

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Hermosa was founded by Dominican priests and became an independent missionary center in 1756. At that time, it was known as Llana Hermosa and was composed of Mabuco and Mabuyan. It lies on the northern portion of the province of Bataan about 100 kilometers from Manila. It has twenty three barangays spread over a total land area of 15,700 hectares representing 11.40% of the entire provincial area.

At the helm of the Municipality is the dynamic and hardworking Honorable Antonio Joseph R. Inton who is in his first term as Municipal Mayor. He is ably supported by Vice Mayor Christopher D. Vitug, the members of the Sangguniang Bayan and the LGU's various department heads and personnel.

The audit included the examination of supporting documents of pre-selected accounts and areas, employing audit procedures and techniques such as analysis of accounts and such other procedures considered necessary. The audit was aimed to determine propriety of financial transactions, compliance by the auditee to prescribed laws, rules and regulations and accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

FINANCIAL HIGHLIGHTS

	2018	2017	Increase (Decrease)
Financial Condition			
Assets	531,123,408.14	423,102,672.42	108,020,735.72
Liabilities	144,236,969.60	122,737,589.85	21,499,379.75
Government Equity	386,886,438.54	300,365,082.57	86,521,355.97
Results of Operations			
Income	261,901,599.09	232,040,968.99	29,860,630.10
Expenses	176,281,393.23	143,569,718.94	32,711,674.29
Excess of Income over Expenses	85,620,205.86	88,471,250.05	(2,851,044.19)
Sources and Application of Funds			
Appropriations	289,429,631.30	231,902,980.52	57,526,650.78
Obligations	243,848,474.16	191,987,970.26	51,860,503.90
Balance	45,581,157.14	39,915,010.26	5,666,146.88

AUDITOR'S REPORT

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Hermosa for the year ended December 31, 2018 due to deviations from the prescribed procedures and non-compliance with rules and regulations resulting in accounting deficiencies affecting the financial statements enumerated as follows:

1. The correctness, completeness and existence of Property, Plant and Equipment (PPE) account totaling to ₱338,146,305.39 and Inventory balance of ₱1,530,397.02 could not be ascertained due to (a) partial completion of the actual physical count; (b) non-submission of required inventory reports; (c) inclusion of unserviceable/obsolete properties in the books and; (d) improbability to reconcile the balance of Property, Plant and Equipment account with the inventory report contrary to provisions of Manual on the NGAS for LGUs and Section 79 of PD No. 1445. (*Observation No. 1*)

We recommended that Management require the:

(a) Inventory Committee to conduct complete annual physical count of PPEs and inventories and submit RPCPPE and RCPI, respectively, to the Office of the Auditor not later than the prescribed deadline by the Manual;

(b) Accounting Office set up and maintain PPE and Real Property Ledger Cards and the GSO cause the preparation and maintenance of complete and updated Property Cards to enable reconciliation with the general ledger balances and the inventory report; and

(c) OIC-GSO take the necessary action to identify all unserviceable government properties and prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) so that proper disposal could be undertaken, and Municipal Accountant make the necessary adjusting entry for properties that were already disposed.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The significant observations and recommendations requiring immediate action are as follows:

1. The LGU's substantial compliance, in general, with RA No. 9003 the Ecological Solid Waste Management Act of 2000 resulted in conditions promoting the protection of the environment and beneficial to the general welfare of the constituents in harmony with economic development. However, inefficiency in waste collection was noted due to lack of dump trucks deployed by the Management which could still pose hazard to health and environment. (*Observation No. 8*)

We commended the Management for the compliance with the requirements of the Republic Act 9003 in the operation of SLF and effective implementation of the programs in recycling and composting. We also commend the Management in enforcing its municipal ordinances along with its penal provisions for violations in line with the environmental health and protection.

We recommended and the Management agreed to (a) ensure that the existing barangay MRFs be fully functional; (b) comply with the provision of the Act that no waste should be stored beyond twenty-four (24) hours and pursue the purchase of additional dump trucks to address the inefficiency in the waste collection; and (c) monitor the compliance of LGU and Econest with the provisions included in the MOA regarding the operations of the SLF.

2. Deficiencies were noted in the documentary requirements of the projects amounting to ₱ 69,358,933.94 which is not in accordance with DPWH DO No. 216 series of 2000, Section 4 of PD No. 1445, Paragraph 3(j) of Annex “A” of the revised Implementing Rules and Regulations (IRR) of RA No. 9184 and COA Circular Nos. 2012-001 dated June 14, 2012 hence, the conformance to the quality of the projects could not be validated. (*Observation No. 5*)

We recommended and the Management agreed to require the Accountant in coordination with other offices involve, work on the completion of the documentary deficiencies and ensure that the required documents for each type of transaction are submitted/attached to the DVs before their processing and payment.

3. The Municipality effectively met the timetable for the execution of the different projects as per approved Annual Investment Program (AIP) with an accomplishment rate of 100% in accordance with Section 5 of the DILG-DBM Joint Memorandum Circular No. 2017-1 consequently, the desired development outcomes were substantially attained. However, some deficiencies were noted in the documentary requirements of projects charged under 20% Development Fund. (*Observation No. 6*)

We commended Management in ensuring that the 20% Development Fund is optimally utilized to help achieve desirable socio-economic development and environmental outcomes in adherence with Section 5 of the DILG-DBM Joint Memorandum Circular No. 2017-1.

We recommended and Management agreed that the Municipal Accountant (a) in coordination with the Municipal Engineering Office work on the completion of the documentary deficiencies; and (b) henceforth, ensure that the required documents for each type of transaction are submitted/attached to the DVs before their processing and payment.

4. Deficiencies were noted in the utilization of Supplemental Feeding Program (SFP) inconsistent with Section 4(6) of Presidential Decree No. 1445 hence, affected the monitoring and control mechanism in the utilization of the funds. (*Observation No. 4*)

We recommended and the Management agreed that through the MSWDO require the parents on duty to strictly coordinate with the day care workers and indicate the quantity of the goods purchased and if feasible, if there is any, procure with the stall owners with Official Receipts to adequately support the liquidation of the Supplemental Feeding Program in accordance with Section 4(6) of PD No. 1445.

These and the other observations included in Part II of this report were discussed with the concerned management officials and employees.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As of December 31, 2018, the SASDC reflected a balance of ₱3,692,702.66 pertaining to disallowances in prior year and current year's transactions.

	Beginning Balance (As of December 31, 2017)	This period (January 1 to December 31, 2018)	Settlement this period (January 1 to December 31, 2018)	Ending Balance (As of December 31, 2018)
Notice of Suspension	₱ 0.00	₱ 0.00	₱ 0.00	₱ 0.00
Notice of Disallowance	3,692,702.66	0.00	0.00	3,692,702.66
Notice of Charge	0.00	0.00	0.00	0.00
Total	₱ 3,202,916.24	₱ 0.00	₱ 0.00	₱ 3,692,702.66

STATUS OF IMPLEMENTATION OF PRIOR YEARS' UNIMPLEMENTED RECOMMENDATIONS

Of the twenty-four (24) prior year's recommendations embodied in CY 2017 Annual Audit Report, eight (8) were fully implemented, twelve (12) were partially implemented and four (4) were not implemented. The partially and unimplemented recommendations were as follows: