audit observation and started to implement the recommendation upon receipt of the observation.

We recommended that management:

- a. **Enforce the immediate liquidation and refund of these unliquidated cash advances. The Head of Office and the Accountant to send demand letters to the concerned employees to liquidate/settle the outstanding cash advances, otherwise the sanctions of non-liquidation of advances for travel, which is to delete the name of the official or employee from the subsequent payrolls until such time that the travel cash advance has been fully liquidated shall be imposed in pursuant to Section 3.1.2.1 of COA Circular No. 96-004 dated April 19, 1996 and/or to suspend the salaries of these employees pursuant to Section 9.2 of COA Circular No. 2012-004**
- b. **Closely monitor liquidation of outstanding cash advances and demand the immediate liquidation or settlement of the same pursuant to Section 5.1.3 of COA Circular No. 97-002 dated February 10, 1997 that the Accountant shall send written reminders within ten days before the thirty-day period for advances on travels.**
 - a. **Instruct the Accountant to refrain from granting additional cash advance to officials and employees with outstanding advances until previous cash advances are fully settled /liquidated.**

2. The existence, accuracy and reliability of the Property, Plant and Equipment (PPE) amounting to P120,341,813.60 cannot be fully ascertained due to: 1) failure of the agency to prove the existence of ICT Equipment amounting to P919,940.55; 2) the agency did not conduct physical count of inventory at year end; 3) discrepancy between the submitted Inventory List of PPE and the balances reflected in the FS amounting to P9,903,515.98; and 4) non-preparation of PPE ledger cards and Property Cards, contrary to Section 114 and Section 124, Volume 1 of the New Government Accounting System for LGU and RA 7160, Book II -Title IV Section 375.

Our audit of the PPE for CY 2018 disclosed some deficiencies that rendered the account balances unreliable.

a) Failure of the agency to prove the existence of ICT Equipment amounting to P919,940.55

Section 375 (d) of RA 7160 states that every officer primarily accountable for government property shall keep a complete record of all properties under his charge and render his accounts therefor semiannually to the provincial or city general services officer or the municipal mayor or punong barangay, as the case may be.

During the surprise inspection of PPE by the audit team, the acting GSO and accountant failed to identify the specific location of the following ICT Equipment, as shown in the table below:

Particulars	Cost
Mayor's Office	
ICT Equipment	
13 sets of computer desktop	480,350.00
14 set Printer (HP)	140,000.00
4 set Generator (Tenmar 5KVA Diesel Engine)	200,000.00
1 unit Risograph	99,590.55
Total	919,940.55

These PPE items were included in the List of PPE submitted by the agency. Since the agency failed to identify these PPE items during the inspection, it raised a doubt on their existence.

b) The agency did not conduct physical count of inventory at year end

Sec. 124 of LGU- NGAS Chapter 7 provides that the local chief executive shall require periodic physical inventory of supplies or property. Physical count of inventory items by type shall be conducted semestrally and reported in the Report of the Physical Count of Inventories (RPCI). This shall be submitted to the Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.

Physical count of property, plant, and equipment by type shall be made annually and reported on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE). This shall be submitted to the Auditor concerned not later than January 31 of each year.

Non-conduct of physical count of inventory at year end will make the PPE balance at year end unreliable. Conduct of this activity is crucial as it will prove the existence of each PPE item. Also, monitoring of PPE is important to determine the state of each item, whether they are still serviceable or not.

Because of the non-conduct on physical count, it resulted in the following deficiencies:

- Failure of the agency to identify the location of the ICT equipment previously mentioned;
- The agency also failed to identify the serviceable and unserviceable PPEs in their submitted list;
- There were existing furniture and fixtures such as two wooden chairs in the Budget Office that were not included in the list of PPE.

c) Discrepancy between the submitted Inventory List of PPE and the balances in the FS amounting to P9,903,515.98

Chapter 2 of PD 1445 states the following:

Section 111. Keeping of accounts. (1) The accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government. (2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information

Verification of the submitted Inventory List of PPE disclosed some discrepancies against the balances in the FS:

PPA	Inventory List of PPE (at cost)	PPE per FS (at cost)	Variance
Buildings & Structures			
Office Buildings;Evacuation buliding & Gym	58,000,000.00	65,658,197.45	- 7,658,197.45
Markets	8,000,000.00	10,045,402.24	- 2,045,402.24
Hospitals & Health Center	9,445,000.00	9,644,916.29	- 199,916.29
TOTAL	75,445,000.00	85,348,515.98	- 9,903,515.98

Inconsistency of the records rendered the information and recorded balances misleading and therefore affecting their reliability.

d) Non-preparation of PPE ledger cards and Property Cards

Section 114 of LGU- NGAS Chapter 7 provides that the Chief Accountant shall maintain the perpetual inventory records comprising of Supplies Ledger Cards (SLC) for each commodity/stock, Property, Plant and Equipment Ledger Card (PPELC) for each category of plant, property and equipment and Work, Other Animals and Breeding Stocks Ledger Card (WOABSLC) for each type of livestock. Such ledger cards shall contain the details of the property, plant and equipment and livestock account in the inventory control account in the general ledger.

The General Services Officer or the Municipal Treasurer, as the case maybe shall likewise maintain stock cards and property cards for supplies; property, plant and equipment; and work animals in their custody to account for the receipt and disposition of the same. The balance per stock card/property cards should always reconcile with the ledger cards of the accounting unit. They should also reconcile with other property records like Acknowledgement Receipt for Equipment (ARE).

The non-maintenance of Property Cards (PC) by the Property/Supply Unit and PPE Ledger Cards (PPELC) by the Accounting Unit, which are necessary records in accounting and monitoring for PPE, rendered no basis to check the accuracy of the recorded balances.

The absence of PC and PPELC results to the non-reconciliation of records between the Accounting and Supply Unit, and thus the accuracy of the PPE account balances could not be ascertained.

e) Other Observations

Section 63 of P.D.1445 provides for the accounting for moneys and property received by public officials. Except as may otherwise be specifically provided by law or competent authority all moneys and property officially received by a public officer in any capacity or upon any occasion must be accounted for as government funds and government property. Government property shall be taken up.

Verification of records revealed the following additional observations:

- Donated PPEs were not included in the inventory list submitted by the agency, thus, understating the PPE balance as of year-end. Per interview with agency personnel, they did

not include them in the list because they do not know the value of the properties (*See Annex D for details*);

- Other Machineries and Equipment amounting to P284,021.00 were not depreciated since 2017;
- The Acting GSO of the agency is not officially designated as GSO and also functions as Tourism Officer and staff in the Treasurer’s Office;
- Review of the Financial Statements (FS) as of December 31, 2018 disclosed that Public Infrastructure- Roads, Highways & Bridges amounting to P37,870,185.84 are at cost and no depreciation has been made for the year.
 - During review of the Project, Programs and Activities from January 1 to December 31, 2018 and ocular inspection conducted by the audit team further revealed that the Concreting of Nagaja- Canciledes road with a total contract cost of P29,644,115.83 started in December 15, 2016 and was completed in 2017. In 2018, rehabilitation of Nagaja to Cancilides road has been made in two variations amounting to P1,600,750.00 for variation 1 and P6,635,307.30 for variation 2 and was fully completed in 2018. See details below:

Particulars	Contract Cost	Date Started	Date of Completion	Remarks
Roads				
Concreting of Nagaja to Cancilides	29,644,115.84	12/15/2016	05/06/2017	Not accounted in 2017 PPE and no depreciation for 2017 and 2018
Rehabilitation of Nagaja to Cancilides- Variation 1	1,600,750.00	02/12/2018	3/28/2018	No depreciation from April 2018 to December 2018
Rehabilitation of Nagaja to Cancilides- Variation 2	6,625,320.00	3/15/2018	4/28/2018	No depreciation from May 2018 to December 2018
	37,870,185.84			

The aforementioned deficiencies casted uncertainties over the existence, reliability and accuracy of the PPE account balance reflected in the agency’s submitted financial statements.

We recommended to the Municipal Mayor or his representative to:

- **direct the property unit to prove the existence of the ICT Equipment in the amount of P919,940.55 and present the Property Acknowledgement Receipt (PAR) to determine the accountability thereof;**
- **create an Inventory Committee which will conduct the physical count of inventory every year-end;**

- **direct the accountant and property unit to reconcile the deficiencies noted in the amount of P9,903,515.98;**
 - **direct the property unit to conduct annual physical count of PPE, prepare and submit complete inventory reports to the auditor promptly and maintain Property Cards (PCs) on each item of PPE; instruct the accounting unit to maintain Property, Plant and Equipment Ledger Cards (PPELCs) and facilitate reconciliation of records;**
 - **direct the GSO or Municipal Treasurer to provide a complete list of all donated PPEs;**
 - **direct the Accountant to make the necessary adjusting entries for unrecorded depreciation.**
- 3. Road Networks of ₱37,870,185.84 for the year 2018 could not be ascertained of its reliability due to the non-preparation and submission of Local Road Inventory and Road Map contrary to COA Circular No. 2015-008 thereby, fair presentation of the account Infrastructure Assets-Road Networks in the Financial Statement is not assured.**

COA Circular No. 2015-008 provides, Accounting and Reporting Guidelines on the Local Road Asset Management.

The Manual on the New Government Accounting System for Local Government Units provides that public infrastructures which include roads shall be recorded in the Registry of Public Infrastructure and disclosed in the Notes to Financial Statements.

Accounting Policies

1. Public Infrastructures shall form part of and be recorded in the books of Property, Plant and Equipment.
2. Public Infrastructures include among others the road network system. This may be composed of a) road lot, b) road pavement, c) drainage and slope protection structures and d) other miscellaneous structures.

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Accounting and Reporting Procedures

1. Conduct an inventory of the local roads under the LGU's jurisdiction.
2. Reconcile the list of inventory per local road inventory and road map with those recorded in the Registry of Public Infrastructure.

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Reporting Guidelines

1. The General Services Officer shall at the end of the accounting period render a Report on Local Road Network of the local government unit concerned.
2. The total road network system shall be disclosed in the Notes to the Financial Statements of the Agency.

3. The Inventory Committee shall prepare the Report on the Physical Count of the Road Network System of the local government unit.

Duties and Responsibilities

- a. Local Accountant
 1. Prepare the Journal Voucher to record the beginning balance of the local road network and its components in the general ledger and the Local Road Network Ledger Card, respectively;
 2. Support the JV with the Registry of Public Infrastructures for Roads, working paper on the distribution of costs for the road components, and working paper on the determination of the depreciated replacement cost for road components with available cost per registry;
 3. Keep and maintain subsidiary records for roads and road components for every road network; and
 4. Prepare a lapsing schedule for the computation of the depreciation for each component at the end of the year.
- b. General Services Officer
 1. Maintain a Local Road Inventory and Road Map;
 2. Keep a complete Local Road Network Property Card for all roads and its components.
- c. Provincial/City/Municipal Engineer
 1. Provide the local accountant and the general services officer with the complete description and cost segregation of road components for road projects.

Our review of the financial statement as of December 31, 2018 showed a total road network of ₱37,870,185.84. The reliability of the said account cannot be ascertained due to non-preparation and submission of Local Road Inventory and Road Map from the general services officer of which this will show a complete description of the road and its component and which should be reconciled with the records/ledgers of the accountant, this is due to the failure of the municipal engineer in providing the local accountant and the general services officer with the complete description and cost segregation of road components for road projects.

Further, it was noted that the municipal accountant recorded the road network base on the journal vouchers that were not supported with the Registry of Public Infrastructures for Roads. Also, the general services officer did not maintain a complete Local Road Network Property Card for all roads and its component which deprive the proper reconciliation of the account.

The non-preparation of Local Road Inventory and the reconciliation of Road Network account with the accountant against the record of the general services officer cast doubt in the fair presentation of account in the financial statement.

We recommended that the Local Chief Executive require the concerned municipal officials to strictly follow the provision of COA Circular No. 2015-008 on the proper accounting and reporting for local road and road network system to ensure that all roads are properly

valued and recorded, and to assure the fair presentation of the account infrastructure assets in the financial statements.

The management agreed to comply with the audit recommendation and will start its implementation in 2019.

- 4. Monthly net take home pay of various employees of the Municipality of Hernani were below P5,000.00 due to deductions made for the payment of loans contrary to Section 48 of the General Provisions of RA 10964 (General Appropriations Act for FY 2018) thus showing lack of proper supervision and inadequate controls in the processing of payrolls.**

Section 48 of the General Provisions of RA 10964 (General Appropriations Act for CY 2018) provides:

Sec. 48. Authorized Deductions. Deductions from salaries and other benefits accruing to any government employee chargeable against the appropriations for Personal Services may be allowed for the payment of individual employee's contributions or obligations due, following in order of preference as stated below:

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

In no case, shall the foregoing deductions reduce the employee's monthly net take home pay to an amount lower than Five Thousand Pesos (P5,000).

Examination of the submitted payrolls from January to May 2018 showed that some of the employees received monthly net take home pay below P5,000. A more thorough perusal of the payrolls disclosed that the minimal net take home pay was due to deduction of cooperative loans from the monthly salaries that at one time an employee's net pay was only P371.71. We also noticed that RATA and Communication allowance were incorporated in the payroll for monthly salaries. If the aforementioned allowances were not included in the computation, the agency's employees would be receiving even lesser amounts, with some even incurring negative balances. (Annex E)

The practice of allowing the net take home pay below the mandated amount is in contravention of the above-stated regulation and is not beneficial to the employees. This lapse indicates lack of proper supervision and inadequate controls in the processing of payrolls. The LGU should not allow salary deductions of personal loans of employees whose net take home

pay is less than P5,000. Likewise, officials who falsely certify the net take home pay of employees, to make him or her eligible for the loan should also be answerable for the violation.

We would like to emphasize that as public servants, all are bound to strictly adhere to valid laws and rules in the performance of functions.

We recommended that the minimum net take home pay should be observed by the agency. Loans of employees obtained from entities should be settled/paid by the employee themselves in cases if net take home pay would already be below what is prescribed by law. We wish to put emphasis that the general provisions of the GAA be looked every year since these would differ from year to year.

The management agreed to comply with the audit recommendation, which the audit team will closely monitor monthly

- 5. The Bids and Awards Committee failed to recommend through a resolution that the agency will resort to an alternative methods of procurement, in contrary to Rule XVI, Section 48 on Alternative Methods of Procurement casting doubt on the validity of the procurement process and may not obtained the most advantageous price for the LGU.**

Rule XVI – Alternative Methods of Procurement

Section 48.1 Subject to the prior approval of the Head of the Procuring Entity (HOPE), and whenever justified by the conditions provided in this Act, the Procuring Entity may, in order to promote economy and efficiency, resort to any of the alternative methods of the procurement provided in this Rule. In all instances, the Procuring Entity shall ensure that the most advantageous price for the government is obtained.

Section 48.2 In accordance with section 10 of this IRR, as a general rule, the Procuring Entities shall adopt competitive bidding as the general method of procurement and shall see to it that the procurement program allows sufficient lead time for such competitive bidding. Alternative methods of procurement shall be resorted to only in the highly exceptional cases provided for in this Rule.

Section 48.3 The method of procurement to be used shall be indicated in the approved APP. If the original method of procurement recommended in the APP was competitive bidding but cannot be ultimately pursued, the BAC, through a resolution, shall justify and recommended the change in the method of procurement to be approved by the HOPE. Such changes must be reflected in the APP to be submitted to the GPPB, pursuant to Section 7.4 of this IRR.

Audit of transactions show that some of the agency's procurement were not done thru competitive bidding and resorted to alternative methods of procurement, if justified by the conditions provided, the procuring entity may, in order to promote economy and efficiency. This is acceptable, but the BAC failed to recommend it through a resolution to be approved by the HOPE. This practice may cast doubt on the validity of the procurement process and may not obtained the most advantageous price for the LGU.

We recommended that the BAC thru a resolution, advise HOPE on what alternative mode of procurement to endorse by adopting Rule XVI, Section 48 of 2016 Revised Implementing Rules and Regulations.

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

- 6. Submission of accounts and reports by the Municipal Accountant were delayed by an average of 80 days, likewise the non-submission of Pre-Closing Trial Balance and Statement of Appropriation, Obligations and Balances were all in violation of Section 347 of RA 7160 and Section 7.2.1 paragraph (a) of COA Circular No. 2009-006 and Section 70 of the NGAS Manual for LGUs, Vol I, thus depriving the management on the prompt communication of the audit results.**

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

Corollary to this, Section 7.2.1, Par. (a), of COA Circular No. 2009-006 provides that the Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency 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.

Also, Section 70 of the NGAS Manual for LGUs, Volume I, provides that the monthly pre-closing trial balance for each fund shall be submitted not later than the twentieth day after the end of the month. It shall be supported by the Status of Appropriations, Allotments and Obligations for both current and continuing appropriations.

Our verification of the submission of the accounts and financial reports by the accountant to the Auditor’s Office for CY 2018 disclosed an average delay of 80 days and the non-submission of Pre-Closing Trial Balance and Statement of Appropriations, Obligations and Balances, as shown by the schedule below:

Submitted Accounts & Reports	Date Submitted	Accounts		Reports (Pre-Closing Trial Balance & SAAO)	
		Due Date of Submission	No. of days delayed	Due Date of Submission	No. of days delayed
2018					
January	8/1/2018	2/12/2018	113	2/20/2018	No submission as of this report
February	8/1/2018	3/12/2018	94	3/20/2018	
March	8/1/2018	4/10/2018	76	4/20/2018	
April	8/1/2018	5/10/2018	55	5/21/2018	

May	10/17/2018	6/11/2018	87	6/20/2018	
June	1/4/2019	7/10/2018	117	7/20/2018	
July	1/4/2019	8/10/2018	94	8/20/2018	
August	1/4/2019	9/10/2018	75	9/20/2018	
September	1/4/2019	10/11/2018	53	10/22/2018	
October	1/4/2019	11/12/2018	32	11/20/2018	
November	No	12/10/2018		12/20/2018	
December	submission as of this report	1/10/2019		1/21/2018	
Average Number of Days Delayed			80		

In addition, the Municipal Accountant also fail to submit the copy of the official receipts of collections from January to December 2018 and Payroll from June to December 2018.

We recommended that the Municipal Accountant prepare and submit the accounts and reports to COA within the period prescribed by existing laws and regulations.

The management committed to comply with the audit recommendation and explained that delays was due to the late submission of reports by the Municipal Treasurer and Budget Officer and also due to lack of office personnel

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

B. Audit of 20% Development Fund

The agency has unutilized funds totaling P9,636,119.20 or 95% worth of idle current year appropriations under the 20% Development Fund (DF) contrary to Department of Interior and Local Government- Department of Budget and Management (DILG-DBM) Joint Memorandum Circular (JMC) No. 2017-1, dated February 22, 2017, thus exposing the government from suffering higher cost on the unimplemented projects which is not beneficial to the government and the community.

Section 2.0 of the DILG-DBM JMC No. 2017-1 dated February 22,2017 states that, *“The 20% DF shall be utilized to finance the LGU’s priority development projects, as embodied in its duly approved local development plans and Annual Investment Program (AIP), which should be directly supportive of the Philippine Development Plan and Public Investment Program.”*

Paragraph 2.2, 2.3 and 5.0 of the Updated Guidelines on the appropriation and utilization of the 20% Development Fund (JMC No. 2017-1, dated February 22, 2017) states that:

- 2.2 The 20% DF shall be utilized to finance the LGU’s priority development projects, as embodied in its duly approved local development plans and Annual Investment

Program (AIP), which should be directly supportive of the Philippine Development Plan and Public Investment Program.

- 2.3 All development projects to be funded under the 20% DF shall contribute to the attainment of desirable socio-economic development and environmental management outcomes of the LGU, and shall partake the nature of investment or capital expenditures.
- 1.0 It is the responsibility of every local chief executive to ensure that the 20% DF is optimally utilized to help achieve the desirable socio- economic development and environmental outcomes of the LGU.

The Municipality of Hernani has appropriated from its IRA a total of 10,139,019.20 for its CY 2018 current year's appropriation of the 20% DF for the implementation of development projects, as mandated by law. Utilization and Balances of the continuing appropriation cannot be ascertained due to non-submission of Statement of Appropriation, Obligations and Balances. However, review of Statement of Comparison of Budget and Actual Amounts as of December 31, 2018 disclosed that out of the total current year appropriation only 502,900 or 4.96% was utilized during the year, leaving a significant unexpended amount of 9,636,119.20. (*Annex F*) Details are shown in the table below:

	Appropriations	Utilizations/Obligation 2018	% of Utilization from available appropriations	Balances
Current Appropriations	10,139,019.20	502,900.00	4.96%	9,636,119.20
Total	10,139,019.20	502,900.00	4.96%	9,636,119.20

It was further observed that the submitted Annual Investment Plan includes various expenditures which are not investment nor capital in nature. Among the various activities charged under the said budget were administrative expenses, maintenance of buildings, trainings, support fund for RHU operations among others. It has already been a concern brought to the attention of the agency in the past year.

We recommended that the Local Chief Executive direct the Municipal Planning and Development Officer and the Municipal Engineer to ensure the efficient implementation of the PPAs in the 20% Development fund to timely benefit its constituents.

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

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

The municipality properly appropriated P2,594,754.80 for the LDRRMF of the current year. Prior year's continuing appropriation totaled P5,944,434.67. Total available appropriations amounted to P8,539,189.47.

For CY 2018, the municipality utilized P2,537,513.79 for road concreting going to the evacuation center, trainings, purchase of medicines and various LDRRM supplies and equipment. Balances of appropriations amounted to P6,001,675.68. (*Annex G*)

D. Audit of Environmental Protection and Waste Management Program

The municipality has prepared a 10-year Solid Waste Plan but still in the process for approval by the National Solid Waste Management Commission. Also, despite our prior year's recommendation, the LGU still failed to implement the 10-year Solid Waste Plan and according to the concerned officials, implementation was delayed due to the sudden resignation of the MPDC and absence of land site appropriate for waste disposal.

During the ocular inspection, it was revealed that the municipality has an existing structure for MRF but not yet functional.

E. Audit of Special Education Fund

The Special Education Fund (SEF) of P516,581.08 was not utilized due to: 1) Failure of the Local School Board (LSB) to prepare and submit a budget for the year; 2) Failure of the Municipal Treasurer to transfer the collected SEF share in the general fund amounting to P313,818.80 to SEF depository account, 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 LSB 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 and 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. This is in addition to the allowed expenditures provided under Section 272 of Republic Act (RA) No. 7160 which is stated in Section 3.1 of the same Joint Circular.

Section 272 of RA No. 7160. *Application of Proceeds of the Additional One Percent SEF Tax.* - 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.

Section 310 of RA No. 7160. *Separation of Books and Depository Accounts.* - 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.

Audit disclosed that SEF was not utilized during the year.

Further examination revealed that the agency maintains a separate depository account for SEF. An amount of P291,289.47 was transferred from the General Fund (GF) to this account last August 1, 2018. However, the agency failed to transfer the remaining amount of P343,813.88 which was still in the GF, to the SEF depository account at year-end. See details below:

Particulars	Amount	Remarks
SEF accounted in General Fund	516,581.08	Beg Bal. Jan 1, 2018
Fund transfer from General Fund to SEF	(291,289.47)	Check no. 0001070900 dated Feb. 15, 2018/Deposited to SEF account on Aug. 1, 2018
SEF Share 2018	118,522.27	Accounted in General Fund
	<u>343,813.88</u>	

This observation is a reiteration of prior year audit observation but then there was no implementation of the recommendations to comply with related laws, rules and regulations in the use of SEF.

We recommended to the Municipal Mayor or his representative to:

- a. Convene the Local School Board (LSB) and cause preparation of the budget and furnish a copy thereof the Municipal Budget Officer, Accountant and Treasurer as basis for disbursement or certification of availability of funds and for recording purposes.**
- b. Direct the Municipal Treasurer to immediately transfer the remaining P343,813.88 SEF share to its depository account in compliance with Section 310 of Republic Act No. 7160.**

Management agreed to comply with the audit recommendation, which the audit team will closely monitor. The management also disclosed that the LSB convened last February 15, 2019 for the Budget Prioritization of Education Projects in the Municipal School Board and the management.

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

The municipality has incorporated the GAD related PPAs in the 20% development fund, LDRRMF, and other fund sources. Total appropriation amounted to P2,855,008.84. Utilization for the year amounted to P1,734,048.84. Balance of Appropriation amounted to P1,120,960.00. (*Annex H*)

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

The Management still 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) despite prior year audit recommendation.

H. Compliance with Tax Laws

For CY 2018, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008. Total taxes withheld from compensation, expanded final VAT and government money payments for the year amounted to P4,547,662.87 and remitted P4,257,565.24. Unremitted balances as of year-end were duly remitted on 2019.

I. Credit Financing/Debt Servicing

The Municipality has not obtained any loan for CY 2018. 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.

J. Compliance with Tax Laws

For CY 2018, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008. Total taxes withheld from compensation, expanded final VAT and government money payments for the year amounted to P4,547,662.87 and remitted P4,257,565.24. Unremitted balances as of year-end were duly remitted on 2019.

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, 2018 amounted to P383,492.98. For details, please see Annex I.

	Beginning Balance (As of January 1, 2018)	This Period January 1 to December 31, 2018		Ending Balance (As of December 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	2,272,537.62	0.00	1,889,044.64	383,492.98
Notice of Disallowance	0.00	0.00	0.00	0.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	2,272,537.62	0.00	1,889,044.64	383,492.98

PART III
STATUS OF IMPLEMENTATION OF PRIOR YEARS’
RECOMMENDATIONS

Of the twenty-four (24) audit recommendations embodied in the CY 2017 Audit Report, ten (11) was implemented, two (3) were partially implemented and seven (10) was not implemented by management.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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.</p>	<p>We recommend that the Local Chief Executive direct the:</p> <p>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;</p> <p>b. Municipal Accountant support the credits made to the accounts with complete documentation and supporting</p>	<p>AAR 2017 & 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.</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	<p>schedules, and submit the same to the audit team;</p> <p>c. Concerned Municipal officials and employees to adhere strictly to COA Circular No. 1997-002.</p>				
<p>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.</p>	<p>The Local Chief Executive direct the Mun. Budget Officer and the Mun. Planning and Development Coordinator to include in the 20% Development Fund PPAs which are expressly included in the guidelines on appropriations and utilization of the 20% DF as enumerated in DILG-DBM JMC No. 2017-1.</p>			Implemented	
<p>The LGU failed to properly manage its solid waste due to (a) non-preparation of the 10-year Solid</p>	<p>We recommend that the management finish the preparation of the</p>			Not implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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.</p>	<p>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.</p>				
<p>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</p>	<p>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.</p>			Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
propriety and unnecessarily depleted the current year's budget.					
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.	We recommend 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).			Not Implemented	
The Local School Board failed to prepare and furnish the Special Education Fund (SEF) budget to the management	We recommend the management to require the LCB to prepare and furnish the municipal budget			Not Implemented	This is reiterated in Part II of this Report.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>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.</p>	<p>officer, accountant and treasurer a copy of the SEF Budget as basis for disbursement or certification of availability of funds and for recording purposes.</p>				
<p>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.</p>	<p>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</p>	<p>AAR 2016</p>		<p>Partially Implemented</p>	<p>This is reiterated in Part II of this Report.</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	and reconcile the records with the Accountant as mandated in Section 119, 120 and 124 of COA Circular No. 2002-003.				
<p>The 2016 Annual Investment Program (AIP) did not include the details of PPAs funded out of the 20% Development Fund, causing difficulty in determining the targeted projects of the fund and the timely implementation thereof, thus, there is no reasonable assurance that the targeted constituents were benefitted or timely benefitted from these projects.</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> The Municipal Planning and Development Coordinator (MPDC) and the Municipal Budget Officer formulate and 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. 	AAR 2016		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	<ul style="list-style-type: none"> The Local Chief Executive ensures the efficient implementation of the PPAs. 				
<p>The LGU incorporated the cost of implementation of GAD activities in its 20% allocation for Development Projects, thereby compromising the 20% Development Fund for other projects that may be funded by it.</p>	<p>We recommend the:</p> <ul style="list-style-type: none"> Budget Officer to make a separate appropriation for the GAD activities in the Annual Budget and submit written justifications on the deficiency; and, LCE to issue policies/and or directives that support gender mainstreaming in the policies, plans, PPAs and services of the LGU; 	AAR 2016		Not Implemented	Reiterated in Part II of this Report.
<p>The Management still uses Allotment</p>	<p>We recommend that management</p>	AAR 2016		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>and Obligation Slip (ALOBS) to certify as to the availability of funds and obligations on contracts/purchase orders and all claims against the government agencies. Also, the Municipal Budget Officer fails to make use of the revised chart of account in conformity with the Philippine Public Sector Accounting Standards (PPAS), thus, making it difficult for the Municipal Accountant to reconcile of what accounts to be recognized.</p>	<p>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>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</p>	<p>We recommend that:</p> <ul style="list-style-type: none"> 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 	<p>AAR 2016</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
of construction workers were not properly ensured.	<p>Implementing Rules and Regulations of Republic Act 9184.</p> <ul style="list-style-type: none"> The Head of Procuring Entity enters into contract with the winning bidder only if all the documentary 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	We recommend that the Local Chief Executive require the Municipal General	AAR 2015		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>P13,393,261.93 could not be ascertained due to: (a) the absence of physical inventory report; and (b) non-maintenance of Property, Plant and Equipment Ledger Cards, Real Property Ledger Cards, Property Cards and other related records/documents</p>	<p>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.</p>				
<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</p>	<p>AAR 2015</p>		<p>Not Implemented</p>	<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>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	No. 2009-006 and Section 347 of RA 7160 are strictly adhered to through regular and close supervision of all concerned personnel/officers.				
Disbursement Vouchers with the supporting documents for the period January to December 2015 for Trust Fund totaling P1,019,251.79, Special Education Fund totaling P14,520.00, Coco Oil Mill totaling P2,363,355.55 and various disbursements from General Fund were not submitted for audit, thus, the validity, regularity, and propriety of the transactions could not be ascertained and their impact on the fair presentation of affected accounts in the financial statements could not be determined.	Direct the LGU officials concerned to submit immediately all the financial reports with the complete supporting documents. Henceforth all laws, rules, regulations relative to the submission of financial reports should be strictly followed. Otherwise, impose the applicable administrative and penal sanctions provided for under the cited regulations against the erring officials if warranted under circumstances.	AAR 2015		Partially Implemented	Management submitted some of the required documents, however some of them are still not submitted to the audit team.

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<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 Development Fund, which were not included as allowable priority projects of such fund, thus the objective of the established fund was not totally attained.</p>	<p>Stop the practice of charging the Electricity expense, Intelligence Expense, Repairs and Maintenance of administrative offices and other expense items not related to development projects to the 20% Development Fund, so that the objectives of the Fund could be fully attained.</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>
<p>Solid waste management in the locality was not implemented by the Municipality contrary to the Ecological Solid Waste Management Act of 2000 or R. A. 9003, thus the objectives of the program was not totally attained.</p>	<p>We recommend that management immediately implement the Ecological Solid Waste Management Act of 2000 by including it in the Annual Budget. Create the Management Solid Waste Management Board and coordinate with</p>	<p>AAR 2015</p>		<p>Not Implemented</p>	<p>Management has not yet closed its open dump site. Thus, the audit observation is reiterated in this Report.</p>

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
	the Provincial Solid Waste Management Board for the related programs and projects to be undertaken.				
Various disbursements totaling P1,526,377.45 were not adequately supported with proper documentation contrary to Section 4 (6) of PD 1445 and relevant provisions of COA Circular 2012 and RA 9184, thus the validity/legality of the transactions were doubtful.	Require the Municipal Treasurer and the OIC Municipal Accountant to submit immediately the lacking documents to the Audit Team for audit. Henceforth, management should see to it that the provisions of Section 4 (6) of PD 1445 and relevant provisions of COA Circular 2012-001 dated June 14, 2014 and RA 9184 be strictly followed/complied. Likewise, refrain from processing claims which are not supported with complete documentary requirements.	CY 2014		Implemented	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
<p>The existence and validity of Property, Plant & Equipment (PPE) accounts totaling ₱27,517,229.80 as of December 31, 2012, could not be established due to the failure of management to conduct the annual physical count of its properties, contrary to Section 124 of the NGAS Manual for LGU, Volume 1, and the possible inclusion in the asset account of unserviceable properties subject for disposal.</p>	<p>Create a committee to conduct the annual physical count of all PPE and to prepare and submit the RPCPPE;</p> <p>Direct the Municipal Accountant to reconcile the PPE account ledger balances with that of the RPCPPE; and</p> <p>Direct the Municipal Accountant and/or Property Officer to prepare the I & I report of all Unserviceable Properties prior to the conduct of disposal, if any.</p>	<p>AAR, CY 2012, 2011</p>		<p>Implemented</p>	
<p>The accuracy and reliability of the balance of the Cash in Bank – Local Currency, Current Account (LCCA) in the amount of P5,712,482.08 as of December 31, 2012 could not be ascertained due to the non-preparation of the Bank Reconciliation</p>	<p>Instruct the Municipal Accountant to prepare and submit monthly bank reconciliation statements in order to present a reliable balance of the Cash in Bank – LCCA account.</p>	<p>AAR, CY 2012</p>		<p>Implemented</p>	

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
Statements, contrary to Sections 3.2, 3.3 and 3.4 of COA Circular No. 96-011 dated October 2, 1996.					
Intelligence and Confidential Funds granted to Mayor Edgar C. Boco, totaling P76,000.00, were immediately taken up as Intelligence Expenses (882), instead of recording it as Advances to Officers and Employees (148), contrary to COA Circular No. 2003-003 dated July 30, 2003, thus monitoring the utilization of the funds could not be made and may expose the funds to possible misuse.	<p>Instruct the Municipal Accountant to reclassify the accounts and make necessary adjusting entry to record the same as Advances to Officers and Employees.</p> <p>Adhere strictly to the provisions of COA Circular No. 2003-003 dated July 30, 2003 in the liquidation of the cash advance.</p>	AAR, CY 2012		Implemented	
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	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

Audit Observation	Recommendation	Ref	Management Action	Status of Implementation	Reason for Partial/Non-Implementation
development project.					which is a mandatory position.
Management failed to submit approved copies of contracts/purchase order, and notices of deliveries for additional review and evaluation contrary to the mandates of COA Circular No. 2009-001.	Copies of the perfected contracts/purchase orders should be submitted within five (5) days after the execution/issuance.	AAR, CY 2009		Partially Implemented	Only contracts for Infrastructure projects are submitted. POs for other procurement are not submitted to the office. Management will comply with the recommendation in future transactions.
The validity of Land, Land Improvements and 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 Property, Plant and Equipment

E Audit Working Paper on Payroll

F Monitoring of Various Programs/Projects/Activities for its 20% Development Fund

G Audit Working Paper on Local Risk Reduction Management Fund Utilization

H Audit Working Paper on Gender and Development Appropriations

I Copy of SADC

LGU-Hernani, Eastern Samar
Statement of Financial Position
General Fund
As at December 31, 2018
With comparative figures for 2017
(In Pesos)

	2018	2017
ASSETS		
Current Assets		
Cash and Cash Equivalents	44,002,424.13	50,236,629.54
Investments		
Receivables	2,124,805.37	1,891,728.92
Inventories	735,942.00	735,942.00
Prepayments and Deferred Charges	31,696.01	45,436.89
Total Current Assets	46,894,867.51	53,169,186.66
Non-Current Assets		
Investments		
Receivables		
Investment Property	49,512.75	49,512.75
Property, Plant and Equipment	120,307,313.60	87,180,730.87
Biological Assets		
Intangible Assets		
Total Non-Current Assets	120,356,826.35	87,230,243.62
Total Assets	167,251,693.86	140,139,980.97
LIABILITIES		
Current Liabilities		
Financial Liabilities	1,913,872.54	1,851,156.84
Inter-Agency Payables	18,347,420.71	33,204,779.04
Intra-Agency Payables	148,721.44	213,246.81
Other Liabilities		825,238.36
Trust Liabilities	8,041,431.41	5,944,434.67
Mortgage/Bonds/Loans Payable		
Deferred Credits/Unearned Income		(259,449.31)
Total Current Liabilities	28,451,446.10	42,038,855.72
Non-Current Liabilities		
Financial Liabilities		
Provision		
Other Payables		
Total Non-Current Liabilities	-	-
Total Liabilities	28,451,446.10	42,038,855.72
NET ASSETS/EQUITY		
Government Equity	138,800,247.76	98,360,574.56
Total Liabilities and Net Assets/Equity	167,251,693.86	140,139,980.97

LGU-Hernani, Eastern Samar
 Statement of Financial Performance
 General Fund
 For the year ended December 31, 2018
With comparative figures for 2017
(In Pesos)

	<u>2018</u>	<u>2017</u>
Revenue		
Tax Revenue	643,168.69	548,563.44
Share from Internal Revenue Collections	50,695,096.00	47,276,799.00
Other Share from National Taxes		
Service and Business Income	1,663,760.02	1,477,643.05
Share, Grants and Donations	37,870,185.84	75,445,000.00
Gains		
Other Income	54,389.50	
Total Revenue	<u>90,926,600.05</u>	<u>124,748,005.49</u>
Less: Current Operating Expenses		
Personnel Services	27,956,186.06	26,044,987.34
Maintenance and Other Operating Expenses	12,902,197.98	16,198,265.49
Non-Cash Expenses	6,414,600.43	1,944,873.38
Financial Expenses		102,386.50
Current Operating Expenses	<u>47,272,984.47</u>	<u>44,290,512.71</u>
Surplus (Deficit) from Current Operation	43,653,615.58	80,457,492.78
Add (Deduct):		
Transfers, Assistance and Subsidy from		
Transfers, Assistance and Subsidy to	3,214,022.38	7,735,150.95
Surplus (Deficit) for the Period	<u><u>40,439,593.20</u></u>	<u><u>72,722,341.83</u></u>

LGU-Hernani, Eastern Samar
Statement of Cash Flows
General Fund
For the year ended December 31, 2018
With comparative figures for 2017
(In Pesos)

	2018	2017
Cash Flows from Operating Activities		
Cash Inflows		
Collection from Taxpayers	1,801,960.00	2,301,313.56
Share from Internal Revenue Allotment	50,695,096.00	42,276,799.00
Receipts from business/service income	928,021.96	14,482,512.84
Interest Income	54,389.50	
Receipts in Trust	27,228,122.23	
Other Receipts	33,036.00	22,611,239.83
Total Cash Inflows	80,740,625.69	81,671,865.23
Cash Outflows		
Payment of expenses	15,631,404.58	14,202,288.39
Payment to suppliers and creditors	14,759,382.67	10,053,605.74
Payment to employees	14,830,155.00	16,127,727.03
Interest Expense		102,386.50
Other Expenses	40,082,891.93	11,577,246.83
Total Cash Outflows	85,303,834.18	52,063,254.49
Net Cash Flows from Operating Activities	(4,563,208.49)	29,608,610.74
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sale of Investment Property		
Collection of Principal on loans to other entities		
Total Cash Inflows		
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	1,670,996.92	
Grant of Loans		
Total Cash Outflows	1,670,996.92	
Net Cash Flows from Investing Activities	1,670,996.92	-
Cash Flows from Financing Activities		
Cash Inflows		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
Total Cash Inflows		
Cash Outflows		
Payment of Long-Term Liabilities		
Retirement/Redemption of debt securities		
Payment of loan amortization		1,665,452.83
Total Cash Outflows		1,665,452.83
Net Cash Flows from Financing Activities		(1,665,452.83)
Total Cash Provided by Operating, Investing and Financing Activities	(6,234,205.41)	27,943,157.91
Add: Cash at the beginning of the year	50,236,629.54	22,293,471.63
Cash Balance at the End of the Year	44,002,424.13	50,236,629.54

LGU-Hernani, Eastern Samar
Statement of Changes in Net Assets/Equity
General Fund
As at December 31, 2018
With comparative figures for 2017
(In Pesos)

	<u>2018</u>	<u>2017</u>
Balance at January 1, 2018	98,360,574.56	20,199,054.24
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	80.00	5,439,178.49
Restated Balance	98,360,654.56	25,638,232.73
Add (Deduct) Changes in net assets/equity during the year		
Adjustment of net revenue recognized directly in net assets/equity		
Surplus (Deficit) for the period	40,439,593.20	72,722,341.83
Total recognized revenue and expenses for the period		
Balance at December 31, 2018	138,800,247.76	98,360,574.56

LGU-Hernani, Eastern Samar
Statement of Financial Position
Special Education Fund
As at December 31, 2018
With comparative figures for 2017
(In Pesos)

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	361,475.07	70,185.60
Investments		
Receivables	343,813.88	516,581.08
Inventories	-	-
Prepayments and Deferred Charges	-	-
Total Current Assets	<u>705,288.95</u>	<u>586,766.68</u>
Non-Current Assets		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment	34,500.00	34,500.00
Biological Assets		
Intangible Assets		
Total Non-Current Assets	<u>34,500.00</u>	<u>34,500.00</u>
Total Assets	<u><u>739,788.95</u></u>	<u><u>621,266.68</u></u>
LIABILITIES		
Current Liabilities		
Financial Liabilities	3,084.75	3,084.75
Inter-Agency Payables	7,419.18	7,419.18
Intra-Agency Payables	-	-
Deferred Credits/Unearned Income		
Total Current Liabilities	<u>10,503.93</u>	<u>10,503.93</u>
Non-Current Liabilities		
Financial Liabilities		-
Other Payables		
Total Non-Current Liabilities	<u>-</u>	<u>-</u>
Total Liabilities	<u>10,503.93</u>	<u>10,503.93</u>
NET ASSETS/EQUITY		
Government Equity	729,285.02	610,762.75
Total Liabilities and Net Assets/Equity	<u><u>739,788.95</u></u>	<u><u>621,266.68</u></u>

LGU-Hernani, Eastern Samar
 Statement of Financial Performance
 Special Education Fund
 As at December 31, 2018
With comparative figures for 2017
(In Pesos)

	<u>2018</u>	<u>2017</u>
Revenue		
Tax Revenue	118,522.27	104,719.71
Share from Internal Revenue	-	-
Collections	-	-
Other Share from National Taxes	-	-
Service and Business Income	-	-
Share, Grants and Donations	-	-
Gains	-	-
Other Income	-	-
Total Revenue	<u>118,522.27</u>	<u>104,719.71</u>
Less: Current Operating Expenses		
Personnel Services	-	-
Maintenance and Other Operating	-	-
Expenses	-	-
Non-Cash Expenses	-	-
Financial Expenses	-	-
Current Operating Expenses	<u>-</u>	<u>-</u>
Surplus (Deficit) from Current Operation	118,522.27	104,719.71
Add (Deduct):		
Transfers, Assistance and		
Subsidy from		
Transfers, Assistance and	-	-
Subsidy to	-	-
Surplus (Deficit) for the Period	<u><u>118,522.27</u></u>	<u><u>104,719.71</u></u>

LGU-Hernani, Eastern Samar
Statement of Cash Flows
Special Education Fund
For the year ended December 31, 2018
With comparative figures for 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Inflows		
Collection from Taxpayers	291,289.47	-
Share from Internal Revenue Allotment	-	-
Receipts from business/service income	-	-
Other Receipts	-	-
Total Cash Inflows	291,289.47	-
Cash Outflows		
Payment of expenses	-	-
Payment to suppliers and creditors	-	-
Other Expenses	-	-
Total Cash Outflows	-	-
Net Cash Flows from Operating Activities	291,289.47	-
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sale of Investment Property		
Equipment		
Collection of Principal on loans to other entities		
Total Cash Inflows		
Cash Outflows		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Investment		
Purchase of Bearer Biological Assets		
Grant of Loans		
Total Cash Outflows		
Net Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
Cash Inflows		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
Total Cash Inflows		
Cash Outflows		
Payment of Long-Term Liabilities		
Payment of loan amortization	-	-
Total Cash Outflows	-	-
Net Cash Flows from Financing Activities	-	-
Total Cash Provided by Operating, Investing and Financing Activities	291,289.47	-
Add: Cash at the beginning of the year	70,185.60	70,185.60
Cash Balance at the End of the Year	361,475.07	70,185.60

LGU-Hernani, Eastern Samar
Statement of Changes in Equity
Special Education Fund
As at December 31, 2018
With comparative figures for 2017

	<u>2018</u>	<u>2017</u>
Balance at January 1, 2018	610,762.75	506,043.04
Add (Deduct)		
Change in Accounting Policy		
Prior Period Errors	0.00	0.00
Restated Balance	<u>610,762.75</u>	<u>506,043.04</u>
Add (Deduct) Changes in net assets/equity during the year		
Adjustment of net revenue recognized directly in net assets/equity		
Surplus (Deficit) for the period	118,522.27	104,719.71
Total recognized revenue and expenses for the period		
Balance at December 31, 2018	<u><u>729,285.02</u></u>	<u><u>610,762.75</u></u>

LGU-Hernani, Eastern Samar
Statement of Financial Position
Trust Fund
As at December 31, 2018
With comparative figures for 2017

	<u>2018</u>	<u>2017</u>
ASSETS		
Current Assets		
Cash and Cash Equivalents	1,509,059.73	1,080,970.43
Investments		
Receivables	2,886,083.76	3,368,024.27
Prepayments and Deferred Charges	-	52,499.91
Total Current Assets	<u>4,395,143.49</u>	<u>4,501,494.61</u>
Non-Current Assets		
Investments		
Investment Property		
Property, Plant and Equipment	-	-
Intangible Assets		
Total Non-Current Assets	<u>-</u>	<u>-</u>
Total Assets	<u>4,395,143.49</u>	<u>4,501,494.61</u>
LIABILITIES		
Current Liabilities		
Financial Liabilities	-	1,139,357.01
Inter-Agency Payables	392,491.52	693,917.71
Intra-Agency Payables	791,165.32	791,165.32
Other Liabilities	3,124,486.65	2,929,411.58
Deferred Credits/Unearned Income		
Total Current Liabilities	<u>4,308,143.49</u>	<u>4,414,494.61</u>
Non-Current Liabilities		
Financial Liabilities		-
Deferred Credits/Unearned Income	87,000.00	87,000.00
Provision		
Other Payables		
Total Non-Current Liabilities	<u>87,000.00</u>	<u>87,000.00</u>
Total Liabilities	<u>4,395,143.49</u>	<u>4,501,494.61</u>
NET ASSETS/EQUITY		
Government Equity	<u>0.00</u>	<u>-</u>
Total Liabilities and Net Assets/Equity	<u>4,395,143.49</u>	<u>4,501,494.61</u>

LGU-Hernani, Eastern Samar
Statement of Cash Flows
Trust Fund
As at December 31, 2018
With comparative figures for 2017

	2018	2017
Cash Flows from Operating Activities		
Cash Inflows		
Collection from Taxpayers	-	-
Receipts from business/service income	-	-
Dividends Income	-	-
Other Receipts	8,862,796.52	1,751,958.00
Total Cash Inflows	8,862,796.52	1,751,958.00
Cash Outflows		
Payment of expenses	-	-
Payment to suppliers and creditors	-	-
Interest Expense	-	-
Other Expenses	8,434,707.22	1,064,274.27
Total Cash Outflows	8,434,707.22	1,064,274.27
Net Cash Flows from Operating Activities	428,089.30	687,683.73
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sale of Investment Property		
Collection of Principal on loans to other entities		
Total Cash Inflows		
Cash Outflows		
Purchase/Construction of Investment Property		
Grant of Loans		
Total Cash Outflows		
Net Cash Flows from Investing Activities	-	-
Cash Flows from Financing Activities		
Cash Inflows		
Proceeds from Issuance of Bonds		
Proceeds from Loans		
Total Cash Inflows		
Cash Outflows		
Payment of Long-Term Liabilities		
Payment of loan amortization	-	-
Total Cash Outflows	-	-
Net Cash Flows from Financing Activities	-	-
Total Cash Provided by Operating, Investing and Financing Activities	428,089.30	687,683.73
Add: Cash at the beginning of the year	1,080,970.43	120,017.61
Cash Balance at the End of the Year	1,509,059.73	807,701.34

Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

Donated PPEs not accounted by the Municipality

Engineering's Office

1. Computer Desktop with built in CPU- Donated by UNDP



Office of the Local Civil Registry

2. Samsung Television -Donated by UNDP & UNHCR

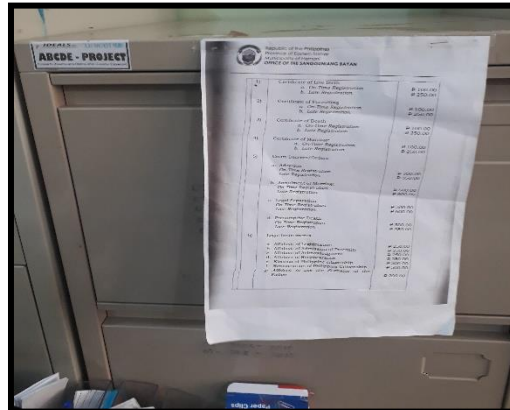
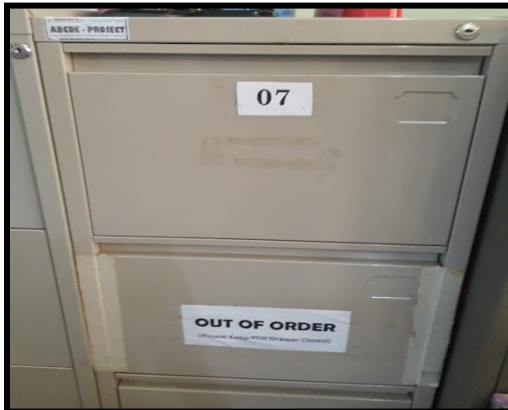


Municipality of Hernani
 Audit Working Paper on Donated Property, Plant and Equipment
 2018

3. Typewriter and Stand Fan- Donated by UNHCR



4. Two filing cabinets with three drawers- Donated by IDEALS



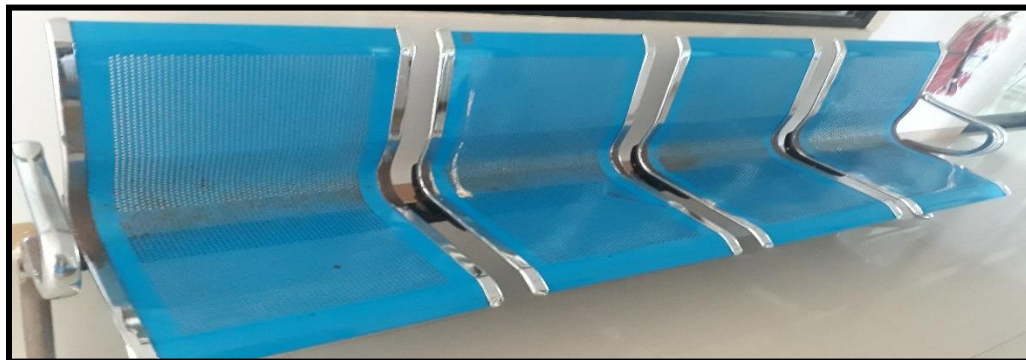
Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

5. Epson Printer- Donated by UNDP



Municipal Lobby/Waiting Area

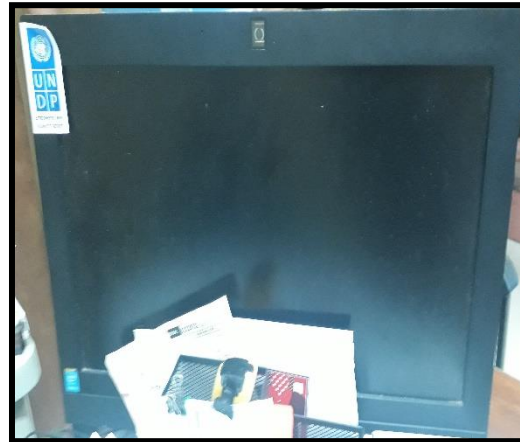
6. Two 4 seater visitor's chair- Donated by UNDP



Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

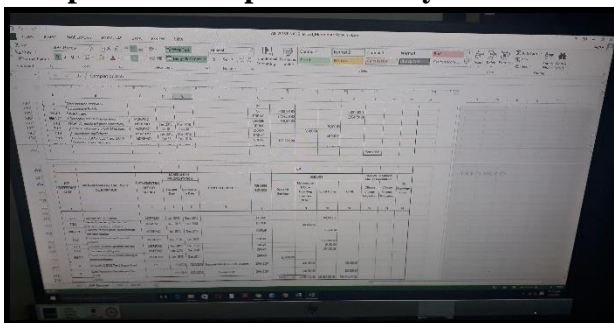
Treasurer's Office

7. Vault and Computer Desktop- Donated by UNDP



MDRRMO

8. Computer Desktop- Donated by ADB

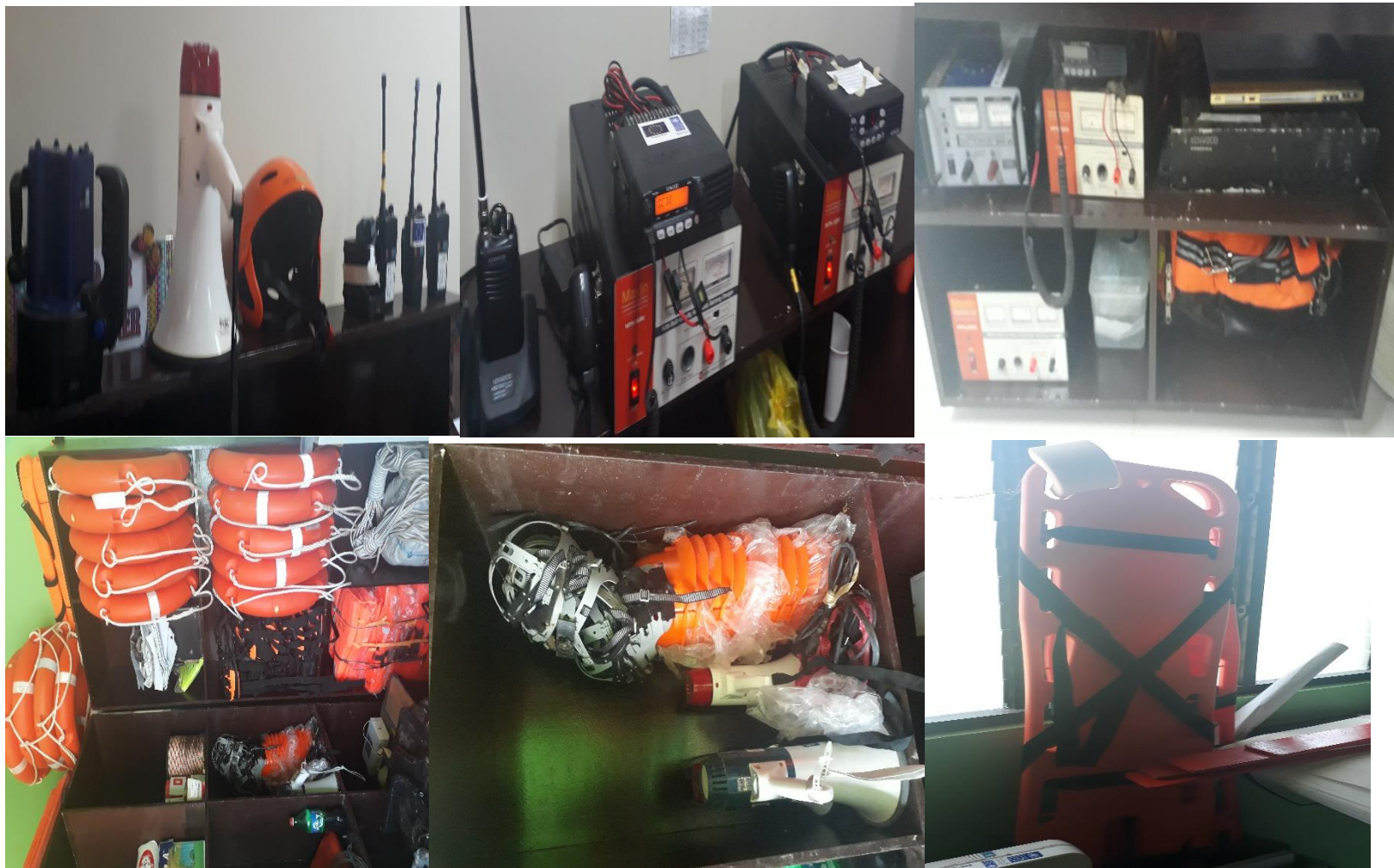


9. Printer Donated by UNDP



Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

10. Megaphone, Flashlight, radios & other rescue equipment



Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

11. Speaker, Tables and other furniture and fixtures



Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

Rural Health Unit

12. Multicab



Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

13. Various hospital beds from DOH



Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

14. Various cabinets from DOH



Municipality of Hernani
Audit Working Paper on Donated Property, Plant and Equipment
2018

15. Other Equipment



16. Desktop from UNICEF



17. Stand Fan



18. Refrigerator



Name	Net Pay					Payroll June to Dec	REMARKS
	Jan	Feb	March	April	May		
Wilmar Candido	5,411.06	8,555.15	9,383.02	8,227.46	8,227.46	NO Submission as of this report	Net Pay computation is inclusive of Monthly RATA P11,900.00 and Communication Allowance of P2,000.00
Julie C. Habagat	7,642.71	12,246.59	12,967.08	12,467.08	5,622.26		Net Pay computation is inclusive of Monthly RATA P10,500.00 and Communication Allowance of P2,000.00
Ramon I. Antipolo Jr.	6,909.79	10,780.67	10,112.65	8,957.09	8,065.70		Net Pay computation is inclusive of Monthly RATA P10,500.00 and Communication Allowance of P2,000.00
Adelfo B. Abella	5,187.99	9,889.93	10,389.93	8,400.73	8,400.17		Net Pay computation is inclusive of Monthly RATA P10,500.00 and Communication Allowance of P2,000.00
Exequiel C. Basilan	1,633.35	1,970.96	1,901.26	4,114.36	733.34		Additional Coop Loan deduction on May 2018 amounting to P3,381.02
Edilberto L. Macasojot	4,405.26	4,792.44	4,792.43	4,792.43	4,792.43		
Charito C. Gloria	1,458.48	1,750.66	3,226.12	2,107.78	3,583.24		
Fe Y. Ecleo	371.71	678.38	678.38	678.38	1,108.41		
Carlo B. Yabora	4,235.30	4,606.34	4,606.35	4,171.28	4,171.28		
Elizabeth L. Candido	4,345.96	4,664.46	1,283.34	1,283.34	1,283.34		Additional Coop Loan deduction on March 2018 amounting to P3,381.12
Eduardo G. Fabula	4,854.12			4,353.39	4,353.39		

Municipality of Hernani
 Audit Working Paper on Payroll
 2018

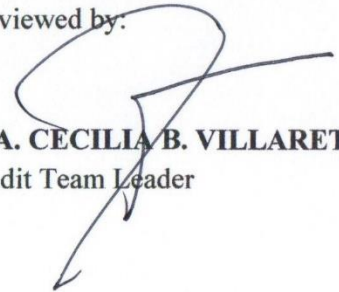
ANNEX E

Susana C. Habagat	3,324.55	3,623.90	2,763.25	2,435.38	4,218.16	
Emelia B. Bederio	3,253.14	3,638.22	3,638.23	4,048.05	4,457.87	
Irene C. Abendanio	3,174.84	3,489.42	3,489.43	3,709.92	3,709.92	
Alicia A. Nicolas	-	-	-	4,410.27	3,714.59	
Rufilo B. Coles	4,969.85	-	-	3,401.85	3,401.85	

Prepared by:


JULIE BETH C. LABICANE
 Audit Team Member

Reviewed by:


MA. CECILIA B. VILLARETE
 Audit Team Leader

Municipality of Hernani
 Audit Working Paper on Appropriations for 20% Development Fund
 2018

Programs/ Project/Activity/Description	Appropriation	Utilization/ Obligation	Balances
<i>GENERAL PUBLIC SECTOR</i>			
Development of Different Tourism sites	300,000.00		300,000.00
Access road concreting to Canhugas Nature Park	1,000,000.00		1,000,000.00
Electrification at the Mun. Receiving & Recovery Facility (MRRF) @ Sitio Pinasuan	50,000.00		50,000.00
Access road concreting to Municipal Receiving and Recovery Facility (MRRF) @ Sitio Pinasuan	200,000.00		200,000.00
Rehabilitation of Compactor Truck for use in garbage collection	65,000.00	32,900.00	32,100.00
<i>SOCIAL SERVICE SECTOR</i>			-
Installation of water system in Brgy. Batang Health Station	30,000.00		30,000.00
I-clinic system for RHU	70,000.00	70,000.00	-
Installation of Breast Feeding Area in the new Municipal building	20,000.00		20,000.00
Establishment and installation of Wifi and 3 computer set under the program of DICT	80,000.00		80,000.00
Construction of Pathway at GK sites (Carmen & San Miguel	235,000.00		235,000.00
Construction of comfort rooms at the new Municipal covered court	150,000.00		150,000.00
Youth and Sports Development (Jan- May)	85,720.00		85,720.00
Support to Cultural Heritage- Old Church Preservation	10,000.00		10,000.00
Day Care Operation Support Fund (Jan- May)	147,210.00		147,210.00

Municipality of Hernani
 Audit Working Paper on Appropriations for 20% Development Fund
 2018

Emergency Assistance Fund (Jan- May)	65,000.00		65,000.00
Construction of building for OSCA	50,000.00		50,000.00
Installation/Rehabilitation of Women and Children Protection Unit and amenities	250,000.00		250,000.00
<i>ECONOMIC SECTOR</i>			-
Soft Loan to Farmers & Fisherfolks and other CSOs engaged in livelihood	352,790.00		352,790.00
Electrical installation to Brgy. Health Center, Brgy. Batang	10,000.00		10,000.00
Electrical installation to Fish Landing, Brgy. 4	30,000.00		30,000.00
3- Phase electrical installation to Municipal Building and Public Market	1,014,799.20		1,014,799.20
Construction of 60 meter 2 lane road from Highway to Fish Landing, Brgy. 4	200,000.00		200,000.00
Shallow well at fish landing, Brgy. 4	15,000.00		15,000.00
Construction of 200 meter1 lane road from Highway to farm at Sitio Traffic, Brgy. San Miguel	400,000.00		400,000.00
Sea- borne Patrolling for environmental protection of coastal areas	70,000.00		70,000.00
Construction of Fish Port @ Brgy. 4, 400m length, 2m height, 4m width	150,000.00		150,000.00
Solar Panel with battery for Mini- Lighthouse @ Brgy. Carmen to guide fishermen at the rivermouth	25,000.00		25,000.00
Construction of elevated concrete transversal road from the national highway to public market	300,000.00		300,000.00
Construction of Municipal Perimeter Fence	1,000,000.00		1,000,000.00
Installation of Municipal Perimeter Lighting	300,000.00		300,000.00
Construction of Emergency exit bay at Sitio Manglos, Brgy. Garawon	100,000.00		100,000.00
Installation of Window grills at the Municipal Treasurer's office & Engineering Office	30,000.00		30,000.00
Completion of Drainage Canal @ Brgy. 4, Pob.	20,000.00		20,000.00
LGU Counterpart Fund for various grants & special development projects	2,279,500.00		2,279,500.00

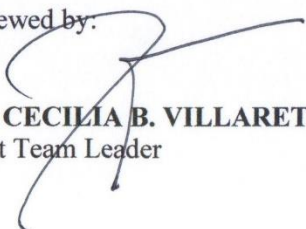
Municipality of Hernani
 Audit Working Paper on Appropriations for 20% Development Fund
 2018

DBP Debt- Servicing	400,000.00	400,000.00	-
Sub-project Implementation Support Fund	434,000.00		434,000.00
LARP (Land Acquisition & Resettlement Plan)	200,000.00		200,000.00
TOTAL	10,139,019.20	502,900.00	9,636,119.20
% of Utilization/Unutilized		4.96%	95.04%

Prepared by:


JULIE BETH C. LABICANE
 Audit Team Member

Reviewed by:


MA. CECILIA B. VILLARETE
 Audit Team Leader

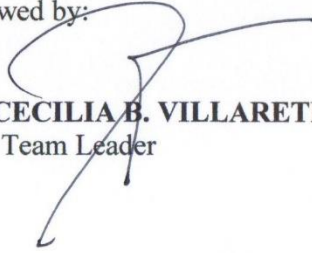
Project/Program/Activity	Appropriation	Utilization	Balances
Purchase of Relief Goods/Medicines	778,426.44	752,125.85	26,300.59
Production of IEC Materials	50,000.00		50,000.00
Conduct of Community, School, Earthquake, Fire and Tsunami Drills	150,000.00	30,200.00	119,800.00
Conduct for information education campaign forum in high ed. Oucation	50,000.00		50,000.00
Registration & License of Radios	70,000.00		70,000.00
Conduct of Practical First Aid and Basic Life Support, WASAR and MOSAR Training and Seminar	150,000.00	123,100.00	26,900.00
Training, meetings of MDRRMC and BDRRMC sub communities' composition & responsibilities	35,000.00		35,000.00
Honorarium of ERT's	160,000.00	29,800.00	130,200.00
WIFI, TV, mobile cell phone connectivity	70,000.00	12,265.57	57,734.43
Incentives to volunteers in form of insurance	5,000.00		5,000.00
Purchase of First Aid Medicine Supplies	100,000.00	97,201.00	2,799.00
Purchase of DRRM Equipment	104,000.00	81,000.00	23,000.00
Purchase of Diesel Lubricants	50,000.00		50,000.00
Rental of Real Property	38,000.00		38,000.00
Purchase of ERT Uniform	80,000.00	51,040.00	28,960.00
I.T Equipment & Software	50,000.00		50,000.00
Conduct of Social Preparation Trainings of Target Beneficiaries	50,000.00		50,000.00
Declogging and clearing operations	100,000.00	4,000.00	96,000.00

Purchase of Relief goods	384,328.36		384,328.36
Conduct of CBMS/CLUP/DANA	100,000.00		100,000.00
Hernani Emergency Rescue Unit (HERU) Operating expenses	20,000.00		20,000.00
TOTAL	2,594,754.80	1,180,732.42	1,414,022.38

Prepared by:


JULIE BETH C. LABICANE
Audit Team Member


Reviewed by:


MA. CECILIA B. VILLARETE
Audit Team Leader

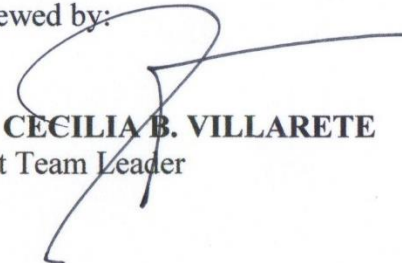
GAD ACTIVITY	APPROPRIATION	UTILIZATION	BALANCE
Client Focused			
NHIP Counterpart Fund	150,000.00		150,000.00
Supplemental Feeding	80,000.00		80,000.00
Pabasa Nutrisyon	35,000.00		35,000.00
Backyard Gardening	10,000.00		10,000.00
Intensify IEC Health&Nutrition Program	5,000.00		5,000.00
Inter-Local Health Zone Fund (1%)	75,000.00		75,000.00
Primary Health Care	60,000.00		60,000.00
Purchase Drugs & Medicines	400,000.00		400,000.00
Orientation ASRH	4,000.00		4,000.00
Contraceptive Self Reliance Program	20,000.00		20,000.00
Day-Care Operations Support Fund	470,000.00	443,040.00	26,960.00
Emergency Assistance Fund	150,000.00	65,000.00	85,000.00
Differently-abled Persons Welfare Fund	30,000.00		30,000.00
OSCA Operations Support Fund	50,000.00	20,000.00	30,000.00
Dental Mission	16,800.00	16,800.00	-
Blood Letting Activity	29,733.04	29,733.04	-
Conduct Counseling Session to Drug Surrenderer's & Culminating Activities of Community-Based Rehab. Program	100,250.00	100,250.00	-
Declaration Drug Cleared Municipality	15,450.00	15,450.00	-
Summer Job Program-Youth	70,716.08	70,716.08	-
Conduct Trainings & Seminar for Gender & Development	127,102.00	127,102.00	-
Conduct Skills Trainings to MADAC & BADAC	16,000.00	16,000.00	-
Local Climate Change Adaptation Planning workshop	145,171.00	145,171.00	-
Women Month Celebration	20,000.00	20,000.00	-
Sports Activities	230,000.00	230,000.00	-
Basketball Activities for Elementary Pupils	68,086.72	68,086.72	-
Summer Basketball League	51,500.00	51,500.00	-
Socio Cultural Presentation	200,000.00	200,000.00	-

Training on Cacao Production	25,200.00	25,200.00	-
Self Sufficiency Program for Rice & Corn & other Food Crops	20,000.00	20,000.00	-
Organization Focused			
Water System BHS Batang	30,000.00		30,000.00
I-clinic system RHU	70,000.00	70,000.00	-
Installation Breast Feeding Area	20,000.00		20,000.00
Electric Installation BHS Batnag	10,000.00		10,000.00
Laptop & Printer WCPD	50,000.00		50,000.00
TOTAL	2,855,008.84	1,734,048.84	1,120,960.00

Prepared by:


JULIE BETH C. LABICANE
Audit Team Member

Reviewed by:


MA. CECILIA B. VILLARETE
Audit Team Leader

Municipality of Hernani
COPY OF SASDC
2018

Form 6



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

1/10/19

Annex 6

Date: January 7, 2019

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

For All Funds Audited
For the Period Ending December 31, 2018

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, 2018 is **P383,492.98** 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, 2018)	This Period As of Oct. 1 – December 31, 2018		Ending Balance (As of Dec. 31, 2018)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 383,492.98	P 00.00	P 00.00	P 383,492.98
Notice of Disallowance		-		-
Notice of Charge		-		-
Total	P 383,492.98	P 0.00	P 0.00	P 383,492.98

B.

DETAILS OF SUSPENSIONS, DISALLOWANCES AND CHARGES
For the period October 1 – December 31, 2018

NSDC		PAYEE/PAYOR	AMOUNT			
Date	No		Disallowed	Charged	Suspended	Settled
TOTAL						

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

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

EDITHA R. COJUANGCO
OIC – Supervising Auditor