

# EXECUTIVE SUMMARY

## INTRODUCTION

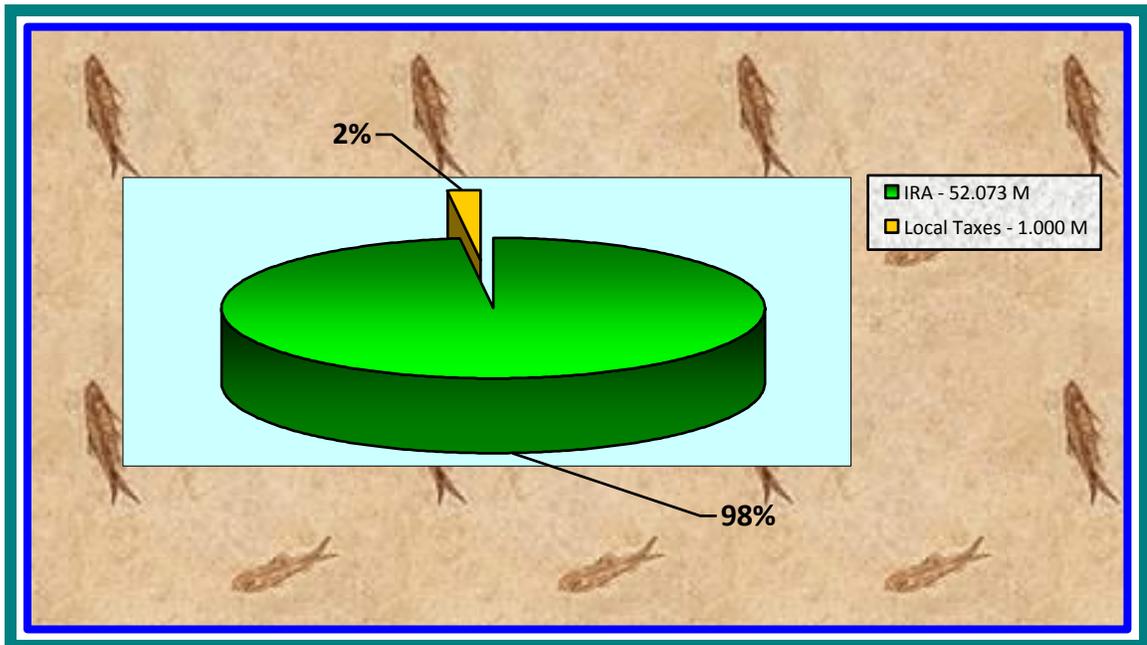
The Municipality derives its mandate from Republic Act 7160, known as the Local Government Code of 1991. The Code empowers Local Government Units to exercise efficient and effective governance essential to the promotion of the general welfare and the provision of basic services and facilities.

The Municipal Government of Pilar is headed by Honorable Mayor Jaja Josefina S. Disono. She is assisted by Vice Mayor Christopher S. Beroña and ten (10) Sangguniang Bayan members. It has a total of 82 personnel complement composed of 12 elected officials, 53 permanent, 3 co-terminus and 14 casual officials and employees.

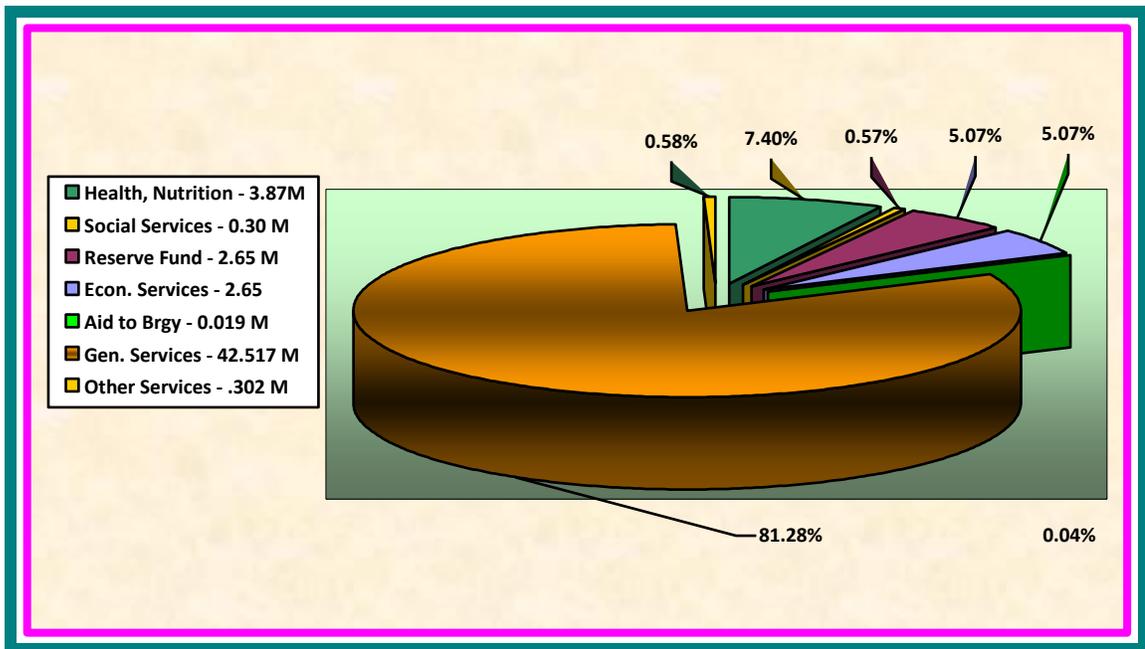
A financial and compliance audit was conducted on the accounts and operations of the Municipality of Pilar, Abra for the year ended December 31, 2017. The audit included verifications and analysis of accounts in the financial statements, review and evaluation of compliance with existing laws, rules and regulations and other procedures necessary under the circumstances.

## FINANCIAL HIGHLIGHTS

In the 2017 Annual Budget, the management estimated to generate revenue amounting to ₱53.07 million. Distribution by type of revenue is shown in Figure 1 while distribution of expenditure by sector is shown in Figure 2).

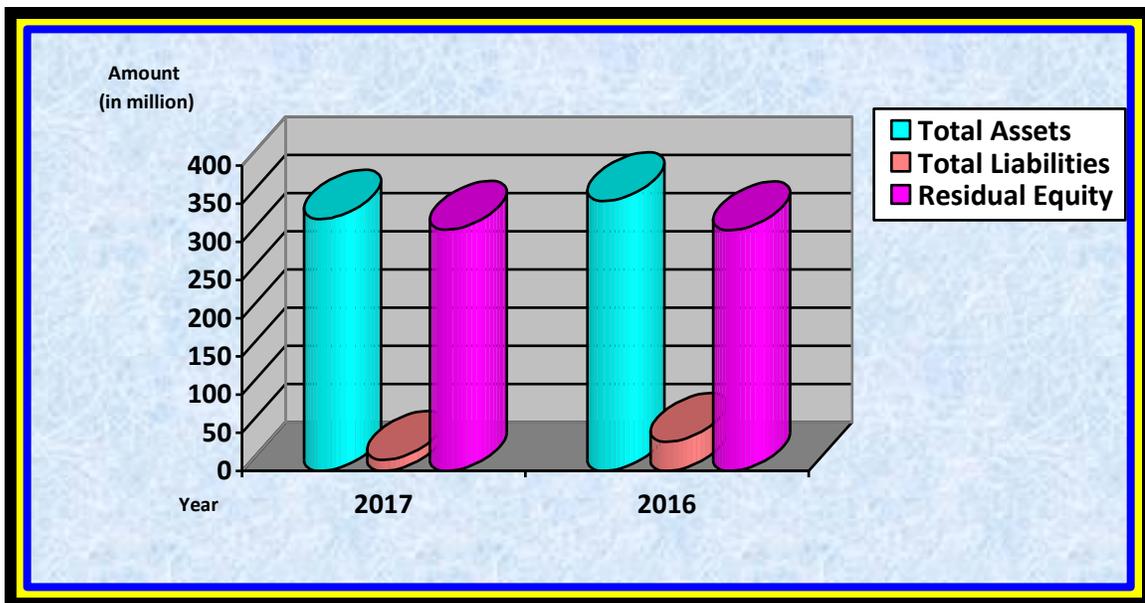


**Figure 1: Distribution by Type of Revenue (Budget Year 2017)**



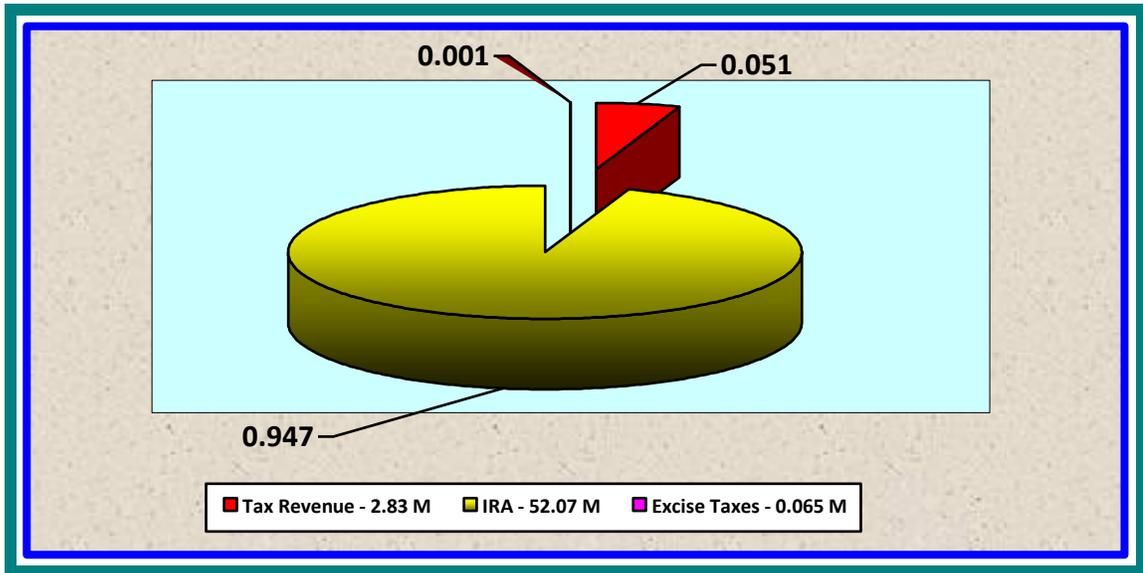
**Figure 2: Expenditure Program, Distribution by Sector (Budget Year 2017)**

As of December 31, 2017, the total assets of the Municipality amounted to ₱330.06 million, a decrease of 6.60% or ₱23.31 million compared to CY 2016. Total Liabilities and Government Equity amounted to ₱14.91 million and ₱315.14 million, respectively, a decrease in liabilities of 61.20% or ₱23.52 and an increase in Government Equity of 0.07% or ₱0.21 million, respectively.



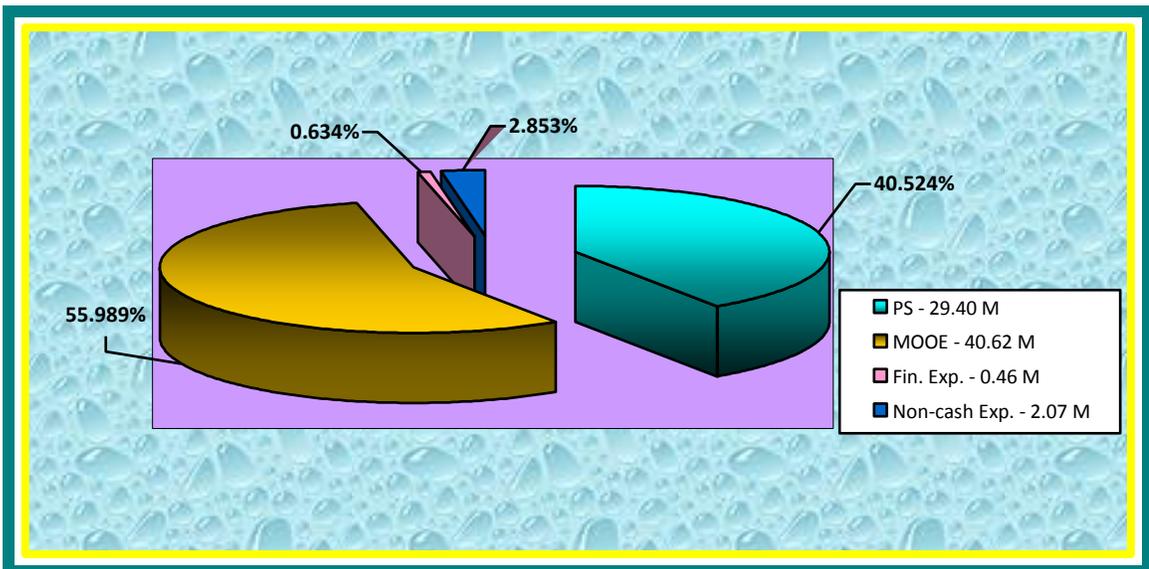
**Figure 3: Statement of Financial Position**

Income realized totaled ₱54.97 million. Locally generated income from Local Taxes, Permits and Licenses, Service Income, Business Income and Other Income amounted to ₱2.83 million, share from Internal Revenue Allotment (IRA) amounted to ₱52.07 million while share from Tobacco Excise Tax amounted to ₱0.065 million.



**Figure 4: Composition of 2016 Revenue**

Total Operating Expenses amounted to ₱72.54 million broken down as follows:



**Figure 5: Composition of Operating Expenses**

## OPERATIONAL HIGHLIGHTS

For CY 2017, it is worthy to note that the Municipality implemented various projects. Due to late or non-submission of the pertinent contract documents, however, only the project “Rehab of Core Local Roads at Sitio Bogbog-Batbato, Kinabiti, Pilar, Abra (DILG/ADM Funded)” was subjected to technical evaluation and inspection during the year. A request for technical evaluation and inspection for the other projects was already forwarded to the Regional Office for appropriate action. Details of the projects implemented by the LGU during the year are as follows:

### 20% Development Fund

Project Description	Amount
Improvement of Multi-Purpose Building	₱ 984,556.85
ADM Counterpart – Improvement of Local Roads	2,000,000.00
Municipal Assistance Community Assistance Fund	596,250.00
Improvement of Water System	999,500.00
Rehabilitation/Improvement of Farm to Market Road	3,573,976.00
Solid Waste Management	717,015.07
<b>Total</b>	<b>₱ 8,871,297.92</b>

### RA 7171 – Share from Tobacco Excise Tax

Project Description	Amount
<b>Current Year Appropriations:</b>	
Procurement of Farm Inputs	₱ 9,038,585.00
Construction of Flood Control (Brookside-Dalit)	4,965,350.92
Road Maintenance	894,000.00
Rehab of FMR at Nanangduan & Gapang	2,959,945.46
Road Widening and Removal of Slides	436,500.00
Rehab of Irrigation System at Villavieja	2,748,638.89
Construction of Irrigation System at Tiktik	1,189,595.35
Concreting of FMR at Villavieja, Ocup	4,960,035.43
Concreting of FMR at San Juan West	2,560,215.31
Rehab of FMR at Batbato, Gapang	449,175.00
Concreting of FMR at Dalit & Kadaanan	6,787,844.99
Concreting of FMR at Gapang (2 Projects at 3.34 M each)	6,694,829.82
Rehab of FMR at Tikitik, Ditan and Dalit	2,496,835.04
Spring Development of Brookside, Dalit & Nagcanasan	1,196,010.85
Purchase of Farmers Vehicles	3,525,000.00
<b>Total</b>	<b>₱ 51,672,147.06</b>

## Transfer from NGAs and Provincial Government

Funding Source	Project Description	Amount
DILG/ADM	Rehab of Core Local Roads at Sitio Bogbog-Batbato, Kinabiti, Pilar, Abra (DILG/ADM Funded)	₱ 10,836,496.29
NTA	Construction of barangay Villavieja Small Dam	18,996,842.06
<b>Total</b>		<b>₱ 29,833,338.35</b>

## AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Municipality of Pilar due to the following reasons as stated in the Independent Auditor's Report:

The reliability, propriety, and fairness of presentation of the balances appearing in the financial statements for PPE account is doubtful due to the following deficiencies:

- a) Land identified by the Provincial Assessor's Office as owned by the Municipality of Pilar was not recorded in the books.
- b) School buildings costing ₱4,947,137.44 remained in the books although the municipality do not have beneficial ownership and control over said PPE items.
- c) The recorded local road networks account totaling ₱171,300,976.05 could not be ascertained due to incomplete documentation and non-conduct/non-submission of the Report of physical count.

## SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

The observations and recommendations are discussed in detail in Part II of this Report, the most significant observations and recommendations that need immediate action by Management are as follows:

1. Reimbursement method has been extensively used as a mode of payment for various transactions totaling ₱4,256,670.56 even with the absence of any unforeseen contingency which will justify the non-adherence to the proper budgeting and procurement process.

We have recommended that the Municipal Officials submit justification as to why reimbursements method was resorted to even in the absence of contingencies.

Henceforth, refrain from using the reimbursement method of payment unless there are unforeseen events which will justify the immediate payment thereof.

2. Disbursements for financial assistance totaling ₱803,598.00 lacked documentation in violation of Section 4.6 of Government Auditing Code of the Philippines (PD 1445), casting doubt on the propriety of accounts used, and the validity, regularity and necessity of the transactions.

In view of the foregoing observations, we have recommended the following:

- That management through the municipal officials/employees concerned submit the lacking supporting documents to COA for evaluation. Henceforth, the Municipal Accountant should see to it that all financial assistance are fully supported with the required documentation provided under COA Circular No. 2012-001 before payments are made; and
  - Institutionalize a non-discretionary determination of amounts given to beneficiaries of financial assistance by setting a predetermined amount for each type of client through the issuance of a Sangguniang Bayan Resolution.
3. Payments of infrastructure contracts in the total amount of ₱31,376,006.66 were not supported with complete documentation contrary to Section 4.6 of PD No. 1445 and COA Circular No. 2012-001; thus, the validity and propriety of the transactions could not be ascertained.

We have recommended that the management submit the required supporting documents. Also, the Municipal Engineer ensure that the required materials and tests to ensure the quality of the works of the contractors be made mandatory.

4. Repair works and/or compensation in case of structural failures during the one (1) year defects liability period could not be readily enforced on eleven (11) infrastructure projects due to the failure of the Management to require the posting/submission of warranty securities.

We have recommended that the Management ensure that the 10% retention money be withheld and released only upon the final acceptance of the project and after the lapse of the 1-year defects liability period. Else, ensure that a substitute warranty security be filed by the contractor before the 10% retention money is released.

5. Expenditures totaling ₱5,610,267.19 funded under the 20% Development Fund could not be considered as development projects or capital expenditure in violation of DILG-DBM Joint Memorandum Circular No. 2011-1 as updated under DILG-DBM JMC No. 2017-1.

We have recommended that management justify the above-noted lapses. Utilization of the 20% Development Fund should be limited on programs, projects and activities that will contribute to the attainment of socio-economic development and environmental management outcomes and shall partake the nature of investment or capital expenditures that will yield greater benefit to the people in accordance with DBM-DILG Joint Memorandum Circular No. 2011-1 as updated under DBM-DILG JMC No. 2017-1.

6. Fertilizers, pesticides and other farm inputs totaling ₱7,843,585.00 intended for distribution could not be ascertained whether these were actually received by the intended beneficiaries due to the absence of proper documentations.

We have recommended that Management submit to the audit team the list of beneficiaries of the fertilizers and Certified & Hybrid Seeds that were supposedly procured and distributed specifying therein their names, addresses, quantity received and their signatures for further verification.

7. Legality and propriety of charges against the Special Education Fund were doubtful due to non-submission of required documents to support the disbursements totaling ₱268,000.00.

We have recommended that the management submit all the necessary documentary evidence as above enumerated to the audit team for verification. Henceforth, all transactions should be supported with complete documentation.

Other audit observations and recommendations were fully discussed in Part II of this Report.

## **STATUS OF SUSPENSIONS, DISALLOWANCES AND CHARGES**

There were no recorded suspensions, disallowances and charges in previous years and no Notices of Suspension, Disallowances and Charges were issued during the year.

## **IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Monitoring and verification on the actions taken by the Municipal Officials concerned with regard to implementation of Annual Audit Report (AAR) audit recommendations showed that out of the 33 recommendations given, **eleven (11) or 33.33%** were implemented, nine (9) or 27.27% were partially implemented and thirteen (13) or 39.40% were not implemented or acted upon.