



PORO POINT MANAGEMENT CORPORATION  
A member of the BCDA Group

**AUDIT  
&  
RISK OVERSIGHT  
COMMITTEE REPORT  
CY 2023**

## **I. AUDIT & RISK OVERSIGHT COMMITTEE**

The Audit and Risk Oversight Committee of Poro Point Management Corporation (PPMC) is composed of four (4) members, to wit:

**Chairman:** Mr. Edgar T. Santos

**Members:**

Mr. Warlito P. Guerra

Mr. Joel G. Caringal

Mr. Nicky A. Oller

Mr. Abraham M. Mendoza

## **II. COMMITTEE MEMBERS' QUALIFICATION**

The Committee shall be composed of at least three (3) members with at least one (1) member having a background in audit, accounting, finance or investments.

One (1) member of the Committee is a Certified Public Accountant who served the government as a Commission on Audit (COA) State Auditor for 38 years; One (1) member served years in military service and headed the security office of PPMC; one (1) member served for years in maritime industry; one (1) is a holder of Master's Degree in Public Administration and served as Municipal Councilor who held committee chairmanship in Finance and Appropriations; and the last member of the Committee has dual major degree in Economics and Computer Science, has years of work experience in software engineering, had various trainings in Finance, Leadership and Management courses; and chairs the Investment and Promotions Committee of PPMC.

## **III. COMMITTEE MEMBERS' RESPONSIBILITIES**

The Committee shall have the following duties and responsibilities:

- (a) Review and approve the Annual Audit Plan of the Office of the Internal Auditor;
- (b) Review the Internal Audit Service Office (IASO) Audit Report and recommend solutions to the PPMC Board to address the audit findings. The Board Audit & Risk Oversight Committee shall ensure that the resolutions, as concurred by the PPMC Board, shall be acted promptly by Management so that the audit findings shall be satisfactorily addressed;
- (c) Be responsible for setting up an internal audit department and consider the appointment and removal of the Chief Audit Executive so that the

reporting levels allow the internal audit activity to fulfill its responsibilities;

- (d) Ensure that the IASO shall have free and full access to all the corporation's records, properties and personnel relevant to and required by its functions and that the internal audit activity shall be free from interference in determining its scope, performing its work and communicating its results;
- (e) Ensure that management is taking appropriate corrective actions in a timely manner in addressing control and compliance functions with regulatory agencies;
- (f) Review the monthly, quarterly and annual financial statements before submission to the PPMC Board, focusing on changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, and compliance with tax, legal and COA requirements;
- (g) Monitor the creation of the Risk Management Policy and Procedures for PPMC;
- (h) Review, evaluate and monitor risk management policies, structures and processes as defined by Management;
- (i) Review and assess information provided by Management on risk exposures and risk management activities and possible solutions to risks that the corporation faces.

#### **IV. AUDIT & RISK OVERSIGHT COMMITTEE REPORT**

The Code of Good Corporate Governance of Poro Point Management Corporation (PPMC) articulates the specific functions of the PPMC Board which included among others, constituting an Audit and Risk Oversight (ARO) Committee to assist the Board of Directors fulfill its corporate governance and overseeing responsibilities in relation to financial reporting, internal control system, risk management system and in monitoring compliance with laws and regulations.

The Audit & Risk Oversight Committee in the performance of its oversight functions accomplished the following activities for the CY2023:

- Reviewed and approved the Annual Audit Plan of the Internal Audit Service Office.
- Reviewed the Financial transactions of the year.
- Reviewed the Monitoring of Management's Execution and Implementation of Approved PPMC Board Resolutions of the year.
- Reviewed the Financial Statements and ensure compliance with accounting standards.
- Reviewed the Monitoring of Locator's Importation of the year.
- Reviewed PPMC Collection on Soiltech Pier for the year.
- Approved the participation of the internal audit in the PPMC's ISO 9001:2015 Recertification Audit as the Internal Quality Audit Team Leader and the conduct of the Environmental Management System Audit in preparation for the Pre-Assessment Validation of PPMC's EMS implementation.
- Approved the Internal Audit's submission of essential reports including the Client Satisfaction Measurement Report, Regulatory Notification Form, PPMC Certification and Zero Backlog Certification and the attendance on the Basic and Advance Course Training on Regulatory Impact Assessment (RIA) of the Anti-Red Tape Authority and ensure compliance with Republic Act 11032 otherwise known as the Ease of Doing Business.
- Approved the performance of other Internal Audit Activities such as Inspection of Locator's Imported Materials; Conduct of Mid-year and Year-end Inventory of Supplies & Materials as observer; Witnessed in the Conduct of Public Biddings and attendance in meetings and seminars.

The Audit & Risk Oversight Committee has reviewed the adequacy and effectiveness of internal controls through the reports of the Internal Auditor. As a result of the review and assessment, the Committee is of the view that the system of internal control of Poro Point Management Corporation is operating adequately and effectively.

## **V. RISK MANAGEMENT**

The PPMC's Risk Management Framework defines the responsibilities of the various offices in the effective and efficient identification, assessment and treatment of risks in the performance of their functions, programs or action plans ensuring the accomplishment of its objectives.

Each step of the whole process is communicated and monitored to ensure consistent application and achievement of results. Also, the ARO Committee ensure that PPMC continuously update its Corporate Risk Registry in order to addressed properly the identified risks.

For CY2023, the PPMC Risk Registry was updated and the action plans on existing risks were reviewed and monitored. The Risk Registry is a consolidated database of risks per office with the corresponding assessment, analysis, evaluation and action plan. It was corporately reviewed during the PPMC Mid-year Assessment, Management Review and Year-end Assessment. It was also one of the focus area of the PPMC ISO Internal Quality Audit. The Internal Quality Auditors checked the Risk Registry per office to ensure that the risks encountered by the office were properly identified, assessed and treated.

The PPMC's nature of operation are remotely exposed to financial risk, however, to ensure that funds are secured and safeguarded, the company placed it only in Government Financial Institution. This is also in compliance with the Department of Finance Circular No. 001-2015, the Revised Guidelines on authorized Government Depository Banks.

Likewise, as a measure to manage operational risk on human error, PPMC endeavors to automate its Permit and Licenses System and the review on the Value Added Service Provider System of the company is still ongoing.

Social Risks are business actions that affect the communities around them. As Estate Manager, PPMC's risk involving communities pertains to the issues on land ownership inside the Poro Point Freeport Zone particularly the lots registered in the name of private individuals. PPMC communicated with these owners and advised them to write a letter of intent to sell. Also on the issues of some titled private property inside the zone which are subject for recovery, the Legal Office of PPMC is assisting the Office of the Solicitor General of the Philippines, Office of the Government Corporate Counsel and BCDA Legal Department in the reversion case filed to recover lots erroneously registered in the name of a private company.

VI. PORO POINT MANAGEMENT CORPORATION(PPMC)  
MATERIAL RISK FACTORS AND MEASURES TO MANAGE RISKS  
GCG MEMORANDUM CIRCULAR NO. 2013-05

| RISK CATEGORY                  | RISK  | MEASURES TO MANAGE RISK   |
|--------------------------------|---|---|
| <b>I. EXTERNAL</b>             |   |   |
| a. SOCIAL                      | 1. Parcels of land under litigation/legal case                                | Resolve legal issues/Explore amicable settlement and/or Compromise Agreement  |
|                                | 2. Issues on land ownership   | Review validation of land claims/Payment of valid claims  |
|                                | 3. Unlawful acts committed against BCDA/PPMC properties                       | Tighter security of properties. Meetings/Dialogues with Barangay Officials.   |
| b. ENVIRONMENTAL               | 4. Natural calamities and Pandemic  | Insurance coverage of properties; Establishment of policies and guidelines on the Prevention and Control of COVID19 in the Poro Point Freeport Zone; and Regular disinfection of offices in the zone  |
| <b>II. INTERNAL</b>            |   |   |
| a. BUSINESS and FINANCIAL      | 5. Lack of basic Infrastructure (water connectivity)                          | Contract proposal/Management with Utility Companies/other government agencies that can provide utilities. Negotiation with water service provider via desalination still ongoing  |
|                                | 6. No additional investors/locators push through with their investment        | Provide the necessary utilities and infrastructures required by investors   |
|                                | 7. Non-compliance to contract provisions by PPMC locators                     | Curing Period provisions in lease contracts; Penalty clauses in lease contracts should defaults and breaches occur, other legal remedies  |
|                                | 8. Limited area/Land for lease/development                                    | Best use criteria/Comprehensive Integrated Master Development Plan; In addition to lease revenues, identify other sources of revenues   |
|                                | 9. Limited Airport Capacity   | Request for Technical Audit on the Airport Runway Capacity; Expansion of Apron  |
|                                | 10. High Rate of Power Supply compared to other provinces and cities          | Conduct study of alternative source of power  |
| b. INTERNAL PROCESS and PEOPLE | 12. Manual System of Recording and Processing/Automated Processes are limited | Automation of Processes: The Human Resources Information System (HRIS) and the Document Tracking System were enhanced; the Permit & Licensing System includes creating company profiles and generation of the Certificate of Accreditation, Feedback Form and Permit to Operate |

**VII. COMMITTEE MEETINGS CONDUCTED FOR CY 2023:**

| <b>NO.</b> | <b>DATE OF MEETINGS</b> |
|------------|-------------------------|
| 1.         | March 07, 2023          |
| 2.         | March 16, 2023          |
| 3.         | April 28, 2023          |
| 4.         | May 18, 2023            |
| 5.         | May 25, 2023            |
| 6.         | December 15, 2023       |

**VIII. ATTENDANCE RECORD OF THE COMMITTEE MEMBERS**

For the Calendar Year 2023, a total of three (6) meetings were conducted by the Audit & Risk Committee and all of the members of the committee participated in all the scheduled meetings.

| <b>MEMBERS</b>         | <b>DATE OF MEETINGS</b> |            |            |            |            |            |
|------------------------|-------------------------|------------|------------|------------|------------|------------|
|                        | 03/07/2023              | 03/16/2023 | 04/28/2023 | 05/18/2023 | 05/25/2023 | 12/15/2023 |
| MR. EDGAR T. SANTOS    | P                       | P          | P          | P          | P          | P          |
| MR. JOEL G. CARINGAL   | P                       | P          | P          | P          | P          | P          |
| MR. WARLITO P. GUERRA  | P                       | P          | P          | P          | P          | P          |
| MR. NICKY A. OLLER     | P                       | P          | P          | P          | P          | P          |
| MR. ABRAHAM M. MENDOZA | N/A                     | N/A        | N/A        | N/A        | N/A        | P          |

P – Present

A – Absent