

EXECUTIVE SUMMARY

INTRODUCTION

The Municipality of Pilar was formerly a barrio within the jurisdiction of Balanga. On March 10, 1801, it was separated from Balanga by the Dominican priests under the spiritual ministrations of Virgen Nuestra Señora del Pilar. On April 10, 1801, Pilar was declared as an independent municipality.

Pilar is found in the southeast portion of the province of Bataan. It has a total land area of 4,520.23 hectares. As of 2015 census, the town has a population of 41,823 residing in 19 barangays.

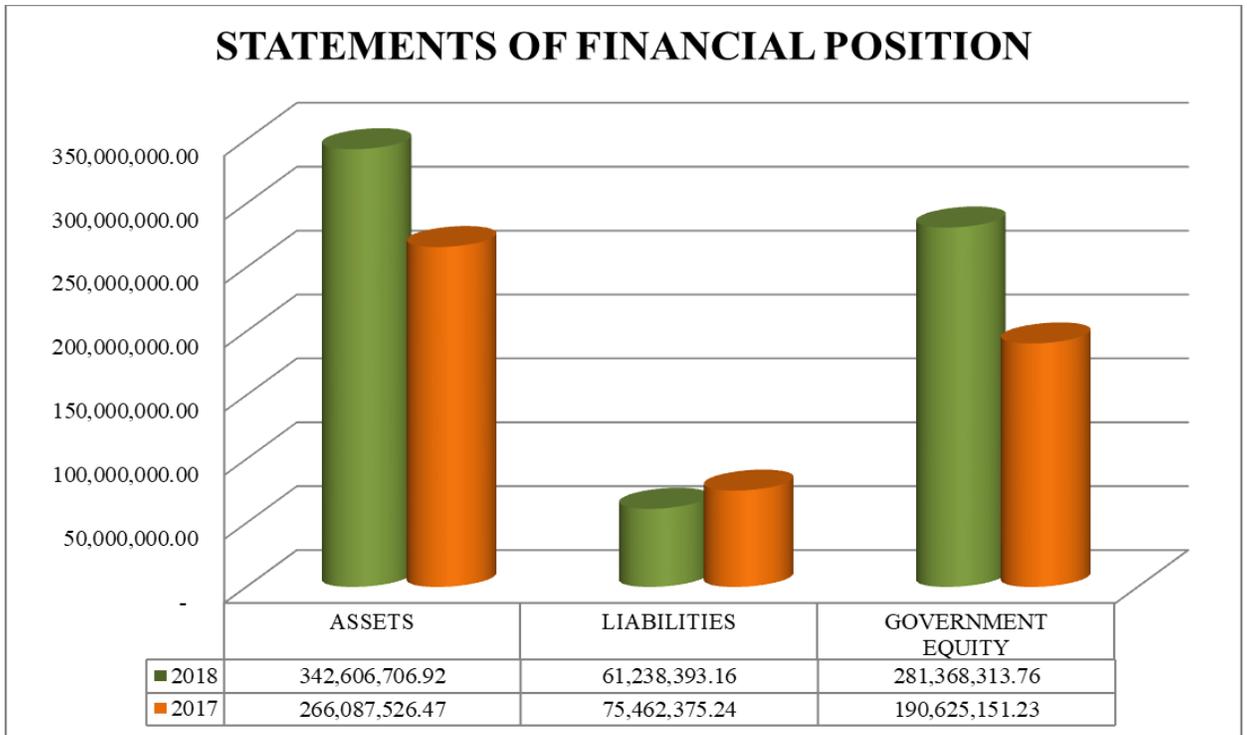
The executive and legislative body of the Municipality of Pilar is headed by Hon. Alicia D. Pizarro and Hon. Marino H. Caguimbal, respectively.

For 2018, through the leadership of the Municipal Mayor, Ms. Alicia D. Pizarro, the Municipality of Pilar has garnered numerous awards from various National Government Agencies such as Seal of Good Local Governance; Red Orchid Award; Seal of Good Local Governance Hall of Fame; Tobacco Free Generation; Anti-Drug Abuse Council Performance Award; Certificate of Appreciation for Bloodletting Activity; Certificate of Recognition for Voluntary Blood; 3rd Place on Pawikan Festival 2018; Certificate of Commendation for Advocating and Replication of RA 10868 and Best Implementer of Salintubig Projects.

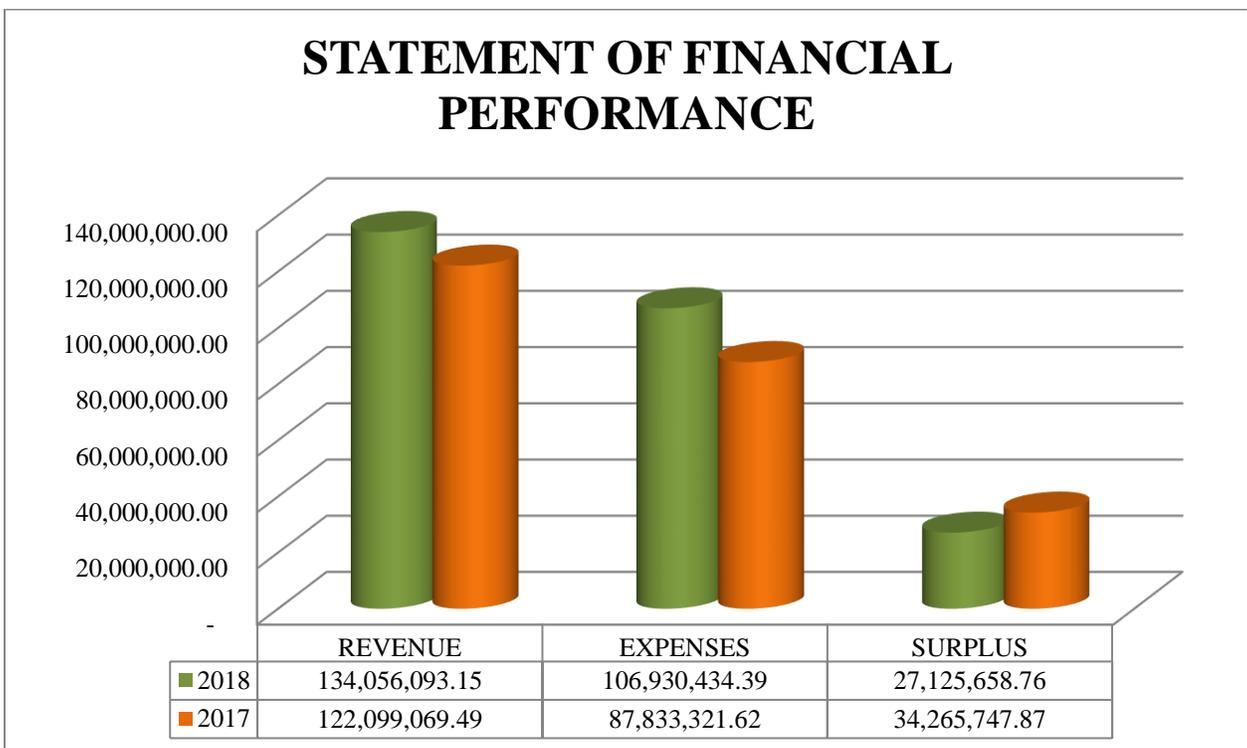
The audit covers the examination of financial transactions and operations of the Municipality of Pilar, Bataan for the year ended December 31, 2018 in accordance with the Philippine Public Sector Standards on Auditing. The audit was aimed to (a) ascertain the level of assurance that may be placed on Management's assertion on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

FINANCIAL HIGHLIGHTS

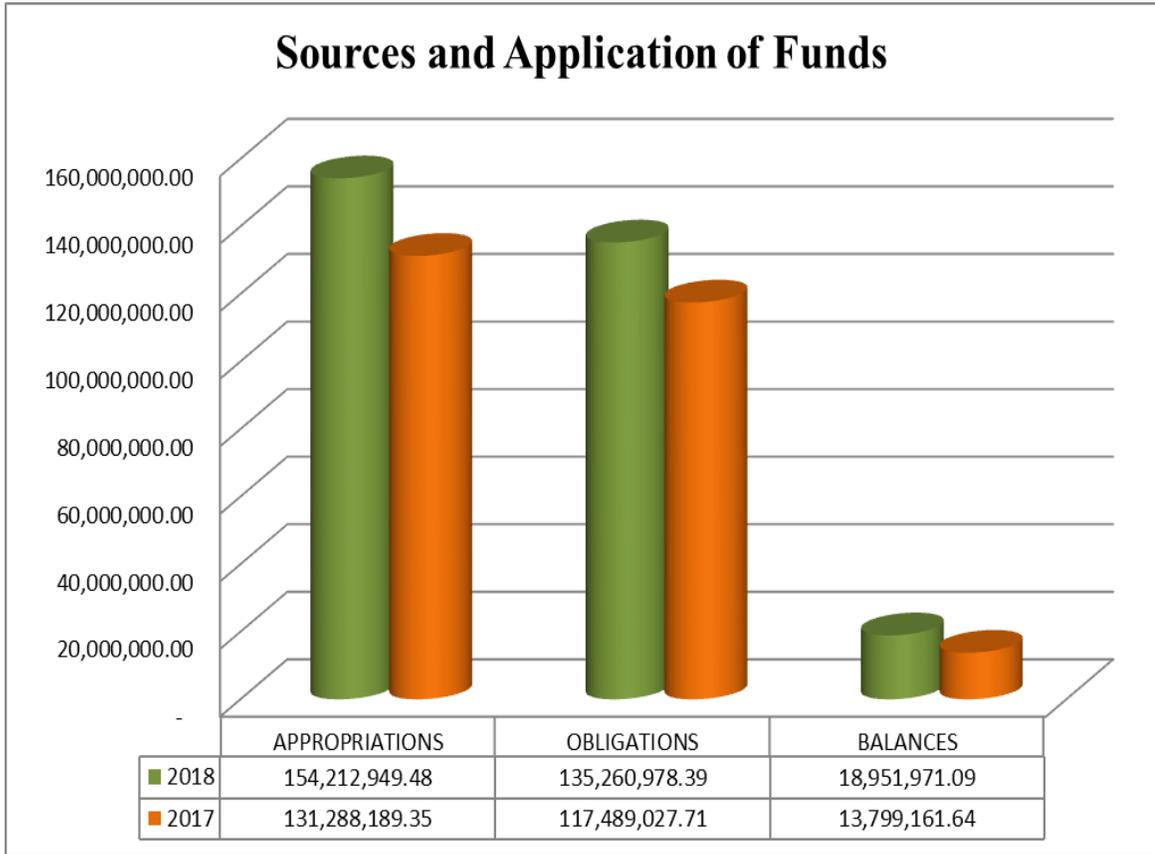
Comparative analysis of the Statements of Financial Position as graphically illustrated showed increases in Assets and Government Equity and a decrease in Liabilities.



On the other hand, the Statement of Financial Performance exhibited an increase in revenues and in expenses however the result is a decrease in surplus.



The below graph illustrates an increase in appropriations, obligations and unutilized balance.



AUDITOR’S REPORT

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

1. The Municipality was unable to substantially address prior year’s issues on Property, Plant and Equipment (PPE) such as (a) reconciliation of all PPE accounts, (b) establishment of ownership of Land and Buildings accounts, (c) non-disposal of unserviceable assets; and (d) inadequate control in the conduct of physical inventory contrary to the pertinent provisions of the New Government Accounting System (NGAS) Manual for LGUs, Presidential Decree (PD) No. 1445, and Training Handbook on Property and Supply Management System. (*Observation No. 1*)

We reiterated and Management agreed that the LCE direct the: (a) Inventory Team to conduct regular physical count of all properties and submit the prescribed report thereon

to COA on or before January 31 of each year; (b) Municipal Engineer to furnish the Municipal Accountant and the Municipal Treasurer with the complete description of cost segregation of road components for road projects, (c) Municipal Assessor exert more effort in ascertaining the ownership of the land and all the improvements therein to minimize the risk of being exposed to third party claim, (d) Disposal Committee to undertake the proper disposal of unserviceable assets in accordance with applicable rules and regulations on disposal procedures, and (e) Inventory Committee to install adequate control in the properties and supply management to properly safeguard its assets.

2. Due to insufficiency of manpower and unexpected failure of the linkage to the Property Assessment and Tax Administration System (PATAS), subsidiary ledgers were not maintained and the amount set up as RPT and SET Receivables at the beginning of the year were based on the Assessor's Report of Real Property Assessments for CY 2016 contrary to Section 20 of the Manual on the NGAS for LGUs, Volume I, rendering the accuracy and validity of the year-end account balances unreliable. (*Observation No.2*)

We recommended and Management agreed that the: a) Municipal Assessor follow up with the Provincial Government of Bataan for the immediate action in resolving the linkage problem of the PATAS; b) Management provide personnel to assist the Treasurer prepare the Certified List of Taxpayers; and c) Municipal Accountant prepare the corresponding subsidiary ledgers (SLs) to monitor tax collections and delinquencies in compliance with Section 20 of the Manual on the NGAS, Volume I.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Due to Management's lack of proper monitoring, various provisions of the DILG-DBM JMC No. 2017-3 dated May 23, 2017 and revised IRR of RA No. 9184 were violated in the implementation and monitoring of projects funder under the FY 2017 LGSF-ADM, thus validity and propriety of the transaction cannot be fully established. (*Observation No.3*)

We recommended and Management agreed that the Municipal Mayor instruct the (a) BAC, BAC Secretariat and TWG to observe strict compliance to the provisions of the revised IRR of RA No. 9184 in the conduct of competitive bidding and evaluate thoroughly the completeness and correctness of bid documents submitted by the bidders to ensure that only legally, technically and financially capable contractor/supplier is awarded with the contract; (b) Municipal Engineer to: (i) require the contractors to submit warranty security following the required form, amount and validity period under Sections 62.2.3.3 and 62.2.3.4 of the revised IRR of RA No. 9184; and (ii) prepare and submit Project Completion Report for the six (6) water system in accordance to the requirements of DILG-DBM JMC No. 2017-3 dated May 23, 2017.

2. Due to (i) failure to adhere to the standards and policies set out by the DPWH in the preparation and implementation of infrastructure projects; (ii) failure to strictly monitor the status and implementation of the Assistance Municipalities (AM) Projects;

(iii) deficiencies noted in the conduct of bid evaluation and post-qualification; (iv) deficiencies noted in the bidding documents submitted by the winning bidder; (v) absence of approved change order and incomplete supporting documents; and (vi) violations of various provisions under DILG MCs No. 2018-61 and 2018-104 dated May 3, 2018 and July 5, 2018, respectively, and the 2016 Revised IRR of RA No. 9184, the reliability, validity and propriety of the transaction cannot be fully established by the Audit Team. **(Observation No. 4)**

We recommended that the Municipal Mayor instruct the (a) Management to submit the approved copy of the contracts and the documents forming part thereof within the prescribed period as required under Item 3.1 of the COA Circular No. 2009-001 dated February 12, 2009; (b) BAC, BAC Secretariat and TWG to (i) explain in writing, the reason for awarding the contract to JEPAC Construction and Supplies despite the deficiencies in the bidding documents submitted by the latter; and (ii) observe strict compliance with the revised IRR of RA No. 9184 regarding conduct of competitive bidding and evaluate thoroughly the completeness and correctness of bid documents submitted by the bidders to ensure that legally, technically and financially capable contractor/supplier is awarded with the contract; and (c) Municipal Engineering Office (MEO) to (i) immediately submit to the Audit Team copy of the approved change order including the supporting documents required under Annex "E" of the 2016 Revised IRR of RA No. 9184 and Item 9.1.1.2 of COA Circular 2012-001, if any, within five (5) calendar days upon receipt of this AOM; (ii) adhere to the standards and policies set out by the DPWH in the planning and implementation of infrastructure projects; (iii) comply with the reportorial and posting requirements under DILG MC No. 2018-61 and 2018-104; (iv) submit revised SWA reflecting the changes due to the approved change order; and; (v) closely monitor the physical accomplishment of the projects, and check for possible negative slippage and liquidated damages; and; (d) Project Monitoring Team to (i) strictly monitor the status and implementation of the AM projects; and; (ii) comply with the reportorial and posting requirements under DILG MCs No. 2018-61 and 2018-104; (e) Municipal Accountant to (i) check all the supporting documents attached to the disbursement voucher to determine the validity and correctness of the claim; and (ii) ensure that all disbursement vouchers are properly supported with complete documentation required under COA Circular 2012-001, before making any payment.

3. Due to leniency of the BAC and the Municipal Accountant in performing their mandated task, various deficiencies were noted in the procurement and payment of the infrastructure project funded under FY2017 Performance Challenge Fund in violation of various provisions of the DILG Memorandum Circular No. 2017-160 dated November 20, 2017 and the 2016 Revised Implementing Rules and Regulations of Republic Act (RA) No. 9184, thus the validity, reliability and propriety of the transaction cannot be established. **(Observation No. 5)**

We recommended and Management agreed that the Municipal Mayor instruct the (a) Management to strictly comply with the requirements of DILG MC No. 2017-160 dated November 29, 2017; (b) BAC, BAC Secretariat and TWG to; (i) explain in writing, the reason for pushing thru with the proceeding/bidding despite "ineligibility" of all bidders;

(ii) observe strict compliance with the revised IRR of RA No. 9184 regarding conduct of competitive bidding and evaluate thoroughly the completeness and correctness of bid documents submitted by the bidders to ensure that legally, technically and financially capable contractor/supplier is awarded with the contract; (c) Municipal Accountant to (i) require the contractor to submit an irrevocable standby letters of credit from a commercial bank, bank guarantees or surety bonds callable on demand, of amounts equivalent to retention money; and (ii) ensure that all disbursement vouchers are properly supported with complete documentation required under COA Circular 2012-001, before making any payment, for proper control and to prevent improper or fraudulent use of government funds and provide reasonable basis for establishing the validity of claims.

4. Deficiencies were found in the appropriation and utilization of the 20% Development Fund such as (a) inclusion of project not chargeable thereto amounting to ₱2,867,913.95, and (b) inclusion in the appropriations Programs/Projects/Activities which did not partake the nature of investment and capital expenditures contrary to Department of Interior and Local Government (DILG) - Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2017-1 dated February 22, 2017, thus hindered the optimum attainment of fund's objectives. (**Observation No. 6**)

We recommended that the Municipal Mayor (a) instruct the Municipal Planning and Development Officer to ensure that all programs/projects/activities appropriated from the fund are in accordance with DILG-DBM Joint Memorandum Circular No. 2017-1 dated February 22, 2017; (b) require the Municipal Accountant to ensure that the payment for rehabilitation of Veterans Park/construction of Pilar Museum is supported with document classifying the Veterans Park as historical site before making any payment to provide reasonable basis for establishing the validity of claims, otherwise, require the Municipal Treasurer to transfer the subject amount from the General Fund to the 20% Development Fund; and (c) direct the Municipal Engineer to properly monitor the project implementation by submitting accomplishment reports vis-a-vis planned targets on a quarterly basis.

5. Owing to the absence of an established Municipal Environment and Natural Resources Office (MENRO) and a fulltime MENR Officer to take the lead in solid waste management of the Municipality, deficiencies noted were still not resolved contrary to the provisions of Republic Act No. 9003, otherwise known as the Ecological Solid Waste Management Act of 2000 and its Implementing Rules and Regulations, Municipal Environment Code and its issued environmental ordinances hence, the commitment to realize the goals and objectives towards a progressive, healthy and sanitary environment has not been achieved. (**Observation No. 8**)

We reiterated prior year's recommendation that the (a) Municipal Mayor (i) establish a MENR Office to focus on environmental management; and (ii) appoint a fulltime MENRO, if not possible due to budget limitation, apply other options such as but not limited to assignment of department head with the least responsibilities after conducting thorough evaluation of their job requirements; (b) Barangay Officials/BSWMB to (i) ensure strict waste segregation on households and non-households; (ii) improve or

construct MRF in every barangay or, if possible, resort to clustering of MRF in small barangays with limited resources to comply with the Act; (iii) enforce strict compliance on the “no segregation, no collection policy” to discipline its constituents; (iv) strictly enforce or recommend collection of fines and penalties for violators of prohibited acts on RA No. 9003; (c) MSWMB to conduct massive IEC on waste segregation at source, re-use and recycling of wastes and to comply with the requirements set forth by the issued rules and regulations regarding environmental compliance; and (d) Municipal Treasurer to intensify collection of garbage fees and penalties to support the program.

The details and other findings are included in Part II of this report.

SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The Statement of Audit Suspensions, Disallowances and Charges (SASDC) of the agency as of December 31, 2018 reflected outstanding balance of ₱117,481,755.33 which represents matured suspensions for disbursements of funds from DAP/PDAF that were still on appeal to the COA Regional and Central Offices awaiting final disposition; hardship and incentive allowances charged to the Special Education Fund (SEF) that is being paid through installment basis; violations of Republic Act No. 9184, lack of sufficient legal basis in payment of year-end incentives; overpricing; and disallowance of Representation Allowance and Transportation Allowance (RATA) amounting to ₱110,000,000.00, ₱98,120.39, ₱4,708,238.11, ₱2,550,000.00; ₱117,396.83, and ₱8,000.00, respectively.

STATUS OF IMPLEMENTATION OF PRIOR YEARS’ UNIMPLEMENTED AUDIT RECOMMENDATIONS

Of the 75 recommendations embodied in the CY 2017 Annual Audit Report, 19 were implemented, 18 were partially implemented and 38 were not implemented.