



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

ANNUAL AUDIT REPORT

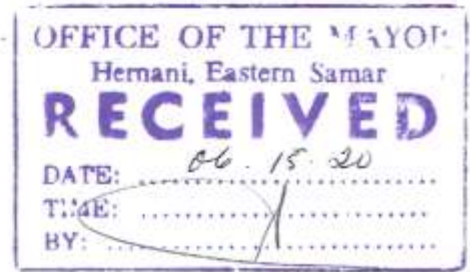
on the

MUNICIPALITY OF HERNANI
Province of Eastern Samar

For the Period Ended December 31, 2019




Republic of the Philippines
COMMISSION ON AUDIT
Region VIII
Office of the Supervising Auditor
Audit Group LGS-A – Eastern Samar Province
Capitol Site, Borongan City, Eastern Samar



June 3, 2020

Hon. Amado L. Candido
Municipal Mayor
Municipality of Hernani
Eastern Samar


MAYVEL PATATA
Accounting Office
6-15-20

Sir:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the “Government Auditing Code of the Philippines”, and in line with this 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 Municipality of Hernani, Eastern Samar, for the year ended December 31, 2019.

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

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

1. The existence, accuracy and reliability of Property, Plant and Equipment (PPE) account with carrying value of P134,886,496.62 (net of accumulated depreciation) as of December 31, 2019 could not be ascertained due to non-reconciliation between the records of the Office of the Municipal Accountant and those of Municipal General Services Office (GSO) because of incomplete Property Ledger Cards (PLC) and Property Cards (PC), respectively contrary to Section 124, Volume 1 and Section 13 & 15, Volume 11 of NGAS Manual for LGUs.
2. The reported balances of various accounts in the financial statement are of doubtful accuracy due to deficiencies noted in the total amount of P40,872,550.17 and were

presented not in comparative form prescribed in Section 3.5 of COA Circular 2016-004 contrary to pertinent provisions of PPSAS 1 on Presentation of Financial Statements. Thereby, defeating the purpose of faithful representation set out in PPSAS and thus affecting the fair presentation of the financial statements.

3. Due to the non-maintenance of Subsidiary Ledgers for all accounts, the Municipality has no complete set of books contrary to Section 111 and 114(2) of PD 1445, thus, depriving the management of the validity and accuracy of the Financial Statements and prompt communications of the audit results.
4. Out of P 59,282,598.32 total Road Network account in the financial statement, P 52,612,474.53 equivalent to 88.74% of total Road Network account, cannot be ascertained due to non-recognition of the Municipal Road Lots contrary to COA Circular No. 2015-008.
5. Fund release from the various National Government Agencies (NGAs) in the sum of P83,252,732.53 of which P12,887,596.02 were not utilized despite the receipt of funds resulting in the unimplementation of urgent and needed projects, contrary to Section 309 (b) of Republic Act No. 7160 and COA Circular No. 94-013.
6. The Municipality allocated P385,000.00 for non-related programs/projects/activities contrary to DILG-DBM JMC No. 2017-1. Moreover, seventeen (17) projects totaling P8,698,644.00.00, were unimplemented during the year, thus, exposing the funds of the government from suffering higher cost on the unimplemented projects which is not beneficial to the government and community and deprived the intended LGU constituents of the timely benefits from the projects.
7. Validity and reliability of the charges in Local Disaster Risk and Reduction Management Fund (LDRRMF) for CY 2019 amounting to P2,252,696.88 cannot be ascertained due to: 1) various discrepancies found between the balance of Obligation in Statement of Allotment, Obligation and Balances (SAOB) and charges in Report on Utilization of DRRMF as of December 31, 2019 in the amount of P347,345.55; 2) non-preparation of Registry of Appropriations, Allotments and Obligations (RAAO) for QRF, MOOE and CO contrary to COA Circular 2012-002, and 3) allocated P70,000.00 for non-related programs/projects/activities contrary to NDRRMC-DBM-DILG Joint Memorandum Circular 2013-
8. Disbursements under Gender and Development (GAD) for CY 2019 totaling P1,054,614.13, were not programmed and supported with specific gender issues or seemed to be outside of GAD mandates prescribed under pertinent provisions of PCW- DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016, thus emerging gender issues in the locality were not properly addressed and effectiveness of the fund's utilization was attained.

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

We acknowledge the cooperation and support extended to our Auditor and 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



Republic of the Philippines
COMMISSION ON AUDIT
Region VIII
Office of the Supervising Auditor
Audit Group LGS-A – Eastern Samar Province
Capitol Site, Borongan City, Eastern Samar



June 3, 2020

The Honorable Presiding Officer
and Members of the Sangguniang Bayan
Municipal Hernani
Eastern Samar

Ladies and Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43(2) of Presidential Decree No. 1445, otherwise known as the "Government Auditing Code of the Philippines", and in line with this 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 Municipality of Hernani, Eastern Samar, for the year ended December 31, 2019.

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1. The existence, accuracy and reliability of Property, Plant and Equipment (PPE) account with carrying value of P134,886,496.62 (net of accumulated depreciation) as of December 31, 2019 could not be ascertained due to non-reconciliation between the records of the Office of the Municipal Accountant and those of Municipal General Services Office (GSO) because of incomplete Property Ledger Cards (PLC) and Property Cards (PC), respectively contrary to Section 124, Volume 1 and Section 13 & 15, Volume 11 of NGAS Manual for LGUs.
2. The reported balances of various accounts in the financial statement are of doubtful accuracy due to deficiencies noted in the total amount of P40,872,550.17 and were presented not in comparative form prescribed in Section 3.5 of COA Circular 2016-004 contrary to pertinent provisions of PPSAS 1 on Presentation of Financial Statements.

Thereby, defeating the purpose of faithful representation set out in PPSAS and thus affecting the fair presentation of the financial statements.

3. Due to the non-maintenance of Subsidiary Ledgers for all accounts, the Municipality has no complete set of books contrary to Section 111 and 114(2) of PD 1445, thus, depriving the management of the validity and accuracy of the Financial Statements and prompt communications of the audit results.
4. Out of P 59,282,598.32 total Road Network account in the financial statement, P 52,612,474.53 equivalent to 88.74% of total Road Network account, cannot be ascertained due to non-recognition of the Municipal Road Lots contrary to COA Circular No. 2015-008.
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6. The Municipality allocated P385,000.00 for non-related programs/projects/activities contrary to DILG-DBM JMC No. 2017-1. Moreover, seventeen (17) projects totaling P8,698,644.00, were unimplemented during the year, thus, exposing the funds of the government from suffering higher cost on the unimplemented projects which is not beneficial to the government and community and deprived the intended LGU constituents of the timely benefits from the projects.
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8. Disbursements under Gender and Development (GAD) for CY 2019 totaling P1,054,614.13, were not programmed and supported with specific gender issues or seemed to be outside of GAD mandates prescribed under pertinent provisions of PCW- DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016, thus emerging gender issues in the locality were not properly addressed and effectiveness of the fund's utilization was attained.

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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 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

A. 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 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 Lanang (now Llorente). In 1912, its status as 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 P76,121,339.87 from various sources. This year’s collection represented a decrease of P14,923,782.45 or 16.39% from that of CY 2019, as follows:

Income Sources	2019	2018	Increase/Decrease	
			Amount	%
Tax Revenue	823,827.51	761,690.96	62,136.55	8.16
Share from Internal Revenue Collections	55,218,322.00	50,695,096.00	4,523,226.00	8.92
Service and Business Income	1,498,580.90	1,663,760.02	(165,179.12)	(9.93)
Gants and Donations	18,556,234.30	37,870,185.84	(19,313,951.54)	(51.00)
Other Income	24,375.16	54,389.50	(30,014.34)	(55.18)
Total	76,121,339.87	91,045,122.32	(14,923,782.45)	(16.39)

B. Appropriations and Expenditures

a) Appropriations

The municipality appropriated P60,457,187.53 for the current year. There was an increase of P2,446,832.88 or 4.22% from that of last year's appropriations of P58,010,354.65 as presented below:

a.1) Appropriations per Program/Project:

Function/ Program/ Projects	2019	2018	Increase/Decrease	
			Amount	%
General Public Services	30,009,106.52	28,073,712.32	1,935,394.20	6.89
Health Services	4,010,193.66	3,828,101.34	182,092.32	4.76
Social Welfare Services	663,367.47	660,559.03	2,808.44	0.43
Economic Services	3,754,782.77	3,629,673.65	125,109.12	3.45
Other Services	22,019,737.11	21,818,308.31	201,428.80	0.92
Total	60,457,187.53	58,010,354.65	2,446,832.88	4.22

2) Appropriations per Expense Classification:

Allotment Class	2019	2018	Increase/Decrease	
			Amount	%
Personal Services	32,346,134.98	29,574,528.87	2,771,606.11	9.37
MOOE	16,229,383.35	14,270,834.14	1,958,549.21	13.72
Capital Outlay	11,881,669.20	14,164,991.64	(2,283,322.44)	(16.12)
Financial Expense	-	-	0.00	0.00
Total	60,457,187.53	58,010,354.65	2,446,832.88	4.22

b) Expenditures

Expenditures incurred from current appropriations amounted to P54,111,184.35. There was an increase of P9,614,527.83 or 21.61% over that of last year, as shown below:

b.1) Expenditures per Program/Project

Function/ Program/ Projects	2019	2018	Increase/Decrease	
			Amount	%
General Public Services	27,896,702.56	26,373,031.56	1,523,671.00	5.78
Health Services	3,835,976.64	3,432,478.77	403,497.87	11.76
Social Welfare Services	595,636.60	643,405.16	(47,768.56)	(7.42)

Function/ Program/ Projects	2019	2018	Increase/Decrease	
			Amount	%
Economic Services	3,264,323.80	3,468,233.54	(203,909.74)	(5.87)
Other Services	18,518,544.75	10,579,507.49	7,939,037.26	75.04
Total	54,111,184.35	44,496,656.52	9,614,527.83	21.61

b.2) Expenditures per Expense Classification

Expense Classification	2019	2018	Increase/Decrease	
			Amount	%
Personal Services	31,026,568.46	27,956,186.06	3,070,382.40	10.98
MOOE	13,105,324.61	12,669,473.54	435,851.07	3.44
Capital Outlay	9,979,291.28	3,870,996.92	6,108,294.36	157.80
Financial Expense	0.00	0.00	0.00	0.00
Total	54,111,184.35	44,496,656.52	9,614,527.83	21.61

Financial Position and Performance

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

	2019	2018	Increase (Decrease)	
			Amount	%
Assets	185,859,315.64	172,386,626.30	13,472,689.34	7.82
Liabilities	29,079,318.91	32,857,093.52	(3,777,774.61)	(11.50)
Equity	156,779,996.73	139,529,532.78	17,250,463.95	12.36
Income	76,121,339.87	91,0045,122.32	(14,923,782.45)	(16.39)
Expenses	58,069,017.75	50,487,006.85	7,582,010.90	15.02

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, 2019. 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 3, 2019, 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: (a) The existence, accuracy and reliability of Property, Plant and Equipment (PPE) account with carrying value of P134,886,496.62 (net of accumulated depreciation) as of December 31, 2019 could not be ascertained due to non-reconciliation between the records of the Office of the Municipal Accountant and those of Municipal General Services Office (GSO) because of incomplete Property Ledger Cards (PLC) and Property Cards (PC), respectively contrary to Section 124, Volume 1 and Section 13 & 15, Volume 11 of NGAS Manual for LGUs; and (b) Out of P 59,282,598.32 total Road Network account in the financial statement, P 52,612,474.53 equivalent to 88.74% of total Road Network account, cannot be ascertained due to non-recognition of the Municipal Road Lots contrary to COA Circular No. 2015-008.

B. SUMMARY OF SIGNIFICANT FINDINGS AND RECOMMENDATIONS

A. Financial and Compliance Audit

1. The existence, accuracy and reliability of Property, Plant and Equipment (PPE) account with carrying value of P134,886,496.62 (net of accumulated depreciation) as of December 31, 2019 could not be ascertained due to non-reconciliation between the records of the Office of the Municipal Accountant and those of Municipal General Services Office (GSO) because of incomplete Property Ledger Cards (PLC) and Property Cards (PC), respectively contrary to Section 124, Volume 1 and Section 13 & 15, Volume 11 of NGAS Manual for LGUs.

We recommended that the Municipal Mayor:

- a.) **Direct the Inventory Committee, if any, to complete the conduct of physical inventory of all properties of LGU;**
 - b.) **Direct the GSO to submit the complete Report of Physical Count of Property, Plant and Equipment (RPCPPE) to the Audit Team; and**
 - c.) **Direct the Municipal Accountant & the GSO to maintain appropriate Property, Plant and Equipment Ledger Cards (PPELC) and Property Cards (PC), respectively and Conduct a period reconciliation.**
2. The reported balances of various accounts in the financial statement are of doubtful accuracy due to deficiencies noted in the total amount of P40,872,550.17 and were presented not in comparative form prescribed in Section 3.5 of COA Circular 2016-004 contrary to pertinent provisions of PPSAS 1 on Presentation of Financial Statements. Thereby, defeating the purpose of faithful representation set out in PPSAS and thus affecting the fair presentation of the financial statements.

We recommended that management should direct the Accountant to:

- a) **Direct the Accountant to prepare and submit the correct set of Financial Statements by reflecting the information as required to be indicated therein per pertinent provisions of PPSAS 1 and COA Circular No. 2016-004.**
 - b) **Ensure correct and fair presentation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS.**
 - c) **Submit revised report or explanation/clarification of the discrepancies of amounts noted above and effect necessary adjustments to ensure the fair presentation of the financial statements.**
3. Due to the non-maintenance of Subsidiary Ledgers for all accounts, the Municipality has no complete set of books contrary to Section 111 and 114(2) of PD 1445, thus, depriving the management of the validity and accuracy of the Financial Statements and prompt communications of the audit results.

We recommended that the Mayor assign competent personnel to assist in the preparation and submission of the subsidiary ledgers and other necessary reports within the period prescribed by existing laws and regulations.

4. Out of P 59,282,598.32 total Road Network account in the financial statement, P 52,612,474.53 equivalent to 88.74% of total Road Network account, cannot be ascertained due to non-recognition of the Municipal Road Lots contrary to COA Circular No. 2015-008.

We recommended to the Municipal Mayor to require the Municipal Accountant to coordinate with the Municipal Assessor with the proper valuation of the Road Lots to be reported in the Financial Statements and also, instruct the Accountant 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.

5. Fund release from the various National Government Agencies (NGAs) in the sum of P83,252,732.53 of which P12,887,596.02 were not utilized despite the receipt of funds resulting in the unimplementation of urgent and needed projects, contrary to Section 309 (b) of Republic Act No. 7160 and COA Circular No. 94-013.

We recommended that the management:

- a.) **Fast track the implementation of the Programs/Projects/Activities (PPAs) consistent with the Memorandum of Agreements (MOAs) for the intended beneficiaries;**
- b.) **Return to the Source Agency the unutilized fund for projects already completed in accordance to COA Circular 94-013.**

B. Audit of 20% Development Fund

The Municipality allocated P385,000.00 for non-related programs/projects/activities contrary to DILG-DBM JMC No. 2017-1. Moreover, seventeen (17) projects totaling P8,698,644.00.00, were unimplemented during the year, thus, exposing the funds of the government from suffering higher cost on the unimplemented projects which is not beneficial to the government and community and deprived the intended LGU constituents of the timely benefits from the projects.

We recommended that the Municipal Mayor direct:

- a.) **The Municipal Budget Officer to refrain from allocating and utilizing portion of 20% DF for non-related programs/projects/activities.**
- b.) **The Municipal Engineer, to adhere to the provision set forth under DILG-DBM Joint Circular No. 2017-001 to ensure the efficient implementation of the PPAs in the 20% Development fund to timely benefits its constituents.**

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

Validity and reliability of the charges in Local Disaster Risk and Reduction Management Fund (LDRRMF) for CY 2019 amounting to P2,252,696.88 cannot be ascertained due to: 1) various discrepancies found between the balance of Obligation in Statement of Allotment, Obligation and Balances (SAOB) and charges in Report on Utilization of DRRMF as of December 31, 2019 in the amount of P347,345.55; 2) non-preparation of Registry of Appropriations, Allotments and Obligations (RAAO) for QRF, MOOE and CO contrary to COA Circular 2012-002, and 3) allocated P70,000.00 for non-related programs/projects/activities contrary to NDRRMC-DBM-DILG Joint Memorandum Circular 2013-1.

We recommended that the Municipal Mayor to:

- a.) **Require the Municipal Accountant and Municipal Budget Officer to properly reconcile between the LDRRMF Utilization Report and SAOB amounting to P347,345.55.**

- b.) Require the Municipal Budget Officer to submit separate RAAO for LDRRMF on or before the 10th day after the end of each month and stop from allocating and utilizing portion of 5% LDRRMF for non-related programs/projects/activities.**

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. This was already included as an observation in Annual Audit Report for CYs 2017 and 2015 and was taken as not implemented for CYs 2019 and 2018 in Part III of this Report.

During the ocular inspection, it was revealed that the municipality has an existing structure for MRF funded by UNDP (United Nations Development Program) located at Sitio Pinusuan, Barangay San Miguel, Hernani, Eastern Samar but not yet functional.

E. Audit of Fund and Activities for Gender and Development (GAD)

Disbursements under Gender and Development (GAD) for CY 2019 totaling P1,054,614.13, were not programmed and supported with specific gender issues or outside of GAD mandates prescribed under pertinent provisions of PCW- DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016, thus gender issues in the locality were not properly addressed and effectiveness of the fund's utilization was attained.

We recommended that the Municipal Mayor:

- a.) Direct the GAD Focal Person to prepare first the consolidated Programs, Projects and Activities (PPAs) that have direct linkages in addressing gender issues pursuant to PCW, DILG, DBM and NEDA JMC No. 2013-01, prior to the allocation of attributed GAD Fund by the Municipal Budget Officer to ensure effectiveness on the fund's utilization.**
- b.) Direct the Chairperson, Members of GAD Focal Point System and Municipal Budget Officer to revisit the guidelines prescribed in the above-cited JMC, appropriately determining the gender-responsive expensive or activities to be included in the LGUs Annual GAD Plan and Budget and compliant with GAD related laws and mandates.**
- c.) Direct the Municipal Budget Officer to refrain from allocating and utilizing portion of 5% Gender and Development (GAD) Fund for non-related programs/projects/activities.**

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

The Municipality have appropriate and sufficient allocation for the protection of children incorporated in the various PPAs of GAD Fund.

G. Credit Financing/Debt Servicing

The Municipality has not obtained any loan for CY 2019. 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, 2019.

H. Compliance with Tax Laws

For CY 2019, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008. Total taxes withheld from compensation, expanded final VAT and government money payments for the year amounted to P3,831,480.79 and remitted P3,747,770.85. Unremitted balances as of year-end were duly remitted on 2020.

I. 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, 2019 amounted to P470,482.98.

	Beginning Balance (As of January 1, 2019)	This Period January 1 to December 31, 2019		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	383,492.98	16,625.00	0.00	400,117.98
Notice of Disallowance	0.00	70,365.00	0.00	70,365.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	383,492.98	86,990.00	0.00	470,482.98

J. Status of Implementation of Prior Year's Audit Recommendations

The Audit Team made a follow-up on the actions taken by the LGU to implement the recommendations of prior years and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	19
Partially Implemented	9
Not Implemented	9

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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. Amado L. Candido
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, 2019, 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, 2019, 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, (1) The existence, accuracy and reliability of Property, Plant and Equipment (PPE) account with carrying value of P134,886,496.62 (net of accumulated depreciation) as of December 31, 2019 could not be ascertained due to non-reconciliation between the records of the Office of the Municipal Accountant and those of Municipal General Services Office (GSO) because of incomplete Property Ledger Cards (PLC) and Property Cards (PC), respectively contrary to Section 124, Volume 1 and Section 13 & 15, Volume 11 of NGAS Manual for LGUs and (2) Out of P 59,282,598.32 total Road Network account in the financial statement, P 52,612,474.53 equivalent to 88.74% of total Road Network account, cannot be ascertained due to non-recognition of the Municipal Road Lots contrary to COA Circular No. 2015-008.

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

April 20, 2020



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, 2019, and the related Statement of Income and Expenses and Statement of Cash Flows for the period then ended. The financial statements have been prepared in conformity with generally accepted accounting principles and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration of materiality.

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


SYLVIA E. ALMAZAN
Municipal Accountant


HON. AMADO L. CANDIDO
Municipal Mayor

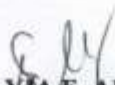
HERNANI, EASTERN SAMAR
Consolidated Statement of Financial Position
ALL FUNDS

For the Year Ended December 31, 2019
(With Comparative Figures for CY 2018)

		2019	2018
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	46,773,676.27	45,872,958.93
Investments			
Receivables	5	3,411,481.99	5,354,703.01
Inventories	6	706,452.00	735,942.00
Prepayments and Deferred Charges	7	31,696.01	31,696.01
Total Current Assets		50,923,306.27	51,995,299.95
Non-Current Assets			
Investments			
Receivables			
Investment Property	8	49,512.75	49,512.75
Property, Plant and Equipment	9	134,886,496.62	120,341,813.60
Biological Assets			
Intangible Assets			
Total Non-Current Assets		134,936,009.37	120,391,326.35
Total Assets		185,859,315.64	172,386,626.30
LIABILITIES			
Current Liabilities			
Financial Liabilities	10	5,662,635.82	1,916,957.29
Inter-Agency Payables		14,369,549.12	18,747,331.41
Intra-Agency Payables		1,593,251.82	939,886.76
Other Liabilities			
Trust Liabilities		7,366,882.15	11,165,918.06
Mortgage/Bonds/Loans Oayable			
Deferred Credits/Unearned Income			
Total Current Liabilities		28,992,318.91	32,770,093.52
Non-Current Liabilities			
Financial Liabilities			
Deferred Credits/Unearned Income		87,000.00	87,000.00
Provision			
Other Payables			
Total Non-Current Liabilities		87,000.00	87,000.00
Total Liabilities		29,079,318.91	32,857,093.52
NET ASSETS/EQUITY			
Government Equity		156,779,996.73	139,529,532.78
Total Liabilities and Net Assets/Equity		185,859,315.64	172,386,626.30

General Fund
Coco Oil Mill Fund
Special Education Fund
Trust Fund

Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Consolidated Statement of Financial Performance
ALL FUNDS
For the Year Ended December 31, 2019
(With Comparative Figures for CY 2018)

		2019	2018
Revenue			
Tax Revenue	11	823,827.51	761,690.96
Share from Internal Revenue	12	55,218,322.00	50,695,096.00
Collections			
Other Share from National Taxes			
Service and Business Income		1,498,580.90	1,596,648.37
Share, Grants and Donations		18,556,234.30	37,937,297.49
Gains			
Other Income		24,375.16	54,389.50
Total Revenue		76,121,339.87	91,045,122.32
 Less: Current Operating Expenses			
Personnel Services	13	31,026,568.54	27,956,186.06
Maintenance and Other Operating Expenses	14	15,309,576.85	12,902,197.98
Non-Cash Expenses	16	11,732,872.36	6,414,600.43
Financial Expenses	15		
Current Operating Expenses		58,069,017.75	47,272,984.47
 Surplus (Deficit) from Current Operation		18,052,322.12	43,772,137.85
Add (Deduct):			
Transfers, Assistance and Subsidy from			
Transfers, Assistance and Subsidy to			3,214,022.38
Surplus (Deficit) for the Period		18,052,322.12	40,558,115.47

General Fund
Coco Oil Mill Fund
Special Education Fund

Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Condensed Cash Flows
ALL FUNDS
For the Year Ended December 31, 2019
(With Comparative Figures for CY 2018)

	<u>2019</u>	<u>2018</u>
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Collection from taxpayers	4,119,326.01	2,093,249.47
Share from Internal Revenue Allotment	55,218,322.00	50,695,096.00
Receipts from business/service income	818,460.00	928,021.96
Interest Income	24,375.16	54,389.50
Dividend Income		
Receipts in Trust	9,935,696.58	27,228,122.23
Other Receipts	2,704,724.72	8,895,832.52
Total Cash Inflows	72,820,904.47	89,894,711.68
<i>Cash Outflows</i>		
Payment of expenses	15,158,635.15	15,631,404.58
Payments to suppliers and creditors	11,196,899.30	14,759,382.67
Payments to employees	18,554,544.36	14,830,155.00
Interest Expense		
Other Expenses	18,962,114.11	48,517,599.15
Total Cash Outflows	63,872,192.92	93,738,541.40
Net Cash Flows from Operating Activities	8,948,711.53	(3,843,829.72)
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	8,047,994.21	1,670,996.92
Total Cash Outflows	(8,047,994.21)	(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		
Total Cash Outflows		
Net Cash Flows from Financing Activities	-	-
Total Cash Provided by Operating, Investing and Financing Activities	900,717.34	(5,514,826.64)
Add: Cash at the Beginning of the year	45,872,958.93	51,387,785.57
Cash Balance at the End of the Year	46,773,676.27	45,872,958.93

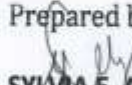
Prepared by:

SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Changes in Net Assets/Equity
For the Year Ended December 31, 2019

	Accumulated Surpluses/(Deficits)	
	2019	2018
Balance at January 1, 2019	139,529,532.78	98,971,337.31
Add (Deduct)		
Change in Accounting Policy	35,495,452.64	
Prior Period Errors	1,157,745.63	80.00
Restated Balance	<u>176,182,731.05</u>	<u>98,971,417.31</u>
Add (Deduct) Changes in net assets/equity during the year	(37,870,185.84)	
Adjustment of net revenue recognized directly in net assets/equity	415,129.40	
Surplus (Deficit) for the period	<u>18,052,322.12</u>	<u>40,558,115.47</u>
Total recognized revenue and expenses for the period		
Balance at December 31, 2019	<u><u>156,779,996.73</u></u>	<u><u>139,529,532.78</u></u>

Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

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

For the Year Ended December 31, 2019

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		93,743.11	166,256.89
b. Tax Revenue – Goods and Services		400,000.00	400,000.00		477,554.70	(77,554.70)
c. Other Local Taxes		120,000.00	120,000.00		136,475.81	(16,475.81)
Total Tax Revenue		780,000.00	780,000.00		707,773.62	72,226.38
2. Non-Tax Revenue						
a. Service Income		300,000.00	300,000.00		515,843.20	(215,843.20)
b. Business Income		120,000.00	120,000.00		188,652.86	(65,652.86)
c. Other Income and Receipts		970,000.00	970,000.00		788,970.00	181,030.00
Total Non-Tax Revenue		1,390,000.00	1,390,000.00		1,493,466.06	(103,466.06)
B. External Sources						
1. Share from the National Internal Revenue Taxes		55,758,346.00	55,758,346.00		55,218,322.00	
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						
C. Receipts from Borrowings						
Total Revenues and Receipts		57,928,346.00	57,928,346.00		57,419,561.68	508,784.32

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Expenditures						
General Public Services						
Personnel Services		23,402,344.10	23,402,344.10	0.00	22,425,665.62	976,678.48
Maintenance and Other Operating Expenses		5,911,633.02	6,326,762.42	(415,129.40)	5,236,075.42	1,090,687.00
Capital Outlay		280,000.00	280,000.00	0.00	234,961.52	45,038.48
Education						
Personnel Services						
Maintenance and Other Operating Expenses						
Capital Outlay						
Health, Nutrition and Population Control						
Personnel Services		3,474,291.20	3,662,971.44	(188,680.24)	3,662,971.44	0.00
Maintenance and Other Operating Expenses		317,222.22	317,222.22		173,005.20	144,217.02
Capital Outlay		30,000.00	30,000.00		0.00	30,000.00
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		520,548.64	526,248.60	(5,699.96)	526,248.60	0.00
Maintenance and Other Operating Expenses		107,118.87	107,118.87		69,388.00	37,730.87
Capital Outlay		30,000.00	30,000.00		0.00	30,000.00
Economic Services						
Personnel Services		3,326,426.16	3,326,426.16	0.00	3,058,772.80	267,653.28
Maintenance and Other Operating Expenses		368,356.61	368,356.61		185,171.00	183,185.61
Capital Outlay		60,000.00	60,000.00		20,380.00	39,620.00
Other Purposes: Canhugas Nature Park						
Maintenance and Other Operating Expenses		870,000.00	870,000.00	0.00	768,640.50	101,359.50
Capital Outlay		100,000.00	100,000.00		98,591.97	1,408.03
LDRRMF						
Maintenance and Other Operating Expenses		2,609,417.30	2,609,417.30		1,042,538.56	1,566,878.74
Capital Outlay		230,000.00	230,000.00		0.00	230,000.00
20% Development Fund						
Capital Outlay		11,151,669.20	11,151,669.20		2,907,237.31	8,244,431.39
Project Equity/Share LGU Counterpart Nagaja-Land & Land Improvement- Canhugas Nature Park						

Particulars	Notes	Budgeted Amounts		Difference Original and Final Budget	Actual Amounts	Difference Final Budget and Actual
		Original	Final			
Share from National Wealth						
Maintenance and Other Operating Expenses						
Capital Outlay						
Allocation for Senior Citizens and PWD						
Maintenance and Other Operating Expenses						
Capital Outlay						
Others						
Personnel Services		1,100,318.68	1,428,144.68	(327,826.00)	1,352,910.00	75,234.68
Maintenance and Other Operating Expenses		3,869,000.00	5,630,505.93	(1,761,505.93)	5,630,505.93	
Capital Outlay						
Continuing Appropriations (Capital Outlay)						
General Public Services					128,226.00	(128,226.00)
Education						
Health, Nutrition and Population Control						
Labor and Employment						
Housing and Community Development						
Social Services and Social Welfare						
Economic Services						
20% Development Fund 2018					6,589,894.48	(6,589,894.48)
Total		57,758,346.00	60,457,187.53	(2,698,841.53)	54,111,184.43	6,346,003.10
Surplus (Deficit) for the period					3,308,377.25	

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.

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

<i>Cash on Hand</i>	1,222,858.04	932,931.03
Cash-Local Treasury		
<i>Cash in Bank-Local</i>		
<i>Currency</i>		
Cash in Bank-Local Currency-Current	45,550,818.23	
Account		44,940,027.90
Total Cash and Cash	46,773,676.27	45,872,958.93
Equivalent		

Cash in banks earns interest based on the prevailing bank deposits rates. The LGU bank balances is composed of P38,590,683.16, P361,475.07 and P873,661.90 for General Fund, Special Education Fund and Trust Fund, respectively.

Note 5 – Receivable	2019	2018
<i>Loans and Receivable Accounts</i>		
Accounts Receivable	309,900.00	
Total	309,900.00	309,900.00
<i>Inter-Agency Receivable</i>		
Due from GOCCs		2,499,588.76
Due from LGU's	802.35	802.35
Total	802.35	2,500,391.11
<i>Intra-Agency Receivable</i>		
Due from Other Funds	1,593,251.82	1,060,046.72
Total	1,593,251.82	1,060,046.72
<i>Advances</i>		
Advances for Payroll	239,631.22	221,505.36
Advances to Special Disbursing Officer	261,722.03	202,865.25
Advances for Officers and Employees		53,820.00
Total	501,353.25	478,190.61
<i>Other Receivables</i>		
Due from Officers and Employees	917,096.97	917,096.97
Other Receivables	89,077.60	89,077.60
Total	1,006,174.57	1,006,174.57
	3,411,481.99	5,354,703.01
Note 6 - Inventories	2019	2018
<i>Inventory Held for Manufacturing</i>		
Raw Materials Inventory	691,452.00	720,942.00
Finished Goods Inventory	15,000.00	15,000.00
Total	706,452.00	735,942.00

Note 7 - Prepayments	2019	2018
Advances to Contractors	<u>31,696.01</u>	<u>97,936.80</u>
Total	<u>31,696.01</u>	<u>97,936.80</u>

Note 8 - Investments	2019	2018
Other Investments	<u>49,512.75</u>	<u>49,512.75</u>
Total	<u>49,512.75</u>	<u>49,512.75</u>

At December 31, 2019, 706,452.00 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	2019	2018
Land	3,573,999.25	3,142,759.25
Land Improvements	4,746,576.62	3,045,669.56
Accumulated Depreciation-Land Improvements	343,138.18	
Net Book Value	<u>7,977,437.69</u>	<u>6,188,428.81</u>
Office Buildings	67,506,413.80	65,658,197.45
Accumulated Depreciation-Office Buildings	12,513,151.03	10,359,351.87
Net Book Value	<u>54,993,262.77</u>	<u>55,298,845.58</u>
Hospitals & Health Center	9,644,916.29	9,644,916.29
Accumulated Depreciation-Hospital & Health Center	850,050.00	566,700.00
Net Book Value	<u>8,794,866.29</u>	<u>9,078,216.29</u>
Markets	10,045,402.24	10,045,402.24
Accumulated Depreciation-Markets	2,745,402.24	2,505,402.24
Net Book Value	<u>7,300,000.00</u>	<u>7,540,000.00</u>
Office Equipment	1,468,718.98	1,468,718.98
Accumulated Depreciation-Office Equipment	1,322,003.98	1,292,058.98
Net Book Value	<u>146,715.00</u>	<u>176,660.00</u>
Furnitures and Fixtures	3,779,260.92	3,564,877.12
Accumulated Depreciation-Furnitures and Fixtures	2,191,540.60	1,380,308.00

Net Book Value	1,587,720.32	1,778,952.82
I.T Equipment and Software	3,166,823.81	2,560,733.12
Accumulated Depreciation-I.T Equipment	2,086,285.59	2,014,288.76
Net Book Value	1,080,538.22	546,444.36
Machineries	7,447,312.45	7,447,312.45
Accumulated Depreciation-Machineries	6,565,542.96	6,124,277.90
Net Book Value	881,769.49	1,323,034.55
Communication Equipment	408,667.00	388,287.00
Accumulated Depreciation-Communication Equipment	351,943.80	277,660.40
Net Book Value	56,723.20	110,626.60
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	4,100.00	4,100.00
Road Networks	59,282,598.32	37,870,185.84
Accumulated Depreciation-Road Networks	7,689,478.43	
Net Book Value	51,593,119.89	37,870,185.84
Total	134,886,496.62	120,341,813.60

The LGU has a total of 11.03 kilometers of road with a total cost of Php 59,282,598.32. For the year ended, the agency spent a total of Php 4,937,360.40 for local road additions, Php 0.00 for major repairs and Php 0.00 for the regular maintenance. Reductions in the amount of Php 37,87,185.84 were recorded due to derecognitions, Php 0.00 for impairment and Php 0.00 impairment were reversed.

Note 10. LIABILITIES	2019	2018
<i>Payable Accounts</i>		
Accounts Payable	3,730,823.25	3,730,823.25
Due to Officers and Employees	1,784,406.38	1,784,406.38
Other Payables	147,406.19	147,406.19
	<u>5,662,635.82</u>	<u>5,662,635.82</u>

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

<i>Inter-Agency Payables</i>	2019	2018
Due to BIR	677,652.55	593,942.61
Due to GSIS	75,301.73	67,722.51
Due to PAG-IBIG	(23,544.11)	28,766.21
Due to PHILHEALTH	123,854.92	127,944.96
Due to Other NGA's	12,980,808.40	16,417,514.81
Due to Other GOCC's	12,016.03	12,016.03
Due to LGU's	523,459.60	1,499,424.28
Total	<u>14,369,549.12</u>	<u>18,747,331.41</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:

	2019
Philhealth/TB DOTS/MCP	73,573.32
DILG RO-08 Implementation in Recovery Assistance (RAY 2) Project	
Batch 2 Barangay Facilities.	
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)	2,977,686.74
DILG-Assistance to Municipality 2016	
BID DOCS	41,412.30
DSWD-RO-8 CBLA	50,700.00
DILG-Assistance to Municipality 2017	
DOST RO-08 Financial Assistance for the processing of Agri. Products	300,000.00

DOLE RO-08 Livelihood Assistance on Hog Raising/Fattening Project	13,209.28
DILG-AM 2019	9,466,000.00
	12,980,808.40

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

2019

PTO - Borongan Financial Assistance for EVBL	33,500.00
BNEO	29,409.70
Provincial Share RPT	61,022.14
Provincial Share SEF	104,079.55
Municipal Share SEF	-
Barangay Share	295,448.21

<i>Brgy. 01 Poblacion</i>	<i>17,840.20</i>
<i>Brgy. 02 Poblacion</i>	<i>31,802.41</i>
<i>Brgy. 03 Poblacion</i>	<i>13,705.08</i>
<i>Brgy. 04 Poblacion</i>	<i>17,964.26</i>
<i>Brgy. Padang</i>	<i>33,641.28</i>
<i>Brgy. Canciledes</i>	<i>46,521.91</i>
<i>Brgy. Nagaja</i>	<i>26,631.23</i>
<i>Brgy. Carmen</i>	<i>27,271.17</i>
<i>Brgy. San Isidro</i>	<i>9,115.84</i>
<i>Brgy. Batang</i>	<i>24,185.64</i>
<i>Brgy. Garawon</i>	<i>21,418.41</i>
<i>Brgy. San Miguel</i>	<i>24,096.98</i>
<i>Brgy. Cacatmonan</i>	<i>1,253.80</i>
	295,448.21

Total

523,459.60

Intra-Agency Payables

2019

2018

Due to other Funds

1,593,251.82 939,886.76

Total

1,593,251.82 939,886.76

Trust Liabilities

2019

Trust Liabilities-Disaster Risk Reduction and Management Fund

6,173,266.69

Bail Bonds Payable

1,053,315.46

Guarantee/Security/Deposits Payable

140,300.00

Total

7,366,882.15

Bail Bods Payable represents the following:

CB Premiere	59,290.55
Pedro Arganda	155,315.75
Antonio Lim	
Jesus B. Amoyo, Jr.	484,712.42
Jose B. Japzon	350,024.08
Others	3,972.66
	1,053,315.46

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)	1,675,146.21
21.2 Disaster Preparedness Fund (70% of the LDRRMF)	4,498,120.48
Total	6,173,266.69

Deferred Credits/Unearned Income

Deferred Credits	
Other Deferred Credits	87,000.00
Total	87,000.00

Note 11 - Tax Revenue

Tax Revenue-Individual and Corporation

Community Tax	112,383.35
Professional Tax	600.00

Tax Revenue-Property

Real Property Tax	92,843.11
Special Education Tax	116,053.89
Real Property Tax Transfer	900.00

Tax Revenue-Goods and Services

Business Tax	365,171.35
Tax on Delivery Trucks & Vans	2,670.00

Tax Revenue-Others

Other Taxes	99,710.00
Fines and Penalties	33,495.81
	823,827.51

Share from National Taxes

Share from Internal Revenue Collection	55,218,322.00
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Total	56,042,149.51
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Note 12 - Service and Business Income

2019

<i>Service Income</i>	
Permit Fees	274,803.20
Registration Fees	109,900.00
Clearance and Certificate Fees	92,950.00
Occupation Fees	
Fees for Sealing and Licensing of Weights & Measures	4,850.00
<i>Business Income</i>	
Parking Fees	14,460.00
Slaughterhouse Operation	2,280.00
Sales Revenue	29,490.00
Garbage Fees	16,600.00
Interest Income	24,375.16
Other Business Income	788,970.00
Municipal Share (Coconut Cutting)	13,740.00
Municipal Share STL PCSO	32,758.90
Contractor's Tax/Occupational Tax	117,778.80
<i>Subsidy Income</i>	
Grants & Donations in Kind	18,556,234.30
Total	<u><u>76,121,339.87</u></u>

Note 13 - Employee Costs

Personal Services

Salaries and Wages-Regular	19,222,265.67
Salaries and Wages-Casual/Contractual	227,390.32

Other Compensation

Personal Economic Relief allowance	997,545.45
Representation Allowance	1,281,000.00
Transportation Allowance	1,281,000.00
Clothing/Uniform Allowance	252,000.00
Subsistence Allowance	118,800.00
Productivity Incentive Allowance	
Hazard Pay	157,920.00
Year-End Bonus	3,181,710.00
Cash Gift	207,000.00
Other Bonuses and Allowances	210,000.00

Personnel Benefit Contribution

Retirement and Life Insurance Premiums	2,220,529.05
Pag-ibig Contribution	49,648.29
Philhealth Contribution	189,150.79
Employees Compensation Insurance	48,188.29

Other Personnel

Benefits

Terminal Leave Benefits	1,352,910.00
Overtime & Night Pay	29,510.73
Total	<u><u>31,026,568.59</u></u>

Note 14 - Maintenance and Other Operating Expenses***Travelling Expenses***

Travelling Expenses-Local 2,310,528.63

Training and Scholarship Expenses

Training Expenses 781,405.00

Supplies and Materials Expenses

Office Supplies Expenses 285,618.25

Accountable Forms Expenses 50,900.00

Welfare Goods Expense 250,000.00

Fuel, Oil and Lubricant Expenses 259,720.42

Other Supplies and Materials 533,984.03

Drugs and Medicines 95,723.50

Utility Expenses

Water Expense 31,015.59

Electricity Expenses 838,230.58

Postage and Courier Services 8,475.00

Communication Expenses

Telephone Expense 534,880.97

Internet Subscription Expenses 27,456.25

Prizes 36,000.00

Advertising Expenses 11,232.00

Rent Expenses 24,000.00

Representation Expenses 1,334,191.89

Confidential, Intelligence and Extraordinary Expenses

Confidential Expenses 50,000.00

Total 7,463,362.11**Contracted Services*****Professional Services***

Other General Services 5,264,977.00

Other Professional Services 115,900.00

Total 5,380,877.00**Repair & Maintenance**

Repair & Maintenance-Land and Land

Improvements

Repair & Maintenance-Buildings and Other

Structure 140,793.50

Repair & Maintenance-Machinery and Equipment 49,933.00

Repair & Maintenance-Transportation Equipment 217,725.00

Total 408,451.50

PART II -DETAILED OBSERVATIONS AND RECOMMENDATIONS

SIGNIFICANT ACCOMPLISHMENTS OF THE LGU:

The Municipality has the following significant accomplishments for the year:

1. Construction of Warehouse
2. Construction of Farmer's Multi-Purpose Cum Info Center and Bodega
3. Construction of Vermiculture Facility
4. Construction of Goat House
5. Establishment of Plant Nursery Shed (14) and construction of Wood Vinegar Facility
6. Rehabilitation of Barangay 3, San Isidro FMR
7. Construction of Greenhouse
8. Continuation of road concreting going to Evacuation Center
9. Improvement of Canhugas Nature Park
10. Construction of Access Road Going to MRRF
11. Construction of Concrete Fence

A. Financial and Compliance Audit

- 1. The existence, accuracy and reliability of Property, Plant and Equipment (PPE) account with carrying value of P134,886,496.62 (net of accumulated depreciation) as of December 31, 2019 could not be ascertained due to non-reconciliation between the records of the Office of the Municipal Accountant and those of Municipal General Services Office (GSO) because of incomplete Property Ledger Cards (PLC) and Property Cards (PC), respectively contrary to Section 124, Volume 1 and Section 13 & 15, Volume 11 of NGAS Manual for LGUs.**

“According to Manual on New Government Accounting (NGAS) for LGUs Chapter 7, Volume 1” states:

Sec. 124 of LGU- NGAS Chapter 7 provides that the physical count of PPE by type shall be made annually and reported on the RPCPPE. The RPCPPE shall be submitted to the Auditor concerned not later than January 31 of each year.

Likewise, Section 13, 15, & 45, Volume 11 of Same Manual, require the maintenance of Property, Plant & Equipment Ledger Cards, Real Property Card and Property Cards.

Review of the PPE Account as of December 31, 2019 showed a historical cost balance of P174,569,602.13 and Accumulated Depreciation of P39,683,105.51 with net book value of P134,886,496.62 taken up in the Accounting Records. The Property Officer failed to prepare and submit the consolidated RPCPPE to the Audit Team. Only, (1) Office of Planning and Development, (2) Office of Municipal Treasurer, (3) Hand-written RPCPPE

of Office of Municipal Vice Mayor, Office of SB Secretary and Session Hall, and (4) Local Inventory of Road and Local Road Network Property Card were prepared by Municipal Engineer, were submitted to the Audit Team. It was observed that the RPCPPE does not contain the real properties owned by the Municipality and the cost or unit value of some PPE items, thus the total PPE cannot be computed or quantified. Moreover, Property, Plant and Equipment Ledger Cards and Property Cards were incomplete. Also, Real Property Cards were not prepared by the property officer.

It was also noted, that no reconciliation was made between accounting and property records due to incomplete records for PPE account. The absence of the required property records and the failure to conduct reconciliation between accounting and property records as well as the incomplete annual physical inventory count, resulted in the unreliability of its Property, Plant and Equipment.

Likewise, the Municipal Accountant made the Property Cards and Property Ledger Cards instead of the Municipal Treasurer in the absence of the GSO.

In view of the foregoing, the existence, completeness and accuracy of the PPE account balance of P134,886,496.62 could not be ascertained.

On-going conduct of Physical Inventory.

We recommended that the Municipal Mayor:

- a.) **Direct the Inventory Committee, if any, to complete the conduct of physical inventory of all properties of LGU;**
 - b.) **Direct the GSO to submit the complete Report of Physical Count of Property, Plant and Equipment (RPCPPE) to the Audit Team; and**
 - c.) **Direct the Municipal Accountant & the GSO to maintain appropriate Property, Plant and Equipment Ledger Cards (PEELC) and Property Cards (PC), respectively and Conduct a period reconciliation of records in accordance with Section 124 of NGAS Manual for LGU Volume I.**
- 1. The reported balances of various accounts in the financial statement are of doubtful accuracy due to deficiencies noted in the total amount of P40,872,550.17 and were presented not in a comparative form prescribed in Section 3.5 of COA Circular 2016-004 contrary to pertinent provisions of PPSAS 1 on Presentation of Financial Statements. Thereby, defeating the purpose of faithful representation set out in PPSAS and thus affecting the fair presentation of the financial statements.**

Section 3 of COA Circular 2016-004 dated September 30, 2016 provides the guidelines on the preparation and presentation of Financial Statements, with the following specific provision:

Section 3.5. Financial Statement shall present only the figures for CY 2015. Succeeding years' F/S shall present comparative figures for two years.

Moreover, Philippine Public Sector Accounting Standard (PPSAS) 1 sets out overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting, to wit:

Paragraph 27. Financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.

Paragraph 29. In virtually all circumstances, a fair presentation is achieved by compliance with applicable IPSASs. A fair presentation also requires an entity:

- (a) X
- (b) To present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.
- (c) X

Paragraph 53. Except when an IPSAS permits or requires otherwise, comparative information shall be disclosed in respect of the previous period for all amounts reported in the financial statements. Comparative information shall be included for narrative and descriptive information when it is relevant to an understanding of the current period's financial statements.

Section 7 “**Fair Presentation and Compliance with PPSAS.** Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSASs.”

Review and verification of the submitted Financial Statements (FS) for CY 2019 disclosed that the financial reports, namely Statement of Financial Position, Statement of Financial Performance, Statement of Changes in Net Assets/Equity and Statement of Cash Flows did not present comparative information for the current and immediately preceding year, which is not in accordance with the above-cited provisions.

Verification of accounts in the submitted FS for CY 2019, revealed deficiencies as follows:

Particulars	Amount	Remarks
1.) Due to Other Funds (Intra-Agency Payables	1,593,251.82	Found in the Statement of Financial Position but not in Notes to FS.

Particulars	Amount	Remarks
2.) Other Personnel Benefits in the Notes to FS	29,510.73	Recorded in the Trial Balance and General Ledger Accounts as Overtime and Night Pay.
3.) Notes to FS- Repair & Maintenance- Land and Land Improvement	140,793.50	Not recorded in the Statement of Financial Position.
4.) Notes to FS- Repair & Maintenance- Buildings and Other Structures	49,933.00	Recorded in the Statement of Financial Position as Repair & Maintenance- Machinery and Equipment
5.) Notes to FS- Repair & Maintenance- Machinery and Equipment	217,725.00	Recorded in the Statement of Financial Position as Repair & Maintenance- Transportation Equipment
6.) Various Account balance with variances between the General Ledgers and the Financial Statements	38,841,336.12	See in Annex D
	₱40,872,550.17	

As per inquiry with the Accountant, variance between the trial balance presented in the financial statement and general ledger (GL) is just a typing error and at that point submitted a GL to prove the accuracy of balances, however, upon checking the GL it disclosed a totaled balance of P305,853,832.72. Also, it was presented under the General Fund only, which is not included the SEF and Trust Fund. The agency should put extra care and review their disclosures in order to prevent inaccurate data that would yield to misleading information.

In addition, no complete General Ledger was submitted as of to date, which is a necessary record maintained wherein transactions are summarized from the journals and are then posted to each account's corresponding ledger, from which balances reflected in the submitted trial balances and financial statements should be derived. The absence of which rendered difficulty in ascertaining the accuracy of the balances forwarded at the beginning of CY 2019 and postings made to each account during the year, consequently impairing reliability of the FS and their recorded balances for lack of complete supporting records to verify and substantiate the same.

The noted deficiencies in reporting financial transactions may affect the fair presentation of the balances of the financial statements.

The Municipal Accountant submitted the consolidated Statement of Financial Position, Performance, Cash Flows, Changes in Net Assets/Equity, Bank Reconciliation Statements, Notes to Financial Statements, Pre and Post Closing Trial Balance and General Ledgers (GL) within the period prescribed. Likewise, the variance of P38,841,336.12, was reconciled upon submission of the needed General Ledgers (GL) for Trust Fund and SEF. However, the Subsidiary Ledgers and Comparative Financial Statement for Trust Fund and SEF still were not submitted to the Audit Team

Auditor's Rejoinder: The untimely submission of reports precluded the audit team to provide timely audit and communication of the result thereof to the LGU. Moreover, the lack of supporting schedules further limited the audit team's ability to assess the fairness of presentation of the accounts presented in the Financial Statements, thus, the accuracy and completeness of its balances remains unascertained.

We recommended that management to:

- a) **Direct the Accountant to prepare and submit the correct set of Financial Statements by reflecting the information as required to be indicated therein per pertinent provisions of PPSAS 1 and COA Circular No. 2016-004.**
 - b) **Ensure correct and fair presentation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in PPSAS.**
 - c) **Submit revised report or explanation/clarification of the discrepancies of amounts noted above and effect necessary adjustments to ensure the fair presentation of the financial statements.**
2. **Due to the non-maintenance of Subsidiary Ledgers for all accounts, the Municipality has no complete set of books contrary to Section 111 and 114(2) of PD 1445, thus, depriving the management of the validity and accuracy of the Financial Statements and prompt communications of the audit results.**

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.

Along this line, Section 114 (2) also provides that subsidiary records shall kept where necessary.

Furthermore, Section 121(2) states that the financial statements shall be based on official accounting records kept in accordance with law and the generally accepted accounting principles and standards.

We issued an Audit Observation Memorandum (AOM) 2020-001 dated January 13, 2020, received by management on January 15, 2020 requesting for the submission of

accounts and financial reports including the General Ledgers (GLs) and Subsidiary Ledgers (SLs). However, only GLs were submitted late since SLs were not maintained by the Accounting Unit. For this reason, tracing of transactions from the GLs to the related SLs could not be undertaken of the following accounts:

Table 1.1 Municipality of Hernani, Eastern Samar-Total Assets (excluding PPE Account)

	Account Name	General Fund	SEF	Trust Fund	Coco Oil Mill	Total
1	Cash Local Treasury	1,204,538.04			18,320.00	1,222,858.04
2	Cash in Bank-LCCA	44,304,093.64	171,475.07	873,661.90	201,587.62	45,550,818.23
3	Raw Materials				691,452.00	691,452.00
4	Finished Goods Inventory				15,000.00	15,000.00
5	Accounts Receivable				309,900.00	309,900.00
6	Due from LGU	802.35				802.35
7	Due from Other Funds	842,599.05	459,867.77	290,785.00		1,593,251.82
8	Advances for Payroll	239,631.22				239,631.22
9	Advances for Special Disbursing Officer	261,722.03				261,722.03
10	Due from Offices and Employees	908,386.97		8,710.00		917,096.97
11	Other Receivables	2,077.60		87,000.00		89,077.60
12	Advances to Contractors	31,696.01				31,696.01
13	Other Investments	49,512.75				49,512.75
	Total (Assets)	47,845,095.66	631,342.84	1,260,156.90	1,242,259.62	50,978,855.02

Table 1.2 Municipality of Hernani, Eastern Samar- Total Liabilities

	Account Name	General Fund	SEF	Trust Fund	Coco Oil Mill	Total
1	Accounts Payable	3,466,207.00	264,616.25			3,730,823.25
2	Due to Offices and Employees	1,780,223.38			4,173.00	1,784,406.38
3	Other Payables	147,406.19				147,406.19
4	Due to BIR	423,807.57	7,419.18	161,814.51	84,611.29	677,652.55
5	Due to GSIS	68,526.97		6,774.76		75,301.73
6	Due to PAGIBIG	(23,544.11)				(23,544.11)
7	Due to PhilHealth	123,444.22		410.70		123,854.92
8	Due to NGAs	12,946,731.21		34,077.19		12,980,808.40

	Account Name	General Fund	SEF	Trust Fund	Coco Oil Mill	Total
9	Due to Other GOCCs	12,016.03				12,016.03
10	Due to LGU	344,545.18		178,914.42		523,459.60
11	Due to Other Funds	750,652.77		791,165.32	51,433.73	1,593,251.82
12	Trust Liabilities	6,173,266.69				6,173,266.69
13	Bail Bonds Payable	1,053,315.46				1,053,315.46
14	Guarantee/Security Deposits Payable				140,300.00	140,300.00
15	Deferred Credits			87,000.00		87,000.00
	Total (Liabilities)	27,266,608.56	272,035.43	1,260,156.90	280,518.02	29,079,318.91

According to the Accountant, she failed to maintaining subsidiary records due to lack of competent personnel that will assist her. She also added that they will try to maintain subsidiary ledgers for the ensuing year.

Maintenance of Subsidiary Ledgers (SLs) is important because it gives detailed information not provided for in the General Ledgers (GLs). It is one of the 3 components of the books of accounts required by law to be maintained by the agency. The non-maintenance of SLs contradicts to management's assertion that it maintains a system of accounting and reporting as stated in the Statement of Management Responsibility for Financial Statements which deprived the management of the validity and accuracy of the financial statements and prompt communications of the audit results.

The management assigned competent personnel to assist in the preparation and submission of the subsidiary ledgers and other necessary reports within the period prescribed by existing laws and regulations last January 2, 2020. The management explained that they submitted Subsidiary Ledgers (SL) but not 100%.

We recommended that the Mayor assign competent personnel to assist in the preparation and submission of the subsidiary ledgers and other necessary reports within the period prescribed by existing laws and regulations.

- 3. Out of P 59,282,598.32 total Road Network account in the financial statement, P52,612,474.53 equivalent to 88.74% of total Road Network account, cannot be ascertained due to non-recognition of the Municipal Road Lots contrary to COA Circular No. 2015-008.**

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.
- xxx

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.
- xxx

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, 2019 showed a total road network of P59,282,598.32 which is composed of forty-five (19) roads owned by the municipality which is classified as to its components such as pavement, drainage, slope protection and miscellaneous structures. (See Annex E)

Relative thereto, review of the submitted Local Road Inventory as of December 31, 2019 revealed that the Road Network components have already been identified and recognized except for the Road Lots. Out of P 59,282,598.32 total Road Network account in the financial statement, P 52,612,474.53 equivalent to 88.74% of total Road Network account is understated as road lots owned by the agency has not yet been recognized (See Annex A). It has already been discussed during the cascading of Local Road Asset Management System (LRAMS) last January 30, 2020 that Road Lots, as one of the components of the Road Network should also be recognized in the Financial Statement and be valued based on the assessed value of the Municipal Assessor.

Though, the accountant had already disclosed in the Notes to FS the reason for the non- recognition of Road Lots which is due to the pending reconciliation with the provincial counterpart, however, the Audit Team had already disseminated to the audited agencies the List of Provincial Roads, Municipal Roads and Barangay Roads as well as the road Maps which pertain to the Province of Eastern Samar during the cascading of LRAMS to easily facilitate the recognition of the Road Network, thus, 100% recognition of the Road Lots should have been accomplished by the agency. Non-recognition of which deprive the proper reconciliation of the account as basis for the amount reported in the financial statement.

The aforementioned deficiencies casted doubt as to the accuracy and reliability of the Road Network account in the financial statement.

The management agreed to comply with the audit recommendation and will start its implementation in 2020. The Municipal Assessor together with the Municipal Engineer to conduct evaluation on the unrecognized municipal road lots.

We recommended to the Municipal Mayor to require the Municipal Accountant to coordinate with the Municipal Assessor with the proper valuation of the Road Lots to be reported in the Financial Statements and also, instruct the Accountant 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. **Fund release from the various National Government Agencies (NGAs) in the sum of P83,252,732.53 of which P12,887,596.02 were not utilized despite the receipt of funds**

resulting in the unimplementation of urgent and needed projects, contrary to Section 309 (b) of Republic Act No. 7160 and COA Circular No. 94-013.

Section 309 (b) of Republic Act No. 7160 states that: “Trust Funds shall consist of private and public monies which have officially come into the possession of the local government or of a local government official as trustee, agent or administrator, or which have been received as a guaranty for the fulfillment of some obligation. A trust fund shall only be used for the specific purpose for which it was created or for which it came into the possession of the local government unit.”

COA Circular No. 94-013 dated December 13, 1994 prescribed the rules and regulations in the grant, utilization and liquidations of funds transferred to Implementing Agencies. It provides among others, the Source Agency (SA) should require the former to submit reports pertaining to the utilization of the cash transferred for a particular project.

Section 4.6 of the same circular states that “Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the IA.”

Furthermore, Section 6.7 of the same circular provides that “the return to the Source Agency any unused balance and refund of disallowance upon completion of the project.”

As of December 31, 2019, the Municipality of Hernani, received the sum of P83,252,732.53 from various National Government Agencies (NGAs) intended to fund specific projects as provided in the Memorandum of Agreement of which P12,887,596.02 were unutilized/ partially utilized/ utilized but unliquidated/ excess of completed projects but unreturned to Source Agency (SA). The details of which are shown below:

Particulars	Fund Source	Date Received	Amount	Status	Amount Unutilized/Un-liquidated
Emergency Shelter Assistance (ESA)	DSWD RO VIII	July 16, 2015	33,660,000.00	100% Completed	20,000.00
GAPS/ESA	DSWD RO VIII	July 16, 2015	6,160,000.00	100% Completed	60,000.00
Cash for Building Livelihood Asset (CBLA)	DSWD RO VIII	December 11, 2017	1,395,680.00	100% Completed	50,700.00
Yolanda Rehabilitation and Reconstruction Program (YRRP) Project- 2017	DA RFO VIII	December 11, 2017 & May 23, 2018	31,554,227.00	On-going partially completed	2,977,686.74
Livelihood (Kabuhayan) Project entitled “Hog Raising/ Fattening Project”	DOLE Region VIII	June 13, 2018	716,825.53	100% Completed	13,209.28
Establishment of Village Level of Science and				Failed twice	

Particulars	Fund Source	Date Received	Amount	Status	Amount Unutilized/Un-liquidated
Technology Facility for the processing of agricultural products in Hernani, Eastern Samar	DOST RO VIII	July 30, 2018	300,000.00	in Bidding Process.	300,000.00
SUB-TOTAL before CY 2019			P 73,786,732.53		P 3,421,596.02
Road Upgrading of Brgy. Canciledes to Sitio Tutubigan	DILG	October 10, 2019	9,466,000.00	36.98% completed as of December 31, 2019, however, there is no disbursement occurred	9,466,000.00
GRAND TOTAL			P 83,252,732.53		P 12,887,596.02

As shown above, a total of P 73,786,732.53 of funds was received in CY 2018 but the implementation of the projects have not been completed as of December 31, 2019:

- a.) The fund for the Yolanda Rehabilitation and Reconstruction Program (YRRP) was received in CY 2017 and CY 2018 amounting to P17,227,839.00 and P14,326,388.00, respectively, yet its implementation is still partially completed and still have a balance of P 2,977,686.74 as of December 31, 2019.
- b.) For the “Establishment of Village Level of Science and Technology Facility for the processing of agricultural products in Hernani, Eastern Samar”, Municipal Accountant explained that the implementation of the said project was delayed due to lack/ absence of interested bidders for the project. The BAC after 2 failed bidding resorted to negotiable procurement, but still could not find any supplier for the dryer.

The delayed/non-implementation of the Municipality to utilize the funds received defeated the purpose of the fund which is, addressing the needs of the poor and marginalized sectors of the municipality.

Management explained that some of the projects were already implemented in the 1st Quarter of 2020.

We recommended that the management:

- a.) **Fast track the implementation of the Programs/Projects/Activities (PPAs) consistent with the Memorandum of Agreements (MOAs) for the intended beneficiaries;**
- b.) **Return to the Source Agency the unutilized fund for projects already completed in accordance to COA Circular 94-013.**

B. Audit of 20% Development Fund

- 5. The Municipality allocated P385,000.00 for non-related programs/projects/activities contrary to DILG-DBM JMC No. 2017-1. Moreover, seventeen (17) projects totaling P8,698,644.00.00, were unimplemented during the year, thus, exposing the funds of the government from suffering higher cost on the unimplemented projects which is not beneficial to the government and community and deprived the intended LGU constituents of the timely benefits from the projects.**

Section 2.2 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.

Section 2.3 of the same circular 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.

Section 3.0 of the same circular further states that the Circular explicitly enumerates allowable development projects chargeable against 20% DF and these projects contribute to social development, economic development and environment development.

Section 5.0 of the same circular states that 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 utilization of the 20% DF, whether willfully or through negligence, for any purpose other than those expressly prescribed by law or public policy shall be subject to the sanctions provided under RA No. 7160 and other applicable laws.

Section 287 of RA 7160 states: "Local Development Projects. - Each local government unit shall appropriate in its annual budget no less than twenty percent (20%) of its annual internal revenue allotment for development projects."

For CY 2019, the LGU appropriated a total of P11,098,644.00 to finance various infrastructure projects under its 20% Development Fund. During the year, although the LGU has implemented and completed various projects as stated in its Accomplishment Reports, the LGU was unable to implement the remaining current projects enlisted in its AIP funded under the 20% (See, Table 1A and Table 1B of Annex F).

From the above list, the Municipality was not able to implement the seventeen (17) priority development projects for CY 2019 aggregating P8,698,644.00, as shown below:

	No. of Projects	Amount
Total 20% DF	21	P 11,098,644.00
Less: Implemented	(2)	(P 600,000.00)
Less: <u>Partially Implemented</u>	<u>(2)</u>	<u>(P 1,800,000.00)</u>
Not Implemented	<u>17</u>	<u>P 8,698,644.00</u>

Furthermore, the AIP also included expenditures which were neither (1) capital in nature nor (2) any socio-economic and environmental development to the municipality amounting to P385,000.00 (See, Annex F.1 – Item Nos. 10, 11, 15 and 16).

The non-implementation of the valid PPAs deprived the LGU and its constituents of the benefits which could have been derived from the timely implementation of the projects while the inclusion of various expenditures which are not in accordance with the provisions of the aforementioned JMC resulted to irregular expenditures. Programs and activities for administrative and operating expenses should be appropriated from the budget of applicable programs in the General Fund since these do not partake the nature of investment and capital expenditures and do not contribute to the long-term development of any given community.

The projects programmed under the DF are termed ‘priority development projects’ of the government and yet a significant portion of the fund is unused during the year, the intention of which thus defeated, exposing the government from suffering higher cost, which is not beneficial both to the government and the community and deprived the intended LGU constituents of the timely benefits from the projects.

The LCE committed to coordinate with the MBO, ME and MPDC to comply with the proper appropriation and utilization of the Fund. Moreover, the management claim that the non-related program/projects/activities amounting to P385,000.00 was reprogram and the other unimplemented projects amounting to P8,698,644.00 were only approved later of CY 2019. These remained unimplemented until the management be able to submit documents to support these claims.

We recommended that the Municipal Mayor direct:

- a.) **The Municipal Budget Officer to refrain from allocating and utilizing portion of 20% DF for non-related programs/projects/activities.**
- b.) **The Municipal Engineer, to adhere to the provision set forth under DILG-DBM Joint Circular No. 2017-001 to ensure the efficient implementation of the PPAs in the 20% Development fund to timely benefits its constituents.**

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

6. **Validity and reliability of the charges in Local Disaster Risk and Reduction Management Fund (LDRRMF) for CY 2019 amounting to P2,252,696.88 cannot be ascertained due to: 1) various discrepancies found between the balance of Obligation**

in Statement of Allotment, Obligation and Balances (SAOB) and charges in Report on Utilization of DRRMF as of December 31, 2019 in the amount of P347,345.55; 2) non-preparation of Registry of Appropriations, Allotments and Obligations (RAAO) for QRF, MOOE and CO contrary to COA Circular 2012-002, and 3) allocated P70,000.00 for non-related programs/projects/activities contrary to NDRRMC-DBM-DILG Joint Memorandum Circular 2013-1.

Section 111 of PD 1445 states that the “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.”

PD 1177 Section 46 provides that “Certification of Availability of Funds. No funds shall be disbursed, and no expenditures or obligations chargeable against any authorized allotment shall be incurred or authorized in any department, office or agency without first securing the certification of its Chief Accountant or head of accounting unit as to the availability of funds and the allotment to which the expenditure or obligation may be properly charged.”

Section 85 of PD 1445 provides that: (1) No contract involving the expenditure of public funds shall be entered into unless there is an appropriation therefor, the unexpended balance of which, free of other obligations, is sufficient to cover the proposed expenditure.

Examination of SAOB and LDRRMF Utilization as of December 31, 2019 revealed a discrepancy of P347,345.55 (See Table 1). The recorded utilization for some PPAs were in excess of the of the obligated amount reported in the SAOB as shown below:

Table 1: Actual LDRRMF Project Appropriations VS. Allotment Submitted by the Budget Officer

ITEM No.	PARTICULARS	(SAOB) Submitted by the Budget Officer	LDRRMF Utilization Report Submitted by Accountant	VARIANCE
	A	B	C	d= b-c
1	De-clogging and clearing operations	11,000.00	39,500.00	(28,500.00)
2	Purchase of 13 pcs raincoat/barangay (HERU)	47,000.00	84,000.00	(37,000.00)
3	Purchase of 26 units trumpa speaker and 150-meter wires	78,000.00	90,000.00	(12,000.00)
4	Rescue unit (HERU) operating expenses	16,965.00	20,000.00	(3,035.00)
5	DRR-CCA capability building program	150,000.00	153,830.00	(3,830.00)
6	Family preparedness campaign and DRR summit	120,330.00	133,310.55	(12,980.55)
7	Stockpiling and repositioning of resources	0.00	250,000.00	(250,000.00)
	TOTAL	P 423,295.00	P 770,640.55	(347,345.55)

Disbursement of any kind should not exceed its recorded obligation. It would raise doubt on the validity of the transaction.

Furthermore, the agency has appropriated five percent 5% from its CY 2019 estimated revenue from regular sources to LDRRMF amounting to P2,839,417.29. Out of the total current appropriation for LDRRMF the total amount of 851,825.19 represents the 30% QRF while P1,987,592.10 corresponds to the 70% Disaster, Mitigation and Prevention Fund.

COA Circular No. 2012-002 dated September 12, 2012 provides for the following accounting and reporting guidelines for the establishment and utilization of the 5% Local Disaster Risk Reduction and Management Fund as stipulated below:

- 5.1.2 A LDRRMFIP for the DRRM program shall be prepared annually. It shall present the 30% allocation for the QRF in lump-sum and the allocation for disaster mitigation, prevention and preparedness with details as to projects and activities to be funded. **The LDRRMFIP shall also include under a separate caption, a list of projects and activities charged to the unexpended LDRRMF of previous years.** (Emphasis supplied)
- 5.1.3 The release and use of the LDRRMF shall be supported by the following documents:
 - 5.1.3.1 Local Sanggunian Resolution and the declaration of state calamity for the QRF.
 - 5.1.3.2 LDRRMFIP for projects and activities listed in the approved plan as incorporated in the local development plan and annual work and financial plan.
- 5.1.4 Separate Registry of Appropriations, Allotments and Obligations (RAAO) shall be maintained for the LDRRMF as follows:
 - 5.1.4.1 RAAO- for QRF
 - 5.1.4.2 RAAO- for MOOE
 - 5.1.4.3 RAAO- for CO
- 5.1.5 A Report on Sources and Utilization of DRRMF using the format in Annex B shall be prepared and certified correct by the Local Accountant. The Local Disaster Risk Reduction and Management Officer (LDRRMO) shall submit the report on or before the 15th day of the end of each month through the LDRRMC and Local Development Council (LDC) to the COA auditor of the LGU.

NDRRMC-DBM-DILG Joint Memorandum Circular 2013-1:

5.0 Procurement/ Acquisition of Disaster Equipment for Disaster Response and Rescue Activities

5.0.1 The seventy percent (70%) of the LDRRMF, which is intended for disaster prevention and mitigation, preparedness, response, rehabilitation and recovery, may also be utilized to procure early warning systems, preparedness equipment and other equipage for floods, earthquake, volcanic eruptions, landslide and other natural and man-made calamities.

In addition, audit disclosed that the agency has a total LDRRMF charges for CY 2019 amounting to P2,252,696.88. Out of the total charges, P1,042,538.55 is from the current year appropriation and P1,210,158.33 from prior year unexpended LDRRMF. The charges in the prior year appropriation are not indicated in the submitted Annual Investment Plan, Statement of Allotment and Obligation and the agency has failed to submit the **monthly RAAO, monthly utilization, appropriation ordinance** or any other document that may prove the validity of the charges in the unexpended prior year LDRRMF.

Furthermore, the AIP for LDRRM Fund for CY 2019 includes the provision of mobile CPs, internet and the TV subscription amounting to P70,000.00 which shall be charged against the allocated fund for maintenance and other operating expenses in the general fund, not in the Municipal Disaster Risk and Reduction (MDRR) Fund.

In effect, due to the foregoing observations, the submitted SAOB and LDRRMF Utilization for CY 2019 are deemed unreliable and if not reconciled, total variance of P347,345.55 are invalid charges.

The management submitted the corrected registry for CY 2019. Ledgers up to August only with its on-going status. They agreed to comply with the audit recommendation and will start its implementation in 2020, which the audit team will closely monitor monthly.

We recommended that the Municipal Mayor to:

- a. **Require the Municipal Accountant and Municipal Budget Officer to properly reconcile between the LDRRMF Utilization Report and SAOB amounting to P347,345.55.**
- b. **Require the Municipal Budget Officer to submit separate RAAO for LDRRMF on or before the 10th day after the end of each month and stop from allocating and utilizing portion of 5% LDRRMF for non-related programs/projects/activities.**

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. This was already included

as on observation in Annual Audit Report for CYs 2017 and 2015 and was taken as not implemented for CYs 2019 and 2018 in Part III of this Report.

During the ocular inspection, it was revealed that the municipality has an existing structure for MRF funded by UNDP (United Nations Development Program) located at Sitio Pinusuan, Barangay San Miguel, Hernani, Eastern Samar but not yet functional.

E. Audit of Fund and Activities for Gender and Development (GAD)

- 7. Disbursements under Gender and Development (GAD) for CY 2019 totaling P1,054,614.13, were not programmed and supported with specific gender issues or outside of GAD mandates prescribed under pertinent provisions of PCW- DILG-DBM-NEDA Joint Memorandum Circular (JMC) No. 2016-01 dated January 12, 2016, thus gender issues in the locality were not properly addressed and effectiveness of the fund's utilization was attained.**

Pertinent items under “Column 6- GAD Budget” of the Guide in Completing the GAD Plan and Budget Form for Provinces, Cities and Municipalities per PWC-DILG-DBM-NEDA Joint Circular No. 2016-01 dated January 12, 2016, re: Guidelines on the Localization of the Magna Carta of Women, amending JMC No. 2013-01, provides:

“EXAMPLES OF EXPENSE THAT CAN BE CHARGED TO THE GAD BUDGET”

1. PPAs that address GAD issues and GAD mandates, including relevant expenses such as supplies, travel, food, board and lodging, professional fees, among others.
2. Capacity development on GAD (e.g. Gender Sensitivity Training; Gender Analysis, Gender-Responsive Planning and Budgeting, among others);
3. Activities related to the establishment and/or strengthening of enabling mechanisms that support the GAD efforts of the LGUs (e.g. GFPS, Committee on Decorum and Investigation (CODI), and Violence Against Women Desks, among others);
4. Salaries of LGU personnel assigned to plan, implement and monitor GAD PPAs on a full -time basis, following government rules in hiring and creating positions;
5. Time spent by the LGU GFPS members of LGU employees doing GAD related work. Overtime work rendered in doing GAD-related PPAs maybe compensated through a compensatory time-off (CTO), following government accounting and auditing rules and regulations;
6. Salaries of police women and men assigned to women's desk;
7. Salaries of personnel hired to manage/operate the GAD Office; if established;

8. LGU programs that address women's practical and strategic need (e.g., day care center, breastfeeding rooms, crisis or counseling rooms for abused women and children, halfway houses for trafficked women and children, and gender-responsive family planning programs, among others);
9. Construction expense for gender-responsive or GAD-mandates facilities which include, but not limited to, the following:
 - a.) Day Care Center;
 - b.) VAWC Center;
 - c.) Halfway houses for trafficked women and girls; and
 - d.) Women crisis center
10. Consultation conducted by the LGU to gather inputs for and/or to disseminate the GAD plan and budget;
11. Payment of professional fees, honoraria and other services for gender experts or gender specialist engaged by the LGU for GAD-related trainings and activities; and
12. IEC activities (development, printing, and dissemination) that support the GAD PPAs and objectives of the LGU.

The expenditures, although allowed, must still follow government accounting rules and regulations.

‘EXAMPLES OF EXPENSES THAT CANNOT BE CHARGED TO THE GAD BUDGET’

1. Programs, projects, activities (PPAs) that are not in the LGU's DILG- endorsed original or adjusted GAD Plan UNLESS these are addressing a newly emerging gender issue that has not been considered during the GPB preparation and review stage. The inclusion of such PPAs should, however, be communicated with the appropriate DILG unit;
2. Personal services of women employees UNLESS they are working full time or part time on GAD PPAs;
3. Honoraria for LGU's GFPS members or other employees working on their GAD programs;
4. Salaries of casual or emergency UNLESS they are hired to assist in GAD-related PPAs;
5. Provision of contingent funds or “other services” of PPAs; and
6. Purchase of supplies, materials, equipment, and vehicle for the general use of the LGU;

7. The following expenses CANNOT be charged to the GAD budget UNLESS they are justified as clearly addressing a specific gender issue:
 - a.) Physical, mental, and health fitness activities, including purchase of supplies, materials, equipment and information dissemination materials;
 - b.) Social, rest and recreation activities; and
 - c.) Religious activities and implementation of cultural projects.

Post audit of disbursements charged against the GAD Fund for the period January 1 to December 31, 2019 revealed, that the municipality spent a total amount of P1,054,614.13 for the programs, projects and activities (PPAs) that were not linked to gender issues and GAD related laws and mandates. Also, review of record and inquiry with concerned personnel showed that the preparation of GAD Plan and Budget did not originate from identifying emerging gender issues and then developing gender-responsive PPAs as inclusion therein. The LGU's practice was that the 5% GAD fund attributed from the various budget items was initially provided from the budget office (with no supporting linkages to specific gender issues) to the office of the GAD Focal Person, who afterward prepared the PPAs, including program/activity design just prior to the incurrence expenses.

Details of utilization of five percent (5%) Gender and Development (GAD) Fund for CY 2019 were shown in Annex G.

As gleaned from the said Annex, disbursements pertaining to senior citizen/persons with disabilities (PWDs) could have been appropriately charged against the 1% Internal Revenue Allotment (IRA) budget allocation intended for senior citizens and PWDs.

Whereas, payments of expenses for items such as, (1) electric bill; (2) payment for Inter-Fee for the Inter-Town Basketball Tournament; (3) Payment for ELA supplies and materials; (4) Payment for Sport Materials and Equipment & (5) Payment for catering services, could have been charged against the General Fund- Maintenance and Other Operating Expenses.

Likewise, the Municipality realigned the appropriation from 5% GAD Fund to Fiesta Celebration 2019 through Appropriation Ordinance No. 10, Series 2019, held last August 27, 2019 in amount of P683,500.00.

The said disbursements were not appropriately expended as their PPAs have no direct linkages to specific gender issues as prescribed by the foregoing guidelines on the fund's utilization and thus, found to be inconsistent with the provisions of the said joint memorandum circular, thereby, prevailing gender issues in the locality were not properly addressed. As such, effectiveness of the GAD fund utilization to recognize the fundamental equality of women and men, pursue women's empowerment and gender equality, promote the general welfare, provide basic services and facilities, implement GAD related PPAs and to ensure gender-responsive governance, was not given due course due to lack of supporting programs, projects and activities linking directly to identified gender issues.

The LCE committed to coordinate with MBO and MSWD to comply with the proper appropriation and utilization of the Fund. For 2020, the management will have a 50% funding for GAD Plan and Projects and attribution as well.

We recommended that the Municipal Mayor:

- d.) Direct the GAD Focal Person to prepare first the consolidated Programs, Projects and Activities (PPAs) that have direct linkages in addressing gender issues pursuant to PCW, DILG, DBM and NEDA JMC No. 2013-01, prior to the allocation of attributed GAD Fund by the Municipal Budget Officer to ensure effectiveness on the fund's utilization.**
- e.) Direct the Chairperson, Members of GAD Focal Point System and Municipal Budget Officer to revisit the guidelines prescribed in the above-cited JMC, appropriately determining the gender-responsive expensive or activities to be included in the LGUs Annual GAD Plan and Budget and compliant with GAD related laws and mandates.**
- f.) Direct the Municipal Budget Officer to refrain from allocating and utilizing portion of 5% Gender and Development (GAD) Fund for non-related programs/projects/activities.**

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

The Municipality have appropriate and sufficient allocation for the protection of children incorporated in the various PPAs of GAD Fund.

G. Credit Financing/Debt Servicing

The Municipality has not obtained any loan for CY 2019. 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, 2019.

H. Compliance with Tax Laws

For CY 2019, management complied with the BIR Revenue Regulation No. 10-2008 dated July 8, 2008. Total taxes withheld from compensation, expanded final VAT and government money payments for the year amounted to P3,831,480.79 and remitted P3,747,770.85. Unremitted balances as of year-end were duly remitted on 2020.

I. 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, 2019 amounted to P470,482.98.

	Beginning Balance (As of January 1, 2019)	This Period January 1 to December 31, 2019		Ending Balance (As of December 31, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	383,492.98	16,625.00	0.00	400,117.98
Notice of Disallowance	0.00	70,365.00	0.00	70,365.00
Notice of Charge	0.00	0.00	0.00	0.00
Total	383,492.98	86,990.00	0.00	470,482.98

J. Status of Implementation of Prior Year's Audit Recommendations

The Audit Team made a follow-up on the actions taken by the LGU to implement the recommendations of prior years and noted the following:

Status of Implementation	No. of Recommendations
Fully Implemented	19
Partially Implemented	9
Not Implemented	9

The validation of the implementation of prior years' recommendations is presented in Part III.

PART III. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the thirty seven (37) audit recommendations contained in the prior years' Annual Audit Report, nineteen (19) was implemented, nine (9) was partially implemented, and nine (9) was not implemented by the management as presented below:

Reference	Audit Observations	Recommendations	Management Action	Status of Implementation/ Reasons for Partial or Non-Implementation
AAR CY 2018	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 recommend that the BAC let the HOPE know on what alternative mode of procurement to endorse by adopting Rule XVI, Section 48 of 2016 Revised Implementing Rules and Regulations.	Submitted resolution	Implemented
AAR CY 2018, 2016	Cash Advances in the amount of P72,780.00 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,	We recommend management to: 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	CA liquidated as of February, 2019. All outstanding CAs are transactions incurred for 2019. The LGU however is not yet strict as to the granting of Cash Advances.	Partially Implemented, prompt liquidation of CA not yet strictly enforced

	thereby exposing government funds to possible loss or unauthorized use.	<p>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</p> <p>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.</p> <p>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.</p>	<p>Cash Advances are properly monitored and reported</p> <p>Although the accountant was instructed to refrain from granting CA's prior to the liquidation of previous CA's, officials and employees were still allowed CA's despite the outstanding balances</p>	<p>Implemented</p> <p>Not Implemented</p>
AAR CY 2018, 2017	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	<p>We recommend to the Municipal Mayor or his representative to:</p> <p>a. Convene the Local School Board (LSB) and cause preparation of the budget and furnish a copy thereof the Municipal</p>	The LSB had already convened but no budget was formulated	Implemented

	<p>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.</p>	<p>Budget Officer, Accountant and Treasurer as basis for disbursement or certification of availability of funds and for recording purposes.</p> <p>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.</p>	<p>No transfer of funds from the GF to the SEF was undertaken. It was added the SEF Share by P116,053.89, for a totaled P459,867.77.</p>	<p>Not Implemented</p>
<p>AAR CY 2018, 2016</p>	<p>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.</p>	<p>We recommend 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.</p>	<p>No new loans were granted to employees below the GAA threshold but existing loans from said employees were not yet resolved.</p>	<p>Not Implemented</p>
<p>AAR CY 2018, 2017</p>	<p>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</p>	<p>We recommend the Local Chief Executive to 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.</p>	<p>Unimplemented PPAs from prior years are being implemented. Charging of non-capital expenditures still occur but have been minimized.</p>	<p>Partially Implemented</p>

	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.			
AAR CY 2018	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 recommend to the Local Chief Executive to 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 LGU accounted and recorded the road infrastructure assets of the municipality.	Implemented.
AAR CY 2018, 2016, 2015, 2012, 2011	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)	We recommend to the Municipal Mayor or his representative to: <ul style="list-style-type: none"> <input type="checkbox"/> direct the property unit to prove the existence of the ICT Equipment in the amount of P919,940.55 and present the Acknowledgement Receipt of Equipment (ARE) to determine the accountability thereof; <input type="checkbox"/> create an Inventory Committee which will conduct the physical count of inventory every year- 	The LGU submitted an incomplete list of PPEs during 2019 and committed to account fully, the balances in the LGU PPE account by September of 2019. No functional inventory committee	Not Implemented Not Implemented

	<p>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.</p>	<p>end;</p> <p><input type="checkbox"/> direct the accountant and property unit to reconcile the deficiencies noted in the amount of P9,903,515.98;</p> <p><input type="checkbox"/> 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;</p> <p><input type="checkbox"/> direct the GSO or Municipal Treasurer to provide a complete list of all donated PPEs;</p> <p><input type="checkbox"/> direct the Accountant to make the necessary adjusting entries for unrecorded depreciation.</p>	<p>created to-date</p> <p>No records produced, no reconciliation available</p> <p>Incomplete count of Inventory conducted</p> <p>No list produced and submitted</p>	<p>Not Implemented</p> <p>Partially Implemented</p> <p>Not Implemented</p> <p>Implemented</p>
AAR CY 2017	<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</p>	<p>Lacking documents already submitted</p>	<p>Implemented</p> <p>Implemented</p>

		supporting schedules, and submit the same to the audit team; c. Concerned Municipal officials and employees to adhere strictly to COA Circular No. 1997-002.		Partially Implemented, not all employees adhere to aforementioned provisions
AAR CY 2017, 2015	The LGU failed to properly manage its solid waste due to (a) non-preparation of the 10-year Solid Waste Management Plan and (b) non-establishment of Material Recovery Facility in all barangays as required in Section 16 and Section 32 of RA No. 9003, hampers the efficient and effective implementation of the waste segregation and disposal program.	We recommend that the management finish the preparation of the 10-year Solid Waste Plan and coordinate with the concerned barangays to prioritize and facilitate the establishment of functional MRFs as required under Sections 16 and 32 of RA No. 9003, to help achieve an efficient and effective implementation of the waste segregation and disposal program.	MRRF have been constructed and the 10-year Solid Waste Management Plan have been drafted and submitted to the National Solid Waste Commission.	Partially Implemented, MRRF have been constructed but remains non-operational. The 10-year Solid Waste Management Plan have been drafted and submitted but still awaiting approval from the National Solid Waste Commission.
AAR CY 2017	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	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.	For 2018, the LGU still paid 1 transaction from prior period out of current budget.	Not Implemented. Notice of Disallowance Issued.

	validity and propriety and unnecessarily depleted the current year's budget.			
AAR CY 2016	Financial Statement balances for Advances for Payroll of P211,735.33 and Advances to Special Disbursing Officer of P185,405.75, included credits for the account for various liquidations despite non-submission by the OIC-Municipal Treasurer of duly accomplished payrolls, liquidation reports and report of disbursements to the accounting office, thus, both accounts were understated by P2,841,878.00 and P776,046.50, respectively.	<p>We recommend that the:</p> <p>a. OIC-Municipal Treasurer submit immediately to the Municipal Accountant all liquidation for the outstanding cash advances;</p> <p>b. Municipal Accountant support the credits made to the accounts with complete documentation and supporting schedules, and submit the same to the audit team;</p> <p>c. Local Chief Executive, OIC-Municipal Treasurer and the Municipal Accountant submit justifications on deficiency;</p> <p>d. Concerned agency officials and employees adhere strictly to the rules and regulations on cash advances.</p>		<p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Partially Implemented, not all employees adhere to aforementioned provision</p>
AAR CY 2016	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	<p>We recommend that:</p> <ul style="list-style-type: none"> The Municipal Planning and Development Coordinator (MPDC) and the Municipal Budget Officer formulates the submit a revised Annual Investment Plan (AIP) stating in detail the various priority Programs, Projects and Activities in the 20% Development Fund and responding to the focused areas of the PDP. The Local Chief 	All statutory Funds are now considered in the preparation of the budget.	<p>Implemented</p> <p>Partially</p>

	targeted constituents were benefitted or timely benefitted from these projects.	Executive ensures the efficient implementation of the PPAs.		Implemented, not all PPAs allowable in the 20% DF
AAR CY 2016	The Head of Procuring Entity approved contracts totaling P26,280,347.80 to various contractors without its submission of Construction Safety and Health Programs duly approved by the Department of Labor and Employment, thus the safety and health of construction workers were not properly ensured.	<p>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 Implementing Rules and Regulations of Republic Act 9184. • The Head of Procuring Entity enters into contract with the winning bidder only if all the documentary requirements are complied with. 		<p>Implemented</p> <p>Implemented</p>
AAR CY 2015, 2014	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.		Partially Implemented
AAR CY	Disbursements for Electric bills, Pre-	Stop the practice of charging the Electricity	Said expenditures	Implemented

2015	payments for Intelligence Expense and Repairs and Maintenance of Office Buildings totaling P864,583.77 were paid from the LGUs 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.	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.	mentioned are no longer funded under the 20% DF and is now funded under the LGU's MOOE.	
AAR CY 2009	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.		Not Implemented. Management still fails to submit the same documents.
AAR CY 2008	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.		Not Implemented,

PART IV. 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. Deficiencies Noted (Per General Ledger vs. Trial Balance presented in the Financial Statements)

E. Audit Working Paper on Road Network

F. Audit Working Paper on 20% Development Fund

- F.1 Excerpts from the 20% Development Fund 2019
- F.2 Projects Partially Implemented and Completed

G Audit Working Paper on Gender and Development Appropriations

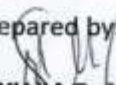
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HERNANI, EASTERN SAMAR
Statement of Financial Position
General Fund
As of December 31, 2019

	<u>Note</u>	<u>2019</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents		45,728,539.30
Investments		
Receivables		2,565,119.22
Inventories		706,452.00
Prepayments and Deferred Charges		31,696.01
Total Current Assets		<u>49,031,806.53</u>
<i>Non-Current Assets</i>		
Investments		
Receivables		
Investment Property		49,512.75
Property, Plant and Equipment		134,730,233.62
Biological Assets		
Intangible Assets		
Total Non-Current Assets		<u>134,779,746.37</u>
Total Assets		<u>183,811,552.90</u>
LIABILITIES		
<i>Current Liabilities</i>		
Financial Liabilities		5,398,019.57
Inter-Agency Payables		13,980,138.36
Intra-Agency Payables		802,086.50
Other Liabilities		
Trust Liabilities		7,366,882.15
Mortgage/Bonds/Loans Payable		
Deferred Credits/Unearned Income		
Total Current Liabilities		<u>27,547,126.58</u>
<i>Non-Current Liabilities</i>		
Financial Liabilities		
Deferred Credits/Unearned Income		
Provisions		
Other Payables		
Total Non-Current Liabilities		<u>-0-</u>
Total Liabilities		<u>27,547,126.58</u>
NET ASSETS/EQUITY		
Government Equity		156,264,426.32
Total Liabilities and Net Assets/Equity		<u>183,811,552.90</u>

General Fund
Coco Oil Mill Fund

Prepared by:



SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Financial Performance
General Fund
For the Year Ended December 31, 2019

	2019
Revenue	
Tax Revenue	707,773.62
Share from Internal Revenue	55,218,322.00
Collections	
Other Share from National Taxes	
Service and Business Income	1,498,580.90
Shares, Grants and Donations	18,556,234.30
Gains	
Other Income	24,375.16
Total Revenue	76,005,285.98
Less: Current Operating Expenses	
Personnel Services	31,026,568.54
Maintenance and Other Operating	15,014,308.35
Expenses	
Non-cash Expenses	11,698,372.36
Financial Expenses	
Current Operating Expenses	57,739,249.25
Surplus (Deficit) from Current Operation	18,266,036.73
Add (Deduct):	
Transfers, Assistance and	
Subsidy From	
Transfers, Assistance and	
Subsidy To	
Surplus(Deficit) for the period	18,266,036.73

General Fund
Coco Oil Mill Fund

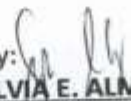
Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Cash Flows-General Fund
For the Year Ended December 31, 2019

	<u>Note</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash Inflows		
Collection from taxpayers		4,119,326.01
Share from Internal Revenue Allotment		55,218,322.00
Receipts from business/service income		818,460.00
Interest Income		24,375.16
Dividend Income		9,935,696.58
Receipts in Trust		205,135.40
Other Receipts		<u>70,321,315.15</u>
Total Cash Inflows		
Cash Outflows		
Payment of expenses		15,158,635.15
Payments to suppliers and creditors		11,196,899.30
Payments to employees		18,364,544.36
Interest Expense		<u>15,827,126.96</u>
Other Expenses		<u>60,547,205.77</u>
Total Cash Outflows		<u>9,774,109.38</u>
Net Cash Flows from Operating Activities		
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sale of Investment Property		
Proceeds from Sale/Disposal of Property, Plant and Equipment		
Proceeds from Sale of Non-Current Investments		
Collection of Principal on loans to other entities		
Total Cash Inflows		
Cash Outflows		
Purchase/Construction of Investment Property		8,047,994.21
Purchase/Construction of Property, Plant and Equipment		
Investment		
Purchase of Bearer Biological Assets		
Purchase of Intangible Assets		
Grant of Loans		
Total Cash Outflows		<u>8,047,994.21</u>
Net Cash Flows from Investing Activities		<u>1,726,115.17</u>
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		
Total Cash Outflows		<u>1,726,115.47</u>
Net Cash Flows from Financing Activities		
Total Cash Provided by Operating, Investing and Financing Activities		1,726,115.17
Add: Cash at the Beginning of the year		44,002,424.13
Cash Balance at the End of the Year		<u>45,728,539.30</u>

General Fund
Coco Oil Mill Fund

Prepared by: 
SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Changes in Net Assets/Equity
 For the Year Ended December 31, 2019

	Accumulated Surpluses/(Deficits)
	2019
Balance at January 1, 2019	<u>138,800,247.76</u>
Add (Deduct)	
Change in Accounting Policy	35,495,452.64
Prior Period Errors	1,157,745.63
Restated Balance	<u>175,453,446.03</u>
Add (Deduct) Changes in net assets/equity during the year	
Adjustment of net revenue recognized directly in net assets/equity	(37,870,185.84)
Surplus (Deficit) for the period	415,129.40
Total recognized revenue and expenses for the period	<u>18,266,036.73</u>
Balance at December 31, 2019	<u><u>156,264,426.32</u></u>

Prepared by:

SYLVIA E. ALMAZAN
 Municipal Accountant

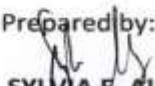
General Fund
 Coco Oil Mill Fund

HERNANI, EASTERN SAMAR
Statement of Financial Position
Special Education Fund
As of December 31, 2019

ANNEX B-1

	<u>Note</u>	<u>2019</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents		171,475.07
Investments		
Receivables		459,867.77
Inventories		
Prepayments and Deferred Charges		
Total Current Assets		<u>631,342.84</u>
<i>Non-Current Assets</i>		
Investments		
Receivables		
Investment Property		
Property, Plant and Equipment		156,263.00
Biological Assets		
Intangible Assets		
Total Non-Current Assets		<u>156,263.00</u>
Total Assets		<u>787,605.84</u>
LIABILITIES		
<i>Current Liabilities</i>		
Financial Liabilities		264,616.25
Inter-Agency Payables		7,419.18
Intra-Agency Payables		
Trust Liabilities		
Deferred Credits/Unearned Income		
Total Current Liabilities		<u>272,035.43</u>
<i>Non-Current Liabilities</i>		
Financial Liabilities		
Deferred Credits/Unearned Income		
Provisions		
Other Payables		
Total Non-Current Liabilities		<u>-0-</u>
Total Liabilities		<u>272,035.43</u>
NET ASSETS/EQUITY		
Government Equity		<u>515,570.41</u>
Total Liabilities and Net Assets/Equity		<u>787,605.84</u>

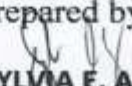
Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Financial Performance
Special Education Fund
For the Year Ended December 31, 2019

	2019
Revenue	
Tax Revenue	116,053.89
Share from Internal Revenue Collections	
Other Share from National Taxes	
Service and Business Income	
Shares, Grants and Donations	
Gains	
Other Income	
Total Revenue	116,053.89
Less: Current Operating Expenses	
Personnel Services	
Maintenance and Other Operating Expenses	329,768.50
Non-cash Expenses	
Financial Expenses	
Current Operating Expenses	329,768.50
Surplus (Deficit) from Current Operation	
Add (Deduct):	(213,714.61)
Transfers, Assistance and Subsidy From	
Transfers, Assistance and Subsidy To	
Surplus(Deficit) for the period	(213,714.61)


Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Cash Flows-Special Education Fund
For the Year Ended December 31, 2019

	<u>Note</u>	<u>2019</u>
Cash Flows from Operating Activities		
Cash Inflows		
Collection from taxpayers		
Share from Internal Revenue Allotment		
Receipts from business/service income		
Interest Income		
Dividend Income		
Receipts in Trust		
Other Receipts		
Total Cash Inflows		
Cash Outflows		
Payment of expenses		
Payments to suppliers and creditors		
Payments to employees		190,000.00
Interest Expense		
Other Expenses		
Total Cash Outflows		<u>190,000.00</u>
Net Cash Flows from Operating Activities		<u>(190,000.00)</u>
Cash Flows from Investing Activities		
Cash Inflows		
Proceeds from Sale of Investment Property		
Proceeds from Sale/Disposal of Property, Plant and Equipment		
Proceeds from Sale of Non-Current Investments		
Collection of Principal on loans to other entities		
Total Cash Inflows		
Cash Outflows		
Purchase/Construction of Investment Property		
Purchase/Construction of Property, Plant and Equipment		
Investment		
Purchase of Bearer Biological Assets		
Purchase of Intangible Assets		
Grant of Loans		
Total Cash Outflows		
Net Cash Flows from Investing Activities		
Cash Flows from Financing Activities		
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		
Total Cash Outflows		
Net Cash Flows from Financing Activities		
Total Cash Provided by Operating, Investing and Financing Activities		<u>(190,000.00)</u>
Add: Cash at the Beginning of the year		<u>361,475.07</u>
Cash Balance at the End of the Year		<u>171,475.07</u>

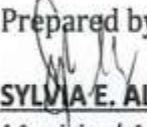
Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Changes in Net Assets/Equity
 For the Year Ended December 31,2019

	Accumulated Surpluses/(Deficits)
	2019
Balance at January 1, 2019	<u>729,285.02</u>
Add (Deduct)	
Change in Accounting Policy	
Prior Period Errors	
Restated Balance	<u>729,285.02</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	<u>(213,714.61)</u>
Total recognized revenue and expenses for the period	
Balance at December 31, 2019	<u><u>515,570.41</u></u>

Prepared by:

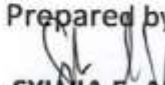

SYLVIA E. ALMAZAN
 Municipal Accountant

Special Education Fund

HERNANI, EASTERN SAMAR
Statement of Financial Position- Trust Fund
As of December 31, 2019

	<u>Note</u>	<u>2019</u>
ASSETS		
<i>Current Assets</i>		
Cash and Cash Equivalents		873,661.90
Investments		
Receivables		386,495.00
Inventories		
Prepayments and Deferred Charges		
Total Current Assets		<u>1,260,156.90</u>
<i>Non-Current Assets</i>		
Investments		
Receivables		-0-
Property, Plant and Equipment		
Total Non-Current Assets		<u>-0-</u>
Total Assets		<u>1,260,156.90</u>
LIABILITIES		
<i>Current Liabilities</i>		
Financial Liabilities		
Inter-Agency Payables		392,492.08
Intra-Agency Payables		780,664.82
Other Liabilities		
Trust Liabilities		
Total Current Liabilities		<u>1,173,156.90</u>
<i>Non-Current Liabilities</i>		
Financial Liabilities		
Deferred Credits/Unearned Income		87,000.00
Other Payables		
Total Non-Current Liabilities		<u>87,000.00</u>
Total Liabilities		<u>1,260,156.90</u>

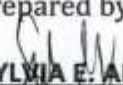
Prepared by:


SYLVIA E. ALMAZAN
Municipal Accountant

HERNANI, EASTERN SAMAR
Statement of Cash Flows- Trust Fund
 For the Year Ended December 31, 2019

	<u>Note</u>	<u>2019</u>
Cash Flows from Operating Activities		
<i>Cash Inflows</i>		
Other Receipts		2,499,589.32
Total Cash Inflows		<u>2,499,589.32</u>
<i>Cash Outflows</i>		
Payments		
To suppliers and creditors		
Other Expenses		3,134,987.15
Total Cash Outflows		<u>3,134,987.15</u>
Net Cash Flows from Operating Activities		<u>(635,397.83)</u>
Cash Flows from Investing Activities		
<i>Cash Inflows</i>		
Total Cash Inflows		_____
<i>Cash Outflows</i>		
Total Cash Outflows		_____
Net Cash Flows from Investing Activities		_____
Cash Flows from Financing Activities		
<i>Cash Inflows</i>		
Total Cash Inflows		_____
<i>Cash Outflows</i>		
Total Cash Outflows		_____
Net Cash Flows from Financing Activities		_____
Net Increase in Cash		(635,397.83)
Add: Cash at the Beginning of the period		1,509,059.73
Cash Balance at the End of the period		<u>873,661.90</u>

Prepared by:


SYLVIA E. ALMAZAN
 Municipal Accountant

Deficiencies Noted:

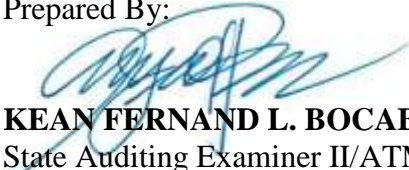
FS Review

Annex D

Account	Per General Ledger- General Fund only	Per Financial Statements Reported	Variance
Cash Local Treasury	1,204,538.04	1,222,858.04	(18,320.00)
Cash in Bank- Local Currency, Current Account	44,304,093.64	45,550,818.23	(1,246,724.59)
Due from Other Funds	842,599.05	1,593,251.82	(750,652.77)
Due from Officers and Employees	908,386.97	917,096.97	(8,710.00)
Land Improvement	4,634,878.62	4,746,576.62	(111,698.00)
Building	63,686,988.34	67,506,413.80	(3,819,425.46)
Accumulated Depreciation- Building	8,753,725.57	12,513,151.03	(3,759,425.46)
Office Equipment	1,453,718.98	1,468,718.98	(15,000.00)
Accumulated Depreciation- Office Equipment	1,307,003.98	1,322,003.98	(15,000.00)
Furniture and Fixtures	3,623,767.92	3,779,260.92	(115,493.00)
Accumulated Depreciation- Furniture and Fixtures	2,080,612.60	2,191,540.60	(110,928.00)
Information and Communication Technology Equipment	3,101,023.06	3,166,823.81	(65,800.75)
Accumulated Depreciation- Information and Communication Technology Equipment	2,020,484.84	2,086,285.59	(65,800.75)
Communication Equipment	356,078.00	408,667.00	(52,589.00)
Accumulated Depreciation- Communication Equipment	299,354.80	351,943.80	(52,589.00)
Motor Vehicles	1,479,952.25	2,866,566.25	(1,386,614.00)
Accumulated Depreciation- Motor Vehicles	1,442,404.50	2,729,018.50	(1,286,614.00)
Other Property, Plant and Equipment	4,100.00	299,650.20	(295,550.20)
Accounts Payable	3,466,207.00	3,730,823.25	(264,616.25)
Due to Offices and Employees	1,780,233.38	1,784,406.38	(4,173.00)
Due to BIR	423,807.57	677,652.55	(253,844.98)
Due to GSIS	68,526.97	75,301.73	(6,774.76)
Due to PhilHealth	123,444.22	123,854.92	(410.70)
Due to NGAs	12,946,731.21	12,980,808.40	(34,077.19)
Due to LGUs	344,545.18	523,459.60	(178,914.42)
Due to Other Funds	750,652.77	1,593,251.82	(842,599.05)
Government Equity	133,900,170.55	156,779,996.73	(22,879,826.18)

Prior Period Adjustments	1,202,528.73	1,157,745.63	44,783.10
Other General Services	5,074,977.00	5,264,977.00	(190,000.00)
Transfer of Unspent Current Year DRRM Funds to Trust Fund	1,796,878.75	1,796,878.74	0.01
Repairs and Maintenance-Buildings and Other Structures	35,525.00	140,793.50	(105,268.50)
Repairs and Maintenance-Machinery and Equipment	30,818.00	49,933.00	(19,115.00)
Depreciation Expense-Building & Other Structures	2,263,350.00	2,677,149.16	(416,799.16)
Depreciation Expense-Machinery & Equipment	141,725.23	617,490.29	(475,765.06)
Grand Total	₱ 305,853,832.72	₱ 344,695,168.84	₱ (38,841,336.12)

Prepared By:


KEAN FERNAND L. BOCABO
State Auditing Examiner II/ATM

Reviewed By:


MA. CECILIA B. VILLARETE
State Auditor III/ATL

**Municipality of Hernani
Audit Working Paper on Road Networks
CY 2019**

ANNEX E

ROAD NETWORK I.D. NO.	ROAD NAME	COMPONENTS	DESCRIPTION	DATE CONSTRUCTED	COST	CONDITION	REMARKS
826009000001	National Highway-MRRF	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	2m width x 70m Length x 0.15m thk. Concrete Road	Dec 2019	293,550.98	Good	
		c. Misc. Structure	Project Billboard				
826009000002	GK Main Road	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	5m width x 186.60m Length x 0.15m thk. Concrete Road	No Data	1,333,279.00	Good	
		c. Drainage	8 pcs-1 lined 910 mm RCPC	No Data	70,996.64	Good	
826009000003	GK Road 1	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	3m width x 46.78m Length x 0.15m thk. Concrete Road	No Data	194,164.00	Good	
826009000004	GK Road 2	a. Road Lot	5m width x 95.26m Length	No Data	50,679.00	Poor	

ROAD NETWORK I.D. NO.	ROAD NAME	COMPONENTS	DESCRIPTION	DATE CONSTRUCTED	COST	CONDITION	REMARKS
82600900005	Phil. Army Road	a. Road Lot	4m width x 171.74m Length	No Data	78,314.00	Poor	
82600900006	National Highway-Cacatmonan	a. Road Opening	7m width x 171.74m Length	No Data	1,872,299.73	Poor	
82600900007	Rizal St.	a. Road Lot	5m width x 117.13m Length x 0.15m thk. Concrete Road	No Data	962,310.72	Poor	
82600900008	Espania St.	a. Road Lot	4m width x 375.92 m x 0.15m Length Concrete Road	No Data	2,641,899.00	Good	
82600900009	National Highway-Canhugas Nature Park	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	5m width x 1,016.07m Length x 0.20m thk. Concrete Road	October 2019	17,211,296.70	Good	
		c. Drainage	276m Length Grouted Riprap Open Canal		1,897,599.93	Good	
		d. Slope Protection	124m Length x 1.2 Depth x 0.20m thk. Concrete Facing & Grouted Riprap		516,103.37		
82600900010	Canhugas Nature Park-Basyaw	a. Road Lot	7m width x 393.82m – Earth Road	No Data	209,512.24	Poor	
82600900011	National Highway-	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial

ROAD NETWORK I.D. NO.	ROAD NAME	COMPONENTS	DESCRIPTION	DATE CONSTRUCTED	COST	CONDITION	REMARKS
	Brgy. 3 Pob.						Statement
		b. Pavement	4m width x 348.19m Length x 0.20m thk. Concrete Road	No Data	2,118,204.00	Good	
826009000012	Concreting of Sitio Lingsad, Carmen to San Isidro FMR	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	5m width x 640m Length x 0.20m thk. Concrete Road	January 2018	8,909,340.61	Good	
		c. Drainage	8 pcs- 1 Lined, 910 mm dia RCPC		70,996.64	Good	
		d. Slope Protection (Grouted Riprap)	15m lengthx8m deep concrete facing & grouted riprap		1,966,549.86	Good	
826009000013	Rehab./Improvement of Brgy. Pob.- San Isidro FMR	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	5m width x 472m Length x 0.20m thk. Concrete Road	November 2018	7,609,347.23	Good	
		c. Box Culvert	4m Length, 6.0m width x 2.5m Height.	No Data	308,789.11	Good	

ROAD NETWORK I.D. NO.	ROAD NAME	COMPONENTS	DESCRIPTION	DATE CONSTRUCTED	COST	CONDITION	REMARKS
8260090-00014	Sitio Lingsad-San Isidro FMR	a. Road Lot	7m width x 941.74m – Earth Road	No Data	481,229.14	Poor	
8260090-00015	National Highway-Dolorosa Ext.	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	4m width x 238.39m Length x 0.15m thk. Concrete Road	No Data	1,457,947.00	Good	
8260090-00016	Dolorosa Ext.-PECMNHS	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	5m width x 347.18m Length x 0.20m thk. Concrete Road	No Data	2,538,999.00	Good	
8260090-00017	Road Concreting Going to Evacuation Center	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	5m width x 90m Length x 0.20m thk. Concrete Road	May 2018	1,132,770.38	Good	
		c. Drainage	8 pcs- 1 Lined, 910 mm dia RCPC		45,179.68	Good	
8260090-00018	Cont. of Road Concreting Going to Evacuation Center	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement

ROAD NETWORK I.D. NO.	ROAD NAME	COMPONENTS	DESCRIPTION	DATE CONSTRUCTED	COST	CONDITION	REMARKS
		b. Pavement	5m width x 302.13m Length x 0.20m thk. Concrete Road	April 2019	4,801,820.96	Good	
		c. Drainage	3 pcs- 1 Lined, 610 mm dia RCPC	April 2019	135,539.44	Good	
826009000019	Municipal Building Road (Front)	a. Road Lot					Assessed Value of Road Lot not recognized in the Financial Statement
		b. Pavement	5m width x 53.87m Length x 0.20m thk. Concrete Road	August 2017	373,880.00	Good	
GRAND TOTAL ROAD NETWORK IN THE FINANCIAL STATEMENT					59,282,598.36		
GRAND TOTAL ROAD NETWORK- ASSESSED VALUE OF ROAD LOT NOT RECOGNIZED IN THE FINANCIAL STATEMENT					52,612,474.53		

Prepared by:


KEAN FERNAND L. BOCABO
 Audit Team Member

Reviewed by:


MA. CECILIA B. VILLARETE
 Audit Team Leader

Excerpts from the 20% Development Fund 2019

ITEM No.	PARTICULARS	TARGET START DATE	TARGET COMPLETION DATE	AMOUNT	STATUS OF IMPLEMENTATION
1	Tourism Development – Canhugas Nature Park (CNP), Panglaw Beach, Bura Beach and Ginduyan Beach	1-Jan-19	31-Dec-19	300,000.00	NOT IMPLEMENTED
2	Construction of Tourist Information and Panapuan Center	1-Jan-19	31-Dec-19	500,000.00	NOT IMPLEMENTED
3	Land acquisition on access road for Canhugas, Ginduyan, Bura, Batang, Garawon	1-Jan-19	31-Dec-19	1,000,000.00	NOT IMPLEMENTED
4	Construction of Public Toilet in CNP (Phase 1)	1-Jan-19	31-Dec-19	300,000.00	PARTIAL IMPLEMENTED
5	Construction of Canhugas Tourist Police outpost	1-Jan-19	31-Dec-19	100,000.00	NOT IMPLEMENTED
6	Construction of Motor Pool (Phase 1)	1-Jan-19	31-Dec-19	500,000.00	NOT IMPLEMENTED
7	Construction of Municipal Fence, Pedestrian Road and Covered Walkway on municipal grounds (entrance and exit)	1-Jan-19	31-Dec-19	500,000.00	NOT IMPLEMENTED
8	LGU support fund for various development projects	1-Jan-19	31-Dec-19	1,300,000.00	NOT IMPLEMENTED
9	Concreting of access road in Material Receiving and Recovery Facility (MRRF) @ Sitio Pinasuan (Phase 2)	1-Jan-19	31-Dec-19	300,000.00	IMPLEMENTED
10	Installation of Hernani Municipal name and seal in stainless steel	1-Jan-19	31-Dec-19	75,000.00	NOT IMPLEMENTED
11	Construction of Hernani Seal/Symbol Coconut Statue (2 Story high)	1-Jan-19	31-Dec-19	230,000.00	NOT IMPLEMENTED
12	Purchase of dump truck for garbage collection	1-Jan-19	31-Dec-19	1,463,644.00	NOT IMPLEMENTED
13	Installation of teller booth cashier for BPLO business one stop shop processing	1-Jan-19	31-Dec-19	200,000.00	NOT IMPLEMENTED
14	Construction of Senior Citizen Building	1-Jan-19	31-Dec-19	1,500,000.00	PARTIAL IMPLEMENTED
15	Participatory Coastal Re-source Assessment	1-Jan-19	31-Dec-19	30,000.00	NOT IMPLEMENTED
16	Sea-borne patrolling	1-Jan-19	31-Dec-19	50,000.00	NOT IMPLEMENTED
17	Land acquisition for new Sanitary Landfill	1-Jan-19	31-Dec-19	1,000,000.00	NOT IMPLEMENTED
18	Installation of Solar Street Light with Solar Panel for mini lighthouse @ Barangay Carmen	1-Jan-19	31-Dec-19	50,000.00	NOT IMPLEMENTED

ITEM No.	PARTICULARS	TARGET START DATE	TARGET COMPLETION DATE	AMOUNT	STATUS OF IMPLEMENTATION
19	Construction of concrete fence for Hernani Central Elementary School	1-Jan-19	31-Dec-19	300,000.00	IMPLEMENTED
20	DBP Debt Servicing (Loan Payment)	31-3-19	31-Dec-19	1,200,000.00	NOT IMPLEMENTED
21	Land Acquisition Resettlement Plan (LARP)	1-Jan-19	31-Dec-19	200,000.00	NOT IMPLEMENTED
	TOTAL			P11,098,644.00	

Prepared by:


KEAN FERNAND L. BOCABO
 Audit Team Member

Reviewed by:


MA. CECILIA B. VILLARETE
 Audit Team Leader

ITEM No.	PROJECT	FUND SOURCE	STARTED	TARGET COMPLETION DATE	AMOUNT	% COMPLETED
1	Construction of warehouse	DA/YRRP	25-July-18	12-Oct-18	1,854,000.00	100%
2	Construction of Farmer's Multi-Purpose Cum Info Center and Bodega	DA/YRRP	11-July-18	6-Oct-18	1,522,388.00	100%
3	Construction of Vermiculture Facility	DA/YRRP	30-July-18	12-Oct-18	500,000.00	100%
4	Construction of Goat House	DA/YRRP	15-Aug-18	28-Oct-18	450,000.00	100%
5	Establishment of Plant Nursery Shed (14) and construction of Wood Vinegar Facility	DA/YRRP	19-Oct-18	1-Jan-19	1,555,000.00	100%
6	Rehab of Barangay 3, San Isidro FMR	DILG – AM	26-Nov-18	19-Jan-19	7,771,562.00	100%
7	Construction of Greenhouse	DA/YRRP	17-Dec-18	1-Mar-19	440,000.00	100%
8	Continuation of road concreting going to Evac Center	20% DF (CY 2018 Budget)	8-Apr-19	23-May-19	5,000,000.00	100%
9	Improvement of Canhugas Nature Park	20% DF (CY 2018 Budget)	14-Nov-19	12-Jan-20	1,000,000.00	100%
10	Construction of Access Road Going to MRRF	20% DF (CY 2019 Budget)	25-Nov-19	17-Dec-19	300,000.00	100%
11	Construction of Two Units Public Toilet*	20% DF (CY 2019 Budget)	15-Oct-19	28-Nov-19	1,000,000.00	52%
12	Construction of Multi Purpose Building**	20% DF (CY 2019 Budget)	16-Oct-19	18-Dec-19	1,500,000.00	61.72%
13	Construction of Concrete Fence	20% DF (CY 2019 Budget)	11-Nov-19	10-Dec-19	300,000.00	100%
14	Road Upgrading of Brgy. Canciledes to Sitio Tutubigan	F.Y. 2019 Assistance to Municipalities (AM Program)	25-Nov-19	7-Feb-20	9,466,000.00	36.98%
	TOTAL				32,658,950.00	

* Augmented from P300,000.00 to P1,000,000.00. However, the copy of realignment through Supplemental Budget from Sangguniang Bayan of the Municipality was not furnished to the Audit Team.

** Realigned due to change of purpose from the Construction of Senior Citizen to Construction of the Multi-Purpose Building. However, the copy of realigned Supplemental Budget was not furnished to the Audit Team.

Prepared by:


KEAN FERNAND L. BOCABO
 Audit Team Member

Reviewed by:


MA. CECILIA B. VILLARETE
 Audit Team Leader

Municipality of Hernani **Annex G**
AUDIT WORKING PAPER OF 5% GENDER AND DEVELOPMENT (GAD)
For the CY 2019

Date	Check No.	Payee	PPAs	Particulars	Amount	Remarks
01/31/2019	0001123124	ESAMELCO	Absence of Women Friendly Space	Payment Dec. 2018 elec. Bill Gov't Center	60,835.66	
02/22/2019	0001123220	ESAMELCO	Absence of Women Friendly Space	Payment elec. Bill Jan. 2019 Mun. Gym	1,511.47	
02/22/2019	0001123237	ESAMELCO	Absence of Women Friendly Space	Payment St. light electric bill January 2019	6,412.87	
03/26/2019	0001177304	ESAMELCO	Absence of Women Friendly Space	Payment Feb. 2019 elec. Bill Gov't Center	50,179.25	
03/26/2019	0001177305	ESAMELCO	Absence of Women Friendly Space	Payment Feb. 2019 elec. Bill St. Light	6,069.37	
03/26/2019	0001177306	ESAMELCO	Absence of Women Friendly Space	Payment Feb. 2019 elec. Bill Mun. Gym	1,886.30	
04/04/2019	0001177347	ESAMELCO	Absence of Women Friendly Space	Payment Gov't Center elec. bill March 2019	35,009.72	
05/06/2019	0001177404	ESAMELCO	Absence of Women Friendly Space	Payment St. light March 2019 elect. bill	5,404.58	
05/06/2019	0001177405	ESAMELCO	Absence of Women Friendly Space	Payment Mun. Gym. March elect bill	1,607.92	
05/08/2019	0001177410	ESAMELCO	Absence of Women Friendly Space	April 2019 Old Mun. Gym elec. Bill	622.91	
05/08/2019	0001177411	ESAMELCO	Absence of Women Friendly Space	April 2019 Hernani St. light elec. Bill	4,468.65	
05/08/2019	0001177413	ESAMELCO	Absence of Women Friendly Space	Payment April 2019 Mun. Bldg. elec. Bill	44,509.08	
05/20/2019	0001177441	RA SPORTING GOODS & GEN. MERCHANDISE	Increase Health risk behavior among adolescents	Payment basketball materials	14,049.74	
05/27/2019	0001177444	ESAMELCO	Absence of Women Friendly Space	Payment elec. bill March 2019	1,533.08	
06/11/2019	0001177467	ESAMELCO	Absence of Women Friendly Space	Payment May 2019 Mun. Gym. Electric bill	1,787.64	
06/11/2019	0001177468	ESAMELCO	Absence of Women Friendly Space	Payment May 2019 St. Light elec. Bill	6,097.77	
06/11/2019	0001177469	ESAMELCO	Absence of Women Friendly Space	Payment May 2019 New Govt. Center elect. Bill	54,377.43	
06/11/2019	0001177479	MA. ARABELLE B. ABELLA	Lack of Employment and Livelihood Opportunities	payment of catering service	15,200.00	No Activity Proposal, RFQ Must be Original, No Job Execution, No Job Acceptance and Job Satisfaction
06/19/2019	0001177488	MA. ARABELLE B. ABELLA	Lack of Employment and Livelihood Opportunities	payment of catering service	12,825.00	No Activity Proposal, Attendance Sheet Must be Original, No Job Execution, No Job Acceptance and Job Satisfaction
07/10/2019	0001177523	ESAMELCO	Absence of Women Friendly Space	Payment June 2019 elec. Bill ST. Light	5,468.65	
07/10/2019	0001177524	ESAMELCO	Absence of Women Friendly Space	Payment June 2019 elec. Bill Mun. Gym	616.14	

07/18/2019	0001177581	ESAMELCO	Absence of Women Friendly Space	Payment elec. Bill Gov't Center June 2019	53,249.12	
07/24/2019	0001177597	LGU- Maydolong	Increase Health risk behavior among adolescents	Payment entry fee Inter Town Basketball	8,000.00	
08/07/2019	0001177616	ESAMELCO	Absence of Women Friendly Space	Payment Gov't center elec. Bill July 2019	53,531.92	
08/07/2019	0001177619	PAULINA BELARMINO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
08/07/2019	0001177620	GINA BELARMINO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
08/07/2019	0001177621	ESAMELCO	Absence of Women Friendly Space	Payment ST. light elec. Bill July 2019	5,577.86	
08/07/2019	0001177622	ESAMELCO	Absence of Women Friendly Space	Payment Mun. Gym elec. Bill July 2019	530.89	
08/09/2019	0001177633	MERHILDA M. CALVADORES	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
08/13/2019	0001177634	GERRY BARCIAL	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
09/03/2019	0001177683	HAZEL M. OBEDIENTES	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
09/03/2019	0001177684	NOEL C. OBEDIENTES	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
09/04/2019	0001177687	DIGNA O. MERINO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
09/06/2019	0001177698	ESAMELCO	Absence of Women Friendly Space	Payment August 2019 elec. Bill Mun. Gym	556.76	
09/06/2019	0001177701	ESAMELCO	Absence of Women Friendly Space	Payment August 2019 elec. Bill Gov't Center	45,291.20	
09/06/2019	0001177702	ESAMELCO	Absence of Women Friendly Space	Payment August 2019 elec. Bill St. Light	5,004.26	
09/06/2019	0001177703	PAPA JOE MUSIC HOUSE & GEN. MERCHANDISE/Joel C. Labro	Increase Health risk behavior among adolescents	Payment sports materials & equipment	8,601.60	
09/26/2019	0001177759	BEJAMIN BANO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
09/26/2019	0001177760	BELEN BANO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
09/26/2019	0001177761	RECHELYN BANO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/07/2019	0001177776	ESAMELCO	Absence of Women Friendly Space	Payment Sept. 2019 elec. Bill Mun. Gym	1,167.52	
10/07/2019	0001177777	ESAMELCO	Absence of Women Friendly Space	Payment Sept. 2019 elec. Bill St. Light	5,443.75	
10/07/2019	0001177778	ESAMELCO	Absence of Women Friendly Space	Payment Sept. 2019 elec. Bill New Gov't Center	54,040.89	
10/07/2019	0001177779	ROSITA G. LAMOSTE	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/09/2019	0001177788	ANGELICA S.BAJADO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	

10/09/2019	0001177789	LGU-GIPORLOS	Increase health risk behavior among adolescents	Payment entry fee Basketball Tournament	7,000.00	
10/09/2019	0001177792	GINA B. CONTINEDO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/09/2019	0001177793	JOSEPHINE C. MON	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/09/2019	0001177795	JENNIFER M. BANTANG	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/17/2019	0001177818	GLORIA TABINAS	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/21/2019	0001177825	NENITA CORRAL	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/21/2019	0001177826	MARIANA GUILLERO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/21/2019	0001177829	VIRGINIO A. ALMEDA	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/21/2019	0001177834	MAMERTO C. CORDERO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/29/2019	0001177849	ARTURO TERRADO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
10/30/2019	0001177855	DAISY S. ROSALES	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/06/2019	0001177857	ESAMELCO	Absence of Women Friendly Space	Payment October 2019 elec. Bill Mun. Gym	321.01	
11/06/2019	0001177858	ESAMELCO	Absence of Women Friendly Space	Payment October 2019 elec. Bill St. Light	4,952.64	
11/06/2019	0001177859	ESAMELCO	Absence of Women Friendly Space	Payment October 2019 elec. Bill New Gov't Center	49,790.57	
11/06/2019	0001177861	LIEZEL C. SORIANO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/06/2019	0001177863	WILMA M. GAYOSO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/07/2019	0001177867	FE PADERAN	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/07/2019	0001177868	DOLORES ANTIPOLLO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/25/2019	0001177902	CARMELITA A. MACAWILE	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/25/2019	0001177903	ANTONIETTA M. GARAPAN	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/25/2019	0001177904	ANITA BOCAR	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/25/2019	0001177905	REA MARIE Q. CALITES	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/25/2019	0001177906	MICHELLE BALUDO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	

11/26/2019	0001177923	HOTEL ALEJANDRO INC.	Lack of Gender Mainstreaming in PPAs	Payment hotel and accomodation	202,781.25	No Activity Proposal, No posting RFQ at PhilGEPS and Municipality website if available, No Certification from BAC Secretariat that the RFQ posted at any Conspicuous Place, No Job Execution, No Job Acceptance and Job Satisfaction
11/26/2019	0001177926	RAMON I. ANTIPOLLO, JR.	Lack of Gender Mainstreaming in PPAs	CA ELA transportation expenses	90,400.00	
11/27/2019	0001177928	MATTHEW'S EASTERN MARKETING	Lack of Gender Mainstreaming in PPAs	Payment ELA supplies & materials	1,320.00	
11/29/2019	0001177932	PROCITA D. BAGARINO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
11/29/2019	0001177936	PACITA G. COLLARGA	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/10/2019	0001177957	FE B. NICART	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/10/2019	0001177958	DEMETRIO B. BANTANG, SR.	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/10/2019	0001177959	MAURICIO T. LABADO, JR.	Lack of Gender Mainstreaming in PPAs	Payment for resource speaker ELA	15,000.00	
12/10/2019	0001177960	CHERRY B. CODILLO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/10/2019	0001177978	NOEL C. OBEDIENTES	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/10/2019	0001177991	MILA P. CORRAL	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/11/2019	0001178002	ESAMELCO	Absence of Women Friendly Space	Payment November 2019 elec. Bill New Gov't Center	53,481.32	
12/11/2019	0001178003	ESAMELCO	Absence of Women Friendly Space	Payment November 2019 elec. Bill Mun. Gym	432.68	
12/11/2019	0001178005	ESAMELCO	Absence of Women Friendly Space	Payment November 2019 elec. Bill St. Light	5,690.66	
12/27/2019	0001178024	JULITA G. GUTTIEREZ	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/27/2019	0001178041	EVELYN CODILLO	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/27/2019	0001178044	WILLY C. MACAWILE	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/27/2019	0001178071	ANTONIO L. SOMOOK	Insufficient Medical Supplies to Senior Citizens	Payment financial assistance	1,000.00	
12/27/2019	0001178080	ARABELLA'S FOOD PARK & CATERING SERVICES/MA. ARABELLE B. ABELLA	Lack of Gender Mainstreaming in PPAs	Payment Catering Services	9,975.00	No Activity Program
				TOTAL	1,054,614.13	-

Prepared by:

KEAN FERNAND L. BOCABO
State Auditing Examiner II/ ATM

Reviewed by:

MA. CECILIA B. VILLARETE
State Auditor III/ ATL



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

Date: December 20, 2019

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

For All Funds Audited
For the Period Ending December 20, 2019

Hon. Amado L. Candido
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 20, 2019 is **P470,482.98** 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. 20, 2019)	This Period As of Sept. 21 – December 20, 2019		Ending Balance (As of December 20, 2019)
		NS/ND/NC	NSSDC	
Notice of Suspension	P 400,117.98	P 00.00	P 00.00	P 400,117.98
Notice of Disallowance	P 70,365.00	P 00.00	P 00.00	P 70,365.00
Notice of Charge		-	-	
Total	P 470,482.98	P 00.00	P 00.00	P 470,482.98

B.

DETAILS OF SUSPENSIONS, DISALLOWANCES AND CHARGES
For the period Sept. 21 – December 20, 2019

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