



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. I**  
CORPORATE GOVERNMENT SECTOR 7  
WATER DISTRICTS AND OTHER CGS STAND ALONE AGENCIES  
City of San Fernando, La Union

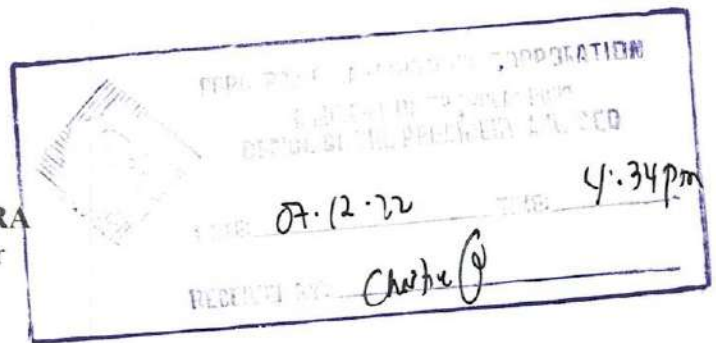
**Office of the Auditor – Audit Team No. R1-03**

**MEMORANDUM**

**FOR** : **TERESITA A. PAJARA**  
OIC - Regional Director  
Commission on Audit  
Regional Office No. I

**THRU** : **ATTY. ROBERT V. OCAMPO, SR.**  
Supervising Auditor

**DATE** : **May 4, 2022**



In compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 (2) of Presidential Decree No. 1445, we conducted a financial and compliance audit on the accounts and operations of Poro Point Management Corporation, San Fernando City, La Union for the year ended December 31, 2021.

The audit was conducted to ascertain the fairness of presentation of the financial statements and the propriety of financial transactions. We conducted the audit in accordance with generally accepted auditing standards and we believe that it provides a reasonable basis for the results of the audit. The audit was likewise aimed at determining whether the desired objectives were attained in an effective, efficient, and economical manner.

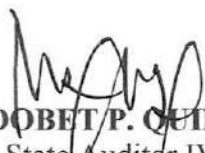
Our report consists of three parts. Part I is the audited financial statements, Part II contains the Observations with the corresponding Recommendations, which were discussed with Management in an exit conference and Part III presents the Status of Implementation by the Auditee of Prior Years' Audit Recommendations.

There is a reason to believe that the financial statements are free of material misstatement/s and are prepared in accordance with applicable laws, rules, and regulations and in conformity with generally accepted accounting principles.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Poro Point Management Corporation as at December 31, 2021, and the results of its operations and cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

We discussed our observations and their corresponding recommendations with the agency officials and personnel during the exit conference last May 2, 2022. We are pleased to note their favorable reactions to our recommendations.

We acknowledge the cooperation extended to us by the Poro Point Management Corporation personnel, particularly those of the Accounting Section, through whose assistance and support the submission of this report was made possible.



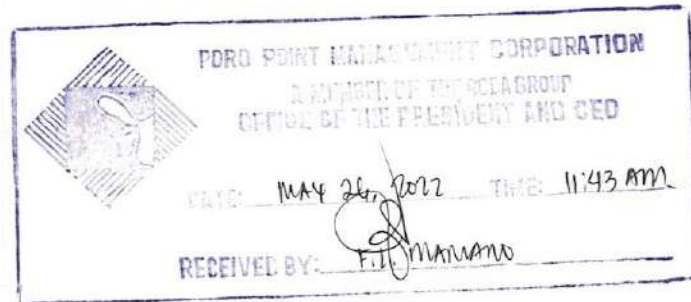
**MC DOBET P. QUINAGON**  
State Auditor IV  
Audit Team Leader



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. 1**  
City of San Fernando, La Union

May 4, 2022

**ATTY. FELIX S. RACADIO**  
President and CEO  
Poro Point Management Corporation  
City of San Fernando, La Union



**Dear President Racadio:**

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 efforts towards informing Management on how fiscal responsibility had been discharged, we are pleased to transmit the report of our auditors on the audit of the accounts and operations of the Poro Point Management Corporation, City of San Fernando, La Union, for the year ended December 31, 2021.

The audit was conducted to ascertain the propriety of financial transactions and compliance of the agency to prescribed laws, rules and regulations. It was also made to ascertain the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements.

An unmodified opinion was rendered on the fairness of the presentation of the financial statements.

We request that the observations and recommendations contained in the report be appropriately acted upon and we will appreciate being informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation (AAPSI), form attached, within 60 days upon receipt hereof.

We acknowledge the cooperation and support extended to our auditors during the audit.

For the Commission on Audit:

By:

  
**TERESITA A. PAJARA**  
OIC - Regional Director

Copy furnished:

The President of the Republic of the Philippines  
Malacañang Palace Compound  
J.P. Laurel St., San Miguel, Manila

The Vice-President of the Republic of the Philippines  
Quezon City Reception House  
100 11<sup>th</sup> Street, Brgy. Mariana  
New Manila, Quezon City

The Senate President  
Senate of the Philippines  
GSIS Building, Financial Center  
Roxas Blvd., Pasay City

The Chairperson-Senate Finance Committee  
Senate of the Philippines  
GSIS Building, Financial Center  
Roxas Blvd., Pasay City

The Speaker of the House  
House of Representatives  
Constitutional Hills, Quezon City

The Chairperson - Committee on Appropriation  
Committee Office  
House of Representatives of the Philippines  
Basement, North Wing Building  
Constitutional Hills, Quezon City

The Secretary of the Department of Budget and Management  
General Solano Street, San Miguel, Manila

The Administrator  
Local Water Utilities Administration  
MWSS-LWUA Complex, Katipunan Avenue  
Balara, Quezon City

The Director  
The National Library of the Philippines  
T.M. Kalaw, Ermita, Manila

The Chief Office  
UP Law Center  
Bacobo Hall, UP Law Complex  
UP Diliman, Quezon City

The Director  
COA Commission Central Library  
Commission on Audit  
Commonwealth Avenue, Quezon City



Republic of the Philippines  
**COMMISSION ON AUDIT**  
Commonwealth Ave., Quezon City

# **ANNUAL AUDIT REPORT**

on the

## **PORO POINT MANAGEMENT CORPORATION**

### **City of San Fernando, La Union**

**For the Year Ended December 31, 2021**

## EXECUTIVE SUMMARY

### A. Introduction

Poro Point Management Corporation (PPMC) was created and registered with the Securities and Exchange Commission (SEC) as the operating and implementing arm of the Bases Conversion and Development Authority (BCDA) to manage the Poro Point Special Economic and Freeport Zone (PPSEFZ), now Poro Point Freeport Zone (PPFZ) pursuant to Republic Act (RA) No. 9400 (An Act Amending RA No.7227, as amended, otherwise known as the Bases Conversion and Development Act of 1992, and Other Purposes). PPMC scope of responsibility encompasses the former Wallace Air Station in Poro Point, La Union, home of Thunderbird Resorts, the San Fernando Airport and the San Fernando International Seaport.

### B. Financial Highlights

Presented below is the summary of comparative financial highlights of the Corporation:

Particulars	Amount (P)		Percentage of Change
	2021	2020	
Assets	239,805,201.64	248,960,857.67	(3.67)
Liabilities	134,479,687.32	111,676,518.70	20.42
Government Equity	105,325,514.32	137,284,338.97	(23.28)
Income	84,466,874.88	99,500,311.46	(15.11)
Expenses	61,638,319.89	69,748,200.38	(11.63)

Particulars	Amount (P)		Percentage of Change
	2021	2020	
Budget	157,470,964.00	164,090,302.75	(4.03)
Actual Expenditures	61,638,319.89	69,748,200.38	(11.63)

### C. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of PPMC, City of San Fernando, La Union for the year ended December 31, 2021. The audit was conducted to ascertain the propriety of financial transactions and the accuracy of financial records and reports, as well as the fairness of the presentation of the financial statements in accordance with the Philippine Financial Reporting Standards (PFRS). It was also aimed at determining the compliance by the Corporation with applicable laws, rules and regulations. It also entailed

verification/validation on the implementation of prior year's audit recommendations was undertaken.

#### **D. Auditor's Opinion on the Financial Statements**

The Auditor rendered an unmodified opinion on the fairness of presentation of the Financial Statements (FS) of PPMC, City of San Fernando, La Union as of December 31, 2021, and the results of its operations and cash flows for the year then ended in conformity with PFRS.

#### **E. Summary of Significant Observations and Recommendations**

Presented below is the summary of the significant observations and recommendations. These were discussed with the agency officials concerned during the exit conference and their corresponding comments are incorporated in Part II of the report, where appropriate.

1. The Head of the Procuring Entity declared a failure of bidding the procurement of the Contract for the Supply and Delivery of Information Technology Equipment amounting to P1,880,715.00 despite compliance by the Bids and Awards Committee of the bidding procedures as prescribed in the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thus resulting in confusion and inconsistent application of the law and its IRR.

We recommended that Management should no longer require the submission of Letter of Intent pursuant to Sections 23 and 36 of the 2016 Revised IRR of RA No. 9184 and strictly apply the same until such provision has been declared invalid by a competent authority.

2. Accounts Receivables amounting to P2,154,640.69 as of December 31, 2021, has been long outstanding and remained uncollected for more than 2 to 10 years, thus rendering the collectability of the account doubtful and depriving the agency of additional funds to finance its activities or settle its obligations.

We recommended that Management direct the Finance Officer to:

- a. Send a demand letter to the concerned employees/officials to enforce collection of the amounts due from them; and
- b. Take appropriate action and have the accounts written-off pursuant to the existing laws, rules and regulations for the amount with remote or nil recovery.



**F. Status of Implementation of Prior Year's Audit Recommendations**

Of the seven prior year's audit recommendations, five were implemented and two were not implemented.

**G. Status of Settlement of Audit Suspensions, Disallowances and Charges**

As of December 31, 2021, PPMC had no outstanding suspensions and charges, however, disallowances totaling to P1,234,904.05 are under appeal.

c

c

c

c

## TABLE OF CONTENTS

### **PART I - AUDITED FINANCIAL STATEMENTS**

Independent Auditor's Report	1
Statement of Management Responsibility	3
Statement of Financial Position	4
Statement of Comprehensive Income	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to the Financial Statements	8

### **PART II - OBSERVATIONS AND RECOMMENDATIONS** 29

### **PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS** 36

**PART I**  
**AUDITED FINANCIAL STATEMENTS**



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. I**  
CORPORATE GOVERNMENT SECTOR 7  
WATER DISTRICTS AND OTHER STAND ALONE AGENCIES  
City of San Fernando, La Union

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF DIRECTORS**

Poro Point Management Corporation  
Poro Point Freeport Zone  
City of San Fernando, La Union

### **Unmodified Opinion**

We have audited the financial statements of the Poro Point Management Corporation (PPMC), which comprise the statement of financial position as at December 31, 2021, and the statement of comprehensive income, statement of changes in equity, and statement of cash flows and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present *fairly*, in all material respects, the financial position of the PPMC as at December 31, 2021, its comprehensive income and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

### **Basis for Unmodified Opinion**

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 of 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 opinion.

## **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 PFRS, and for such internal control as management determines 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 Agency'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 ISSAI 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:

  
**ATTY. ROBERT V. OCAMPO, SR.**  
Supervising Auditor

May 4, 2022



**PORO POINT MANAGEMENT CORPORATION**


A Member of the BCDA Group  
City of San Fernando, La Union  
Tel. No. (072) 888-5954


---

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR  
FINANCIAL STATEMENTS**

The MANAGEMENT of the Poro Point Management Corporation (PPMC) is responsible for the preparation of the financial statement as of December 31, 2021, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the fair presentation of financial statements that are free from material misstatement whether due to fraud, error or negligence, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

  
**LENIMA B. JUDAN**  
Finance Manager  
January 27, 2022  
Date Signed

  
**ATTY. FELIX S. RACADIO**  
President and CEO/  
OIC-Chairman of the Board  
January 27, 2022  
Date Signed

**PORO POINT MANAGEMENT CORPORATION**

San Fernando City, La Union

**STATEMENT OF FINANCIAL POSITION**

All Funds

As at December 31, 2021

	Note	2021	2020
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	3	38,343,774.94	47,676,701.11
Investments	4	40,533,473.79	70,830,441.48
Receivables	5	14,781,618.54	11,946,431.45
Inventories	6	1,051,287.03	990,112.44
Other Assets	7	1,319,508.82	1,978,717.21
<b>Total Current Assets</b>		<u><b>96,029,663.12</b></u>	<u><b>133,422,403.69</b></u>
<b>Non-Current Assets</b>			
Investments	8	15,015,000.00	15,015,000.00
Investment Property	9	116,924,764.20	93,964,611.19
Property, Plant and Equipment	10	10,561,032.03	5,284,100.50
Intangible Assets	11	20,476.90	20,476.90
Other Assets	12	1,254,265.39	1,254,265.39
<b>Total Non-Current Assets</b>		<u><b>143,775,538.52</b></u>	<u><b>115,538,453.98</b></u>
<b>TOTAL ASSETS</b>		<u><b>239,805,201.64</b></u>	<u><b>248,960,857.67</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	13	10,433,211.22	7,622,431.14
Inter-Agency Payables	14	96,670,420.59	1,722,966.38
Intra-Agency Payables	15	-	73,312,691.72
Trust Liabilities	16	1,904,599.38	1,853,816.48
Other Payables	17	7,034,346.37	8,727,503.22
<b>Total Current Liabilities</b>		<u><b>116,042,577.56</b></u>	<u><b>93,239,408.94</b></u>
<b>Non-Current Liabilities</b>			
Inter-Agency Payables	18	18,437,109.76	-
Intra-Agency Payables	19	-	18,437,109.76
<b>Total Non-Current Liabilities</b>		<u><b>18,437,109.76</b></u>	<u><b>18,437,109.76</b></u>
<b>TOTAL LIABILITIES</b>		<u><b>134,479,687.32</b></u>	<u><b>111,676,518.70</b></u>
<b>EQUITY</b>			
Stockholders' Equity	20	83,143,720.23	83,143,720.23
Retained Earnings/(Deficit)		22,181,794.09	54,140,618.74
<b>Total Equity</b>		<u><b>105,325,514.32</b></u>	<u><b>137,284,338.97</b></u>
<b>TOTAL LIABILITIES AND EQUITY</b>		<u><b>239,805,201.64</b></u>	<u><b>248,960,857.67</b></u>

*See Accompanying Notes to Financial Statements*



**PORO POINT MANAGEMENT CORPORATION**  
San Fernando City, La Union

**STATEMENT OF COMPREHENSIVE INCOME**

All funds

For the Year Ended December 31, 2021

	Note	2021	2020
<b>INCOME</b>			
Service and Business Income	21	84,466,874.88	99,500,311.46
<b>EXPENSES</b>			
Personnel Services	22	48,295,809.72	47,387,707.89
Maintenance and Other Operating Expenses	23	12,080,139.56	21,682,061.43
Non-Cash Expenses	24	1,262,370.61	678,431.06
<b>TOTAL EXPENSES</b>		<u>61,638,319.89</u>	<u>69,748,200.38</u>
<b>PROFIT/LOSS BEFORE TAX</b>		<u>22,828,554.99</u>	<u>29,752,111.08</u>
Income Tax Expense/Benefit		5,579,852.49	-
<b>PROFIT/LOSS AFTER TAX</b>		<u>17,248,702.50</u>	29,752,111.08
Net Assistance/Subsidy/(Financial Assistance/Subsidy)		-	-
<b>NET INCOME</b>		<u><u>17,248,702.50</u></u>	<u><u>29,752,111.08</u></u>

*See Accompanying Notes to Financial Statements*

**PORO POINT MANAGEMENT CORPORATION**  
San Fernando City, La Union

**STATEMENT OF CHANGES IN EQUITY**  
All Funds  
For the year ended December 31, 2021

	Notes	2021	2020
<b>Share Capital</b>			
Balance at Beginning of the Period			
Authorized, issued and fully paid		68,143,720.23	68,143,720.23
800,000 shares, P100.00 par value			
<b>Balance at End of the Period</b>		<u><b>68,143,720.23</b></u>	<u><b>68,143,720.23</b></u>
<b>Other Equity Investments</b>			
Balance at Beginning of the Period		15,000,000.00	15,000,000.00
Additions		-	-
Deductions		-	-
<b>Balance at End of the Period</b>		<u><b>15,000,000.00</b></u>	<u><b>15,000,000.00</b></u>
<b>Retained Earnings</b>			
	26		
Balance at Beginning of the Period		54,140,618.74	27,182,028.36
Correction of prior year's errors		(1,191,707.93)	(2,793,520.70)
As restated		52,948,910.81	24,388,507.66
Dividends	27	(48,015,819.22)	
Net Income (Loss)		17,248,702.50	29,752,111.08
<b>Balance at End of the Period</b>		<u><b>22,181,794.09</b></u>	<u><b>54,140,618.74</b></u>
<b>TOTAL EQUITY</b>		<u><u><b>105,325,514.32</b></u></u>	<u><u><b>137,284,338.97</b></u></u>

*See Accompanying Notes to Financial Statements*

**PORO POINT MANAGEMENT CORPORATION**  
San Fernando City, La Union

**STATEMENT OF CASH FLOWS**  
All Funds  
For the year ended December 31, 2021

	Note	2021	2020
<b>Cash Flow from Operating Activities</b>			
Cash Inflow			
Collection of Income/Revenue		83,315,613.43	-
OPEX funds received from BCDA		-	90,166,677.34
Collection of Receivables		17,107,164.90	22,037,020.26
Receipt of Inter-agency Fund Transfers	28	7,020,987.04	-
Collection of Miscellaneous Income		-	6,581,054.97
Proceeds from termination of investment in TD		-	67,238,882.51
Adjustments		122,059,640.03	-
Total Cash Inflow		<b>229,503,405.40</b>	<b>186,023,635.08</b>
Cash Outflow			
Payment of Expenses		63,004,621.91	-
Purchase of Inventories		782,705.26	-
Payment of Accounts Payable		8,554,430.51	-
Remittance of Personnel Benefit Contributions and Mandatory Deductions		14,482,157.95	-
Adjustments		91,278,957.58	-
Payment to Employees and Suppliers		-	74,308,305.90
Remittance of Collections to BCDA		-	70,000,000.00
Payment of Taxes		-	-
Investment in Time Deposit		-	14,426,649.18
Total Cash Outflow		<b>178,102,873.21</b>	<b>158,734,955.08</b>
<b>Net Cash Provided by (used in) Operating Act.</b>		<b>51,400,532.19</b>	<b>27,288,680.00</b>
<b>Cash Flow from Investing Activities</b>			
Cash Inflow			
Receipt of Interest Earned		415,927.04	1,379,979.88
Cash Outflow			
Purchase/Construction of Investment Property		6,895,704.35	-
Purchase/Construction of Property, Plant and Equipment		6,237,861.83	-
Capital Expenditure projects		-	4,106,494.91
Total Cash Outflow		<b>13,133,566.18</b>	<b>4,106,494.91</b>
<b>Net Cash Provided by (used in) Investing Act.</b>		<b>(12,717,639.14)</b>	<b>(2,726,515.03)</b>
<b>Cash Flow from Financing Activities</b>			
Cash Inflow			
Capex from BCDA		-	4,106,494.91
Cash Outflow			
Payment of Dividends		<b>48,015,819.22</b>	-
<b>Net Cash Provided by (used in) Financing Act.</b>		<b>(48,015,819.22)</b>	<b>4,106,494.91</b>
<b>Net Increase in Cash and Cash Equivalents</b>		<b>(9,332,926.17)</b>	<b>28,668,659.88</b>
<b>Add: Cash and Cash Equivalents, Beginning</b>		<b>47,676,701.11</b>	<b>19,008,041.23</b>
<b>Cash and Cash Equivalents, Ending</b>		<b>38,343,774.94</b>	<b>47,676,701.11</b>

## **NOTES TO FINANCIAL STATEMENTS AS OF DECEMBER 31, 2021**

### **1. Corporate Information**

BCDA was created under RA No. 7227 dated March 13, 1993. The main objective is to accelerate the sound and balanced conversion of former military reservations, especially the American Military Bases into alternative productive civilian uses for the benefit of the Filipino people.

Pursuant to this Act, Presidential Proclamation No. 216 was issued creating and designating the area covered by the former Wallace Air Station, the San Fernando Seaport and Airport, and contiguous areas in Poro Point Special Economic and Freeport Zone (PPSEFZ), now the Poro Point Freeport Zone (PPFZ).

On June 29, 1993, Executive Order (EO) No. 103 was issued, establishing the John Hay Development Corporation (JHDC) as a subsidiary and implementing arm of BCDA for Club John Hay.

Subsequently, on October 07, 1998, EO No. 31 was issued amending Sections 1 and 3 of EO No. 103, series of 1993, renaming John Hay Development Corporation (JHDC) to John Hay Poro Point Development Corporation (JHPDC) as the authorized operating and implementing arm of the BCDA to manage the John Hay Special Economic Zone (JHSEZ) and the PPFZ and its contiguous areas.

On October 03, 2002, EO No. 132 was issued authorizing the creation of PPMC as the implementing arm of BCDA over the PPFZ and renaming the JHPDC as the John Hay Management Corporation (JHMC).

PPMC was registered with the Securities and Exchange Commission (SEC) on January 06, 2003.

On March 20, 2007, RA No. 9400 was enacted affirming the Freeport status of the PPSEFZ, renaming it as the Poro Point Freeport Zone (PPFZ).

PPMC office is located at Governor Joaquin L. Ortega Avenue, Poro Point, City of San Fernando, La Union.

### **Performance Agreement**

Pursuant to EO No. 62 issued on February 27, 1993 on the prescribed policies and guidelines for the implementation of RA No. 7227, BCDA is mandated to perform oversight over subsidiaries and adopt and implement an oversight mechanism to implement efficient utilization of scarce resources and to ensure that the plans and programs of subsidiaries are proceeding according to national goals and objectives.

In order to carry out this objective, EO No. 62 likewise mandates that BCDA and its subsidiaries enter into a Performance Agreement embodying the performance criteria and target for the year and the desired goals of the succeeding years.

Towards this goal, BCDA and PPMC entered into a Performance Agreement, setting the performance standards in accordance with the policies and programs of BCDA and PPMC which is mutually acceptable to both parties.

Foremost among the features of the Agreement is about the financial undertakings that BCDA and PPMC have to comply with, briefly summarized as follows:

- BCDA as property owner of the PPFZ shall earn from lease rentals, joint venture agreements, and other business arrangements generated in the PPFZ and from dividends to be declared by PPMC. PPMC shall record these revenues as Trust Liability and remit the same to BCDA through a designated bank account. The same shall now be recorded as income of BCDA.
- PPMC as estate manager shall earn estate management fees due from BCDA either a 50 percent share in the revenues of the PPFZ or fixed amount of PhP60.5 million annually for the next two (2) years beginning 2014 to cover Personal Services (PS) and Maintenance & Other Operating Expenses (MOOE), whichever is higher. In addition, PPMC shall receive a 10 percent share on the net income of the zone.
- PPMC shall ensure that all necessary and appropriate insurance coverage for properties within the zone as well as security services for the property are secured. Insurance coverage, maintenance and depreciation expenses of BCDA properties within the zone, as well as maintenance and security services for the property, however, shall be charged to BCDA as owner of the land.
- PPMC shall formulate an annual work plan and budget to be submitted to BCDA for approval in accordance with Financial Policy No. 502-2.
- PPMC shall submit a rolling five-year OPEX schedule for BCDA funding and approval while maintaining the expected Return on Assets (ROA) and Return on Equity (ROE) targets for BCDA. A yearly submission of the actual OPEX for review and next year's projected OPEX schedule for consideration and approval of BCDA shall be presented during the planning and budgeting deliberations.

## **2. Summary of Significant Accounting Policies**

The significant accounting policies are set forth to facilitate understanding of data presented in the financial statements (FS).

## 2.1 Basis of preparation

The FS have been prepared in conformity with accounting principles generally accepted in the Philippines. The FS are presented in Philippine peso, which is the functional and reporting currency of PPMC. These are the PPMC first financial statements prepared in accordance with Philippine Financial Reporting Standards (PFRS), where PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, was then applied.

The FS comprise the Statement of Financial Position, Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows and Notes to Financial Statements.

## 2.2 Use of Estimates and Judgments

The preparation of the financial statements in conformity with PFRS requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances. It also requires management to exercise its judgments in the process of applying the accounting policies consistent with that of the BCDA.

**PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards***, requires an entity adopting PFRS for the first time (a first-time adopter) to comply with each PFRS that has come into effect at the reporting date for its first PFRS financial statements. It also requires a first-time adopter to prepare an opening PFRS balance sheet at the date of transition to PFRS, the beginning of the earliest adoption to which it represents the full comparative information under PFRS.

**PAS 1, *Presentation of Financial Statements***, (a) provides a framework within which an entity assesses how to present fairly the effects of transactions and other events; (b) provides the base criteria for classifying liabilities as current or non-current; (c) prohibits the presentation of items of income and expenses as extraordinary items in the financial statements; and (d) specifies the disclosures

**IAS 2 – Inventories.** This standard prescribes the accounting treatment for inventories. It provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

**IAS 16 – Property, Plant and Equipment.** This standard prescribes the accounting treatment for property, plant and equipment so that users of the financial statements can discern information about an entity's investment in its property, plant and equipment and the changes in such investment. An item of property, plant and equipment that qualifies for recognition as an asset shall be measured at cost. An

entity shall choose either the cost model or the revaluation model as its accounting policy and shall apply that policy to an entire class of property, plant and equipment. The depreciable amount of an asset shall be allocated on a systematic basis over its useful life. The residual value and the useful life of an asset shall be reviewed at least each financial year-end and, if expectations differ from previous estimates, the changes(s) shall be accounted for as change in an accounting estimate in accordance with IAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

### **2.3 Cash and Cash Equivalents**

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments with original maturities of three months or less from date of acquisition.

### **2.4 Supplies and Materials**

This account carries the value of unused supplies and materials in stock using the moving average inventory method.

### **2.5 Investment in Joint Ventures**

PPMC has an interest in joint ventures which are jointly controlled entity, whereby the ventures have a binding arrangement that establishes joint control over the economic activities of the entity. PPMC recognizes its interest in the joint venture using the equity method. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost plus post acquisition changes in share of net assets of the joint venture.

### **2.6 Property, Plant and Equipment (PPE)**

PPE are stated at cost less accumulated depreciation. Depreciation is measured using the straight-line method with composite rates ranging from 5% to 20%. In accordance with COA Circular No. 2004-3 dated October 4, 2004 and COA Circular No. 2015-002 dated March 9, 2015 the computation of depreciation expense shall start on the following month after the purchase/completion of the PPE, irrespective of date within the month. The current and subsequent month depreciation expense shall be computed as follows:

$$\text{Monthly Depreciation Expense} = \frac{\text{Carrying Amount} - \text{Residual Value}}{\text{Remaining Useful Life}}$$

The effect of the recognition of depreciation as a result of the change in the estimated residual value from 10% to 5% of the cost shall be applied prospectively.

Assets acquired with value of not more than ₱15,000.00 are recorded under supplies and materials expense upon issue to the end-user pursuant to COA Circular

No. 2015-007 dated October 22, 2015. However, items with individual values below the threshold of P15,000.00 but which work together in the form of a group of network assets whose total value exceeds the threshold shall be recognized as part of the primary PPE, e.g. computer network.

Maintenance and repairs of PPE are charged to operations. Improvements and/ or major repairs that considerably extend assets life or if the repair costs are material in amount are charged to the appropriate asset account.

## 2.7 Revenue Recognition

Funds released for operating expenditures (OPEX) from BCDA are reflected as Management fees in the Statement of Comprehensive Income.

## 2.8 Collections received in trust

PPMC shall remit to BCDA on a regular basis all revenues from contracts and other sources of revenues generated within the PPFZ and are deposited daily to BCDA Land Bank of the Philippines (LBP) Account No. 0202-0177-54 at City of San Fernando, La Union. Results of these activities are being reported to BCDA monthly.

## 3. CASH AND CASH EQUIVALENTS

This is composed of the following:

Particulars	2021	2020
Cash in Bank		
Cash in Bank-Local Currency, CA	38,343,774.94	9,294,838.77
Cash Equivalents		
Time deposits-Local Currency	-	38,381,862.34
<b>Total Cash and Cash Equivalents</b>	<b>38,343,774.94</b>	<b>47,676,701.11</b>

### Cash in Bank-Local Currency

This account consists of the following:

Particulars	2021	2020
Cash in Bank-Local Currency, LBP Opex Current	32,829,530.72	8,184,705.62
Cash in Bank-Local Currency, LBP Capex Current	5,514,244.22	1,110,133.15
<b>Total Cash In Bank-Local Currency</b>	<b>38,343,774.94</b>	<b>9,294,838.77</b>



### **Cash in Bank-Local Currency, LBP Opex Current Account**

PPMC maintains a current account for its Opex at the LBP. This was the original account of PPMC prior to its transfer to the Philippine National Bank (PNB) on 02 July 2004.

### **Cash in Bank-Local Currency, LBP Capex Account**

On 19 October 2018, PPMC opened a current account for its Capital Expenditures (Capex) at the LBP pursuant to the advice of the Department of Finance (DOF) to wind down PPMC's deposits at PNB and transfer the same to either LBP/DBP.

### **CASH EQUIVALENTS**

This account represents authorized placements of time deposit at the LBP with a maturity of 90 days.

#### **4. INVESTMENTS**

This is composed of Investment in Time Deposits.

#### **INVESTMENTS IN TIME DEPOSITS**

This account represents authorized placements of time deposit at the LBP with maturities of 120 days as shown below:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Investments in Time Deposits		
Investments in Time Deposits-Local Currency	<b>40,533,473.79</b>	<b>70,830,441.48</b>

#### **5. RECEIVABLES**

The account is composed of the following:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Loans and Receivables Account		
Accounts Receivable	1,782,063.10	1,825,304.15
Interest Receivable	93,217.98	126,697.49
Inter-Agency Receivables		
Due from Parent Corporation - BCDA	12,533,759.87	9,628,194.20
Other Receivables		
Due from Officers and Employees	372,577.59	366,235.61
<b>Total Receivables</b>	<b>14,781,618.54</b>	<b>11,946,431.45</b>

## ACCOUNTS RECEIVABLES

The accounts receivable pertains to various receivables from vendors/customers and former Officers of PPMC.

## INTER-AGENCY RECEIVABLES

The Due from BCDA account pertains to reimbursement of expenses for BCDA land related costs such as insurance coverage, maintenance and security services for the property.

## OTHER RECEIVABLES

The Due from Officers and Employees account are receivables from PPMC personnel for personal calls, prior year taxes due and other miscellaneous charges.

## 6. INVENTORIES

The office supplies inventory, accountable forms, food supplies, chemical and filtering supplies inventory, construction materials and electrical supplies inventory are based on moving average method.

## 7. OTHER ASSETS

Other Assets is composed of the following:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Prepayments		
Advances to Contractors	678,981.11	678,981.11
Prepaid Registration	92,256.83	13,651.02
Prepaid Insurance		100,134.57
Other Prepayments	6,888.26	637,789.55
Deposits		
Guaranty deposits	168,884.00	168,884.00
Withholding Tax at Source		
Withholding Tax at Source	51,747.52	58,525.86
Other Assets		
Other Assets	320,751.10	320,751.10
<b>Total Other Assets</b>	<b>1,319,508.82</b>	<b>1,978,717.21</b>

## PREPAYMENTS

This account includes:

Particulars	2021	2020
Advances to Contractors	678,981.11	678,981.11
Prepaid Insurance & Registration	92,256.83	113,785.59
Other Prepayments	6,888.26	637,789.55
<b>Total Prepayments</b>	<b>778,126.20</b>	<b>1,430,556.25</b>

The Advances to Contractors account pertains to the advance payment (15% mobilization fees) made to the contractor of the Baywalk with events center project and miscellaneous advances made to other suppliers.

Prepaid registration refers to various prepayments made for the renewal of vehicles, firearm and radio licenses with a minimum coverage period of one year.

Prepaid insurance represents the unexpired portion of insurance premiums of PPMC occupied building, building contents, and vehicle insurance.

Other prepayments represent payment to suppliers on a cash on delivery (COD) basis, subject to liquidation upon receipt of the items purchased and preparation of inventory acceptance report (IAR).

## GUARANTY DEPOSITS

Guaranty deposits pertain on payments to service providers such as telephone and electric companies that are refundable upon cancellation/termination of contracts.

## 8. INVESTMENTS

This account includes:

Particulars	2021	2020
Investments in Joint Ventures	15,000,000.00	15,000,000.00
Investments in Joint Venture		
Other Investments		
Investment in Stocks	15,000.00	15,000.00
<b>Total Investments</b>	<b>15,015,000.00</b>	<b>15,015,000.00</b>

The Investment in Joint Venture pertains to the 15% investment share of PPMC to Poro Point Industrial Corporation (PPIC) pursuant to the Pre-Incorporation Agreement.

The Pre-Incorporation Agreement entered into on September 24, 1999 by and between the BCDA and JHPDC now, PPMC and Bulk Handlers, Inc. (BHI), a

corporation duly organized under Philippine laws, created a joint venture corporation under the name of PPIC.

Section 1, paragraph 1.02 of the Pre-Incorporation Agreement provides that the PPIC shall be organized for the principal purpose of undertaking the utilization, development, operation, management, and administration of the seaport and industrial areas as well as all reclamation works within the project area.

Section 1, paragraph 1.03 also provides that the authorized capital stock of PPIC shall initially be in the amount of P100,000,000. BCDA/PPMC shall subscribe to shares equal to P30,000,000 constituting 30% ownership of the total outstanding capital stock. On the other hand, BHI and/or its consortium shall subscribe to and fully pay for shares equal to P70,000,000.00 for a 70% ownership of the total outstanding capital stock of PPIC.

It was likewise provided under the terms of the Agreement that BHI shall fund the thirty percent (30%) equity participation of BCDA/PPMC in exchange for the leasehold rights over the project area and that BHI shall always fund the equity participation of BCDA/PPMC in the event the capital stock of PPIC is increased to avoid dilution of the BCDA/PPMC shares.

To date, PPMC equity share amounts to P15,000,000.00 equivalent to 15% of the total authorized and subscribed capital stock of PPIC.

#### **OTHER INVESTMENTS**

The Investment in Stocks represents subscription of shares of stock to PLDT.

#### **9. INVESTMENT PROPERTY**

This account consists of:

<b>Particulars</b>	<b>2021</b>	<b>2020</b>
Investment Property-Land	21,441,469.65	21,441,469.65
Investment Property-Building	13,821,515.95	6,676,047.56
Construction in Progress	81,661,778.60	65,847,093.98
<b>Total Investment Property</b>	<b>116,924,764.20</b>	<b>93,964,611.19</b>

Investment Property-Land refers to the validated land held-in trust within the PPFZ on behalf of BCDA. Acquisition cost was valued at P1,250.00/P2,300.00 per square meter plus documentary stamp taxes & other similar incidental charges.

There are 47 original land titles already forwarded to BCDA out of the 73 land titles covering 5.43 hectares, more or less. Titles of the remaining lots are still subject to reconstitution as a result of the fire that gutted the Register of Deeds building on August 26, 2000.

On August 2, 2012, the Land Registration Administration (LRA) informed BCDA/PPMC that the following titles were issued with reconstitution orders: T-52521; T-52526; T-52530; T-52518; T-46198; T-52588. The LRA likewise informed BCDA that the rest of the TCT with pending applications for reconstitution may have been damaged during the fire that destroyed the LRA office on July 22, 2011. PPMC will file the necessary documents in order to safeguard PPMC rights to the properties.

Investment Property-Buildings represents finished capital expenditure projects that was already liquidated to BCDA on 19 April 2021. PPMC is awaiting for the issuance by BCDA of accounting instructions to effect the liquidation in the books of PPMC.

Construction in Progress held in trust of P81,661,778.60 constitutes capital expenditure projects for the construction of a baywalk with events center, construction of 2019 various infra projects, drainage system and slope protection at the San Fernando Airport and 2021 various repair and maintenance projects which are being funded by BCDA. Upon completion, these projects together with relevant documents will be turned-over to BCDA and the corresponding advances granted to PPMC are liquidated.

## 10. PROPERTY, PLANT AND EQUIPMENT

The details of this group of accounts consist of the following:

Particulars	2021	2020
Land Improvements	276,082.12	276,082.12
Infrastructure Assets	516,605.02	516,605.02
Buildings & Other Structures	12,055,679.41	8,978,610.71
Machinery and Equipment	11,554,997.51	11,293,497.51
Furniture, Fixtures and Books	2,834,393.10	2,834,393.10
Transportation Equipment	13,723,397.02	10,516,397.02
Total	40,961,154.18	34,415,585.48
Less: Accumulated Depreciation	30,400,122.15	29,131,484.98
<b>Total Property, Plant and Equipment</b>	<b>10,561,032.03</b>	<b>5,284,100.50</b>

PPE pertain to assets acquired and are utilized and directly benefits PPMC which includes among others, properties such as buildings, furniture, fixtures, machineries, equipment and motor vehicles.

## 11. INTANGIBLE ASSETS

This account consists of computer software used by PPMC in its operations.

Particulars	2021	2020
Computer Software	851,469.58	851,469.58
Less: Accumulated Amortization-Computer Software	830,992.68	830,992.68
<b>Total Intangible Asset</b>	<b>20,476.90</b>	<b>20,476.90</b>

## 12. OTHER ASSETS

This account consists of accounts receivable held in trust by PPMC for BCDA amounting to ₱1,254,265.39. The accounts receivable-current of ₱244,540.89 refer to collectibles from airport users representing revenues generated within the PPFZ held in trust by PPMC for BCDA while non-current trade receivables held in trust of ₱1,009,724.50 is long outstanding airport fees due from Ace Pilots Aviation Academy subject of a legal move to pursue collection in Court.

Particulars	2021	2020
Other Assets		
<b>Other Assets</b>	<b>1,254,265.39</b>	<b>1,254,265.39</b>

## 13. FINANCIAL LIABILITIES

This is composed of Accounts Payable. It represents the outstanding payables on purchases made from local suppliers and contractors.

Particulars	2021	2020
Financial Liabilities		
<b>Accounts Payable</b>	<b>10,433,211.22</b>	<b>7,622,431.14</b>

## 14. INTER-AGENCY PAYABLES

This is composed of statutory/mandatory deductions paid by the PPMC.

Particulars	2021	2020
Due to BIR	763,756.74	664,147.04
Due to Pag-ibig	600.00	9,079.22
Due to Philhealth	387.38	-
Due to SSS	630.00	-
Due to Parent Corporation - BCDA	95,448,855.98	-
Income Tax Payable	456,190.49	1,049,740.12
<b>Total Inter-Agency Payables</b>	<b>96,670,420.59</b>	<b>1,722,966.38</b>

Due to Parent Corporation pertains to funds released by BCDA for capital expenditure projects such as construction of bay walk with events center, construction of main gate and airport fence per accounting instructions issued by BCDA. Upon completion of these construction projects, PPMC will liquidate the advances made by turning over the completed projects to BCDA. Also included in this accounts are the earned revenues within the PPFZ held in trust by PPMC for BCDA. Collections there

from are to be remitted to BCDA through the designated bank account. Part of this account is the long outstanding airport fees due from ACE Pilots Aviation Academy in the amount of P1,009,724.50 subject to a legal move to pursue collection in court; and the accounts receivable current of P244,540.89.

#### 15. INTRA-AGENCY PAYABLES

Particulars	2021	2020
Due to Parent Corporation - BCDA	-	73,312,691.72
<b>Total Inter-Agency Payables</b>	<b>-</b>	<b>73,312,691.72</b>

The Due to Parent Corporation has been reclassified to Inter-agency Payables per Revised Chart of Accounts for Government Corporations.

#### 16. TRUST LIABILITIES

This account consists of trust liabilities, guaranty deposits and security deposit payables. Trust liabilities refer to bid fees collected from bidders. Performance security payable is posted by a bidder to guarantee the faithful performance of its obligations of an awarded contract, which may be forfeited or refunded in accordance with RA No. 9184. Balances appearing at year-end are as follows:

Particulars	2021	2020
Trust Liabilities	1,834,599.38	1,783,816.48
Guaranty Deposits Payable	38,000.00	38,000.00
Security Deposit	32,000.00	32,000.00
<b>Total Trust Liabilities</b>	<b>1,904,599.38</b>	<b>1,853,816.48</b>

#### 17. OTHER PAYABLES

This account consists of bid bond payables, retention payables and miscellaneous payables. Bid bond or bid security is posted by a bidder as a guarantee that the latter will enter into contract with the procuring entity. Retention payable represents the amount due to the contractor which shall be due for release upon final acceptance of its works to PPMC.

Particulars	2021	2020
Other Payables		
<b>Other Payables</b>	<b>7,034,346.37</b>	<b>8,727,503.22</b>

## 18. INTER-AGENCY PAYABLES – DUE TO PARENT CORPORATION (BCDA)

This account refers to the cash advances from BCDA for the acquisition of private lots within the Wallace Area which amounted to P18,437,109.76.

Particulars	2021	2020
Inter-Agency Payables		
<b>Due to Parent Corporation-BCDA</b>	<b>18,437,109.76</b>	<b>-</b>

## 19. INTRA-AGENCY PAYABLES – DUE TO PARENT CORPORATION (BCDA)

This pertains to the Due to Parent Corporation account which was already reclassified to Inter-Agency Payables as prescribed by the Revised Chart of Accounts for Government Corporations.

Particulars	2021	2020
Intra-Agency Payables		
<b>Due to Parent Corporation-BCDA</b>	<b>-</b>	<b>18,437,109.76</b>

## 20. STOCKHOLDERS' EQUITY

This account is composed of Share Capital and Other Equity Instruments and presented as follows:

Particulars	2021	2020
Stockholders' Equity		
Share Capital	68,143,720.23	68,143,720.23
Other Equity Instruments	15,000,000.00	15,000,000.00
<b>Total Stockholders' Equity</b>	<b>83,143,720.23</b>	<b>83,143,720.23</b>

### SHARE CAPITAL

PPMC was authorized to issue 800,000 shares at P100 cost per share. BCDA has approved an increase of authorized capital stock from P80 million to P300 million per letter dated May 4, 2012.

On October 15, 2014, PPMC wrote a letter to the Governance Commission for Government Owned and Controlled Corporation (GCG), requesting for the latter's endorsement/clearance/recommendation for the amendment of the Articles of Incorporation of PPMC prior to submission to the SEC for approval. On October 27, 2014, GCG directed PPMC to submit documents to be used in the evaluation process of the latter's request. On November 2, 2016, PPMC submitted additional documents required by GCG in the evaluation process. Finally, on November 23, 2016, the GCG



approved the request for increase in capitalization of PPMC. PPMC is now reviewing the request for increase in capitalization in coordination with BCDA.

### EQUITY IN JOINT VENTURE

The Pre-Incorporation Agreement entered into on September 24, 1999 by and between the BCDA and JHPDC now, PPMC and Bulk Handlers, Inc. (BHI), a corporation duly organized under Philippine laws, created a joint venture corporation under the name of PPIC.

Section 1, paragraph 1.02 of the Pre-Incorporation Agreement provides that the PPIC shall be organized for the principal purpose of undertaking the utilization, development, operation, management, and administration of the seaport and industrial areas as well as all reclamation works within the project area.

Section 1, paragraph 1.03 also provides that the authorized capital stock of PPIC shall initially be in the amount of ₱100,000,000. BCDA/PPMC shall subscribe to shares equal to ₱30,000,000 constituting 30% ownership of the total outstanding capital stock. On the other hand, BHI and/or its consortium shall subscribe to and fully pay for shares equal to ₱70,000,000.00 for a 70% ownership of the total outstanding capital stock of PPIC.

It was likewise provided under the terms of the Agreement that BHI shall fund the thirty percent (30%) equity participation of BCDA/PPMC in exchange for the leasehold rights over the project area and that BHI shall always fund the equity participation of BCDA/PPMC in the event the capital stock of PPIC is increased to avoid dilution of the BCDA/PPMC shares.

To date, PPMC's equity share amounts to ₱15,000,000.00 equivalent to 15% of the total authorized capital stock of PPIC.

### 21. SERVICE AND BUSINESS INCOME

The income of PPMC is derived from the following sources:

Particulars	2021	2020
Service and Business Income		
Service Income		
Permit Fees	3,686,353.79	6,515,054.97
Business Income		
Management Fees	80,271,376.07	91,539,276.61
Interest Income	509,145.02	1,379,979.88
Miscellaneous Income		
Miscellaneous Income	-	66,000.00
<b>Total Revenues</b>	<b>84,466,874.88</b>	<b>99,500,311.46</b>

## MANAGEMENT FEES

This account consists mainly of management fees. PPMC as estate manager of the PPFZ is compensated by BCDA in the form of OPEX fund releases corresponding to the budget for Personal Services (PS) and Maintenance and Other Operating Expenses (MOOE) of PPMC for the year. Such fund releases are recognized as estate management fees in the books of PPMC and are being released by BCDA at the start of the year.

BCDA, as property owner is entitled to the revenues generated from the PPFZ which comprise of lease rentals, airport fees, gaming revenue share, share in the sale of real estate projects and regulatory fees.

For the period ending December 31, 2021, BCDA earned a total revenue of Php87,712,564.65, net of Php53,822,313.00 uncollectible PPIC account subject to litigation.

The entry of Thunderbird Pilipinas Hotels and Resorts, Inc, whose Casino opened for business on April 28, 2006, provided a significant share in the revenues generated. Total guaranteed percentage share in net winnings of 4% amounted to Php31,640,686.00 for the year ending December 31, 2021. This amount represents variable income for BCDA/PPMC on top of the monthly fixed lease rentals of PhP1,797,646.25.

All collections accruing BCDA are deposited to BCDA bank account.

## PERMIT FEES

This account consists of regulatory fees such as seaport dues and fees, import permits, local purchase permits, gate pass, building permit fees and other fees.

## 22. PERSONNEL SERVICES

These include the following expenses of PPMC as presented:

Particulars	2021	2020
Salaries and Wages		
Salaries and Wages-Regular	31,460,529.14	31,089,053.77
Other Compensation		
Personnel Economic Relief Allowance (PERA)	1,374,200.00	1,368,942.42
Representation Allowance	810,000.00	808,125.00
Transportation Allowance	810,000.00	808,125.00
Clothing/Uniform Allowance	342,000.00	348,000.00
Longevity Pay	30,000.00	1,258,419.62
Overtime and Night Pay	1,047,840.28	2,596,343.00
Year-End Bonus	2,626,637.00	285,000.00

Cash Gift	285,000.00	20,000.00
Mid-Year Bonus	2,638,609.00	-
Directors and Committee Members' Fees	1,721,000.00	-
Other Bonuses and Allowances	855,000.00	3,479,973.00
<b>Personnel Benefit Contributions</b>		
Retirement and Life Insurance Premiums	1,430,932.50	-
Pag-ibig Contributions	68,700.00	69,300.00
Philhealth Contributions	385,555.44	382,432.86
Employees Compensation Insurance Premiums	20,370.00	22,380.00
<b>Other Personnel Benefit Contributions</b>		
Other Personnel Benefit Contributions	-	1,100,940.00
Terminal Leave Benefits	2,389,436.36	3,750,673.22
<b>Total Personnel Services</b>	<b>48,295,809.72</b>	<b>47,387,707.89</b>

### 23. MAINTENANCE AND OTHER OPERATING EXPENSES

PPMC paid the following expenses as presented:

Particulars	2021	2020
Travelling Expenses		
Travelling Expenses-Local	1,190,169.36	1,486,132.92
Training and Scholarship Expenses		
Training Expenses	140,300.00	249,799.62
Supplies and Materials Expenses		
Office Supplies Expenses	2,800,338.06	2,138,648.65
Utility Expenses		
Electricity Expenses	899,129.41	684,913.16
Communication Expenses		
Postage and Courier Services	32,878.94	1,151,588.56
Telephone Expenses	760,111.33	-
Internet Subscription	44,579.70	-
Confidential, Intelligence and Extraordinary Expenses		
Extraordinary and Miscellaneous Expenses	248,003.36	231,493.09
Professional Services		
Auditing Services	1,244,282.00	1,002,656.20
General Services		
Janitorial Services	320,995.55	298,106.09
Security Services	1,135,285.68	1,132,132.11

Repair and Maintenance		
Repair and Main.-Building and Other Structures	26,991.00	970.00
Repair and Main.-Transportation Equipment	84,795.00	46,684.52
Repair and Main.-Furniture and Fixtures	67,105.00	5,200.00
Taxes, Insurance Premiums and Other Fees		
Taxes, Duties and Licenses	79,616.38	82,049.63
Insurance Expenses	259,847.18	147,595.69
Income Tax Expenses	-	9,457,377.06
Other Maintenance and Operating Expenses		
Advertising, Promo. and Marketing Expense	353,572.20	141,750.00
Representation Expenses	1,243,119.51	665,223.79
Subscription Expenses	2,346.00	16,825.35
Directors and Committee Members Fees	-	1,403,000.00
Other Main. and Other Operating Expenses	1,146,673.90	1,339,914.99
<b>Total MOOE</b>	<b>12,080,139.56</b>	<b>21,682,061.43</b>

#### OTHER MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of:

Particulars	2021	2020
SP-ISO Certification	155,680.00	69,000.00
SP-Corporate Social Responsibility	403,572.00	198,259.83
SP-COVID-19 Expenses	-	1,072,655.16
SP-Stakeholder Satisfaction Survey	196,257.60	-
SP-Environmental Management System	304,976.00	-
BOD-Meals	86,188.30	-
<b>Total Other MOOE</b>	<b>1,146,673.90</b>	<b>1,339,914.99</b>

Special projects also included community development or inclusive growth which is paramount to PPMC. Alongside the development efforts and creation of business opportunities in the PPFZ, PPMC pursued community development projects to improve the quality of life of the impact communities. PPMC HELPS was institutionalized as PPMC vehicle to implement Corporate Social Responsibility Program. HELPS stands for the various components of the program – health, education/environment, livelihood program and strengthening linkages.

Also part of the special projects are the ISO Certification, Environmental Management System (EMS) and Stakeholder Satisfaction.

The Stakeholder Satisfaction is one of PPMC's strategic objectives and is one of the metrics used by the Governance Commission for Government Owned or Controlled

Corporations (GCG) and BCDA in assessing PPMC's performance. PPMC procured the services of Saint Louis College to undertake the survey according to the guidelines crafted by GCG.

PPMC aligns with the policy of the state to promote sustainable development by encouraging the business or industrial sector to engage in environmental improvement activities and advance self-regulation and mandatory compliance with environmental standards. Thus, PPMC procured and engaged the services of Macro Vision Consultancy to provide technical expertise support to facilitate the establishment of PPMC's EMS certifiable to ISO 14001:2015 standards.

PPMC gives focus on meeting stakeholders and applicable statutory and legal requirements and commits to continually improve its Quality Management System (QMS). Thus, PPMC has ventured into QMS certification in order to be globally-competitive since ISO certification is a recognized mark for quality worldwide. Once ISO-certified, investors would be assured of quality service which could give PPMC the edge in enticing and retaining investors. PPMC passed the certification audit and surveillance audit conducted by TUV Nord Philippines Inc. in 2021.

#### 24. NON-CASH EXPENSES

This includes the depreciation expenses taken up on the PPE of PPMC.

Particulars	2021	2020
Depreciation		
Depreciation-Buildings and Other Structures	353,930.14	315,466.80
Depreciation-Machinery and Equipment	303,292.51	246,950.47
Depreciation-Transportation Equipment	516,050.32	74,871.95
Depreciation-Furniture, Fixtures and Books	89,097.64	41,141.84
<b>Total Non-Cash Expenses</b>	<b>1,262,370.61</b>	<b>678,431.06</b>

#### 25. INCOME TAX EXPENSE

For the CY 2021, PPMC cancelled its Certificate of Registration as locator of PPFZ as approved by the PPMC Board of Directors on April 29, 2020, because it became detrimental to PPMC. To effect the said cancellation of Certificate of Registration, PPMC amended its BIR Certificate of Registration (BIR form 2303) on June 17, 2020. PPMC is now paying the normal tax rate of 25% on its income.

#### 26. RETAINED EARNINGS

Correction of Prior Year's Errors charged to Retained Earnings as of December 31, 2021 are shown below:

<b>Date</b>	<b>Reference</b>	<b>Particulars</b>	<b>Amount</b>
1/31/2021	JV 9654, 9647, 9662, 9667, 9672, 9694, 9913, 9922	Prior years' expenses	-114,962.17
2/28/2021	JV 9917, 9930, 10040, 10049	Prior years' expenses	-4,287.92
3/31/2021	JV 10259; 10325	Prior years' adjustments	20,072.26
4/21/2021	JV 10726, 10727, 10728, 10729	PBI of BOD for the CY 2017	-129,430.21
5/10/2021	JV 10874	Payment for Stakeholder's Satisfaction Survey to SLC for CY 2020	-200,569.60
5/31/2021	JV 10938, 10939, 11114	Prior years' expenses	-65,747.29
7/31/2021	JV 11453, 11769, 11778	Prior years' adjustments	63,051.06
8/4/2021	JV 11761	Balance of cost of audit to COA (2018)	-75,481.82
12/31/2021	JV 13342, 13176	Prior years' expenses	-684,352.24
		<b>TOTAL</b>	<b>-</b> <b>1,191,707.93</b>

## 27. DIVIDENDS

For the dividends due for CY 2019 amounting to Php33,139,763.72 which was based on the 50% of Gross Income Earned (GIE), the Department of Finance (DOF) approved the remittance of dividends on a semi-annual basis per letter dated May 4, 2021. For CY 2020, PPMC remitted the dividends due on May 14, 2021 amounting to Php14,876,055.50 which was based on 50% of Net Income.

## 28. RECEIPT OF INTER-AGENCY FUND TRANSFERS

This account pertains to funds received from BCDA for capital expenditure projects such as the CY 2019 Various Capex projects and retention money for the Construction of Main Gate and San Fernando Airport Fence. Upon completion of these construction projects, PPMC will liquidate the advances made by turning over the completed projects to BCDA.

## 29. STATUS OF PENDING LITIGATIONS

CASE	STATUS/UPDATE
<p>1. PPMC vs. Ace Pilots Aviation Academy, Inc. Civil Case No. 9007 Collection of Sum of Money P1,031,258.80</p>	<p>-The Honorable Court issued a Notice of Garnishment on July 11, 2018 and served upon BPI and BDO head offices, Makati on July 17, 2018 and July 19, 2018, respectively. BPI and BDO in their reply dated 19 July 2018, stated that the defendant had no account with their bank. Thus, the Sheriff failed to execute the judgment against the Defendant corporation.</p>
<p>2. BCDA/PPMC vs. Lepanto Consolidated Mining Co. and Shipside Incorporated Re: Expropriation Cases (for eminent domain)</p>	<p>-Defendants filed a petition for Certiorari from the decision of the Court of Appeals to remand the case to the trial court. The case is pending in the Supreme Court. PPMC is waiting for an update from the Office of the Solicitor General (OSG) and Office of the Government Corporate Counsel (OGCC) as the handling and statutory counsel. No feedback yet from OGCC. No latest feedback from OSG and OGCC.</p>
<p>3. Bulk Handler's Inc. (BHI), Moran, Tan, Venturina and Poro Point Industrial Corporation (PPIC) vs. BCDA and PPMC Re: Petition for Injunction brought under the Interim Rules of Procedure Governing Intra-Corporate Controversies (to prevent implementation of PPMC Resolution No. 2006-01-10 declaring the Pre-Incorporation Agreement null and void <i>ab initio</i>.)</p>	<p>-BCDA opted to wait for the final decision of the higher court and did not approve the proposal to enter into a compromise agreement with BHI. The case is pending in the Supreme Court where BCDA elevated the adverse decision of the Court of Appeals. PPMC is waiting for an update from the Office of the Solicitor General (OSG) and Office of the Government Corporate Counsel (OGCC) as the handling and statutory counsel. No feedback yet from OGCC. No latest feedback from the handling lawyers, OGCC and OSG.</p>
<p>4. PPMC vs. Poro Exim Corporation Re: Collection of Sum of Money with damages.</p>	<p>-PPMC filed in court, RTC Branch 26, City of San Fernando, La Union. Summon was served to defendants on 23 November 2018. Mediation failed in Court Annexed Mediation (CAM). Hearing was set for mediation before RTC Branch 26, City of</p>

San Fernando, La Union on July 2, 2019. Judicial Dispute Resolution (JDR) is scheduled on February 5, 2020 after several postponements. PPMC presented its first witness on January 8, 2021. Next hearing was set on January 29, 2021.

Following the compliance of withdrawal of the in-house counsel, PPMC to hire lawyer outside to handle the case.



**PART II**

**OBSERVATIONS AND RECOMMENDATIONS**

## OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL AND COMPLIANCE

#### *Inconsistent Application of the Procurement Law and its IRR*

1. **The Head of the Procuring Entity declared a failure of bidding the procurement of the Contract for the Supply and Delivery of Information Technology Equipment amounting to ₱1,880,715.00 despite compliance by the Bids and Awards Committee of the bidding procedures as prescribed in the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thus resulting in confusion and inconsistent application of the law and its IRR.**
  - 1.1 Under Section 41 (Reservation Clause) of the 2016 Revised IRR of RA No. 9184, otherwise known as the Government Procurement Reform Act, the Head of the Procuring Entity (HoPE) reserves the right to reject any and all bids, declare a failure of bidding, or not award the contract in the following situations:
    - a) If there is prima facie evidence of collusion between appropriate public officers or employees of the Procuring Entity, or between the BAC and any of the bidders, xxx.
    - b) **If the BAC is found to have failed in following the prescribed bidding procedures; or (emphasis ours)**
    - c) For any justifiable and reasonable ground where the award of the contract will not redound to the benefit of the GoP.
  - 1.2 Likewise, Section 23 of the same law prescribes the documents to be required by the BAC for purposes of determining the eligibility of bidders.
  - 1.3 Review and verification of the documents including the related BAC Resolutions in bidding the procurement of Contract for the Supply and Delivery of Information Technology Equipment (IT) Equipment showed that the BAC has completed all the bidding procedures required in every stage of the bidding.
  - 1.4 In fact, on November 12, 2021, finding that the bid-offer of a single bidder as responsive to all the legal, technical and financial requirements, and met the minimum and necessary specifications contained in the bidding documents, a BAC Resolution was passed declaring the said bid as a Single Calculated and Responsive Bid, thus, the same was presented and recommended to the HoPE for the awarding of the Contract.

- 1.5 However, the PPMC Board of Directors passed a resolution declaring a failure of bidding on the ground that Section 36 of RA No. 9184 was not followed. The following are excerpts from PPMC Board Resolution No. 2021-11-146:

*“Resolved, as it is hereby RESOLVED, that as Section 36 of Republic Act 9184 was not followed, the Poro Point Management Corporation (PPMC) Board of Directors hereby declares a failure of bidding for the Contract for the Supply and Delivery of Information Technology Equipment (IT) Equipment without prejudice to the conduct of another public bidding by the Bids and Awards Committee.”*

- 1.6 As the approving authority, the HoPE is given discretionary power to approve or disapprove the recommendations made by the BAC. If the HoPE determines that any of the grounds provided in the Reservation Clause is present in the conduct of the procurement activity, such as “If the BAC is found to have failed in the prescribed bidding procedures”, then the HOPE can exercise its reserved right not to award the contract.
- 1.7 Here, the apparent ground for not approving the awarding of the contract was the failure of the BAC to follow the prescribed bidding procedures by not requiring the prospective bidder to submit a Letter of Intent (LOI) pursuant to Section 36 of the law itself.
- 1.8 Interview with the BAC officials disclosed that they did not require the submission of a LOI because they were just following the associated bidding rules set forth under the revised implementing rules including other procurement guidelines issued by GPPB, such as GPPB Resolutions and the related Non-Policy Opinions of GPPB-TSO.
- 1.9 To recall, the Government Procurement Policy Board (GPPB) thru Resolution No. 27-2012 removed the submission of LOI as a requirement to signify a bidder’s intent to participate in procurement activities by deleting Section 23.4.3 and Section 24.4.3.3 of the Revised IRR of RA No. 9184.
- 1.10 Indeed, Section 36 of the 2016 **Revised** IRR of RA No. 9184 provides that:

*A single calculated/rated and responsive bid shall be considered for award if it falls under the following circumstances:*

- a. *“If after advertisement, only one prospective bidder applies for eligibility check, in accordance with the provisions of this IRR, and it meets the eligibility requirements or criteria, after which it submits a bid which is found to be responsive to the bidding requirements.”*

1.11 To compare, below are the pertinent provisions of Section 36 of RA No. 9184.

*A single calculated/rated and responsive bid shall be considered for award if it falls under the following circumstances:*

*a. If after advertisement, only one prospective bidder submits a **Letter of Intent and/or** applies for eligibility check, and meets the eligibility requirements or criteria, after which it submits a bid, which is found to be responsive to the bidding requirements.”  
(emphasis ours)*

1.12 A reading of the above provision shows that the difference between the law and the IRR is the submission of a Letter of Intent, which in our view, is not mandatory. Since the lawmakers use “and/or”, this means that it allows for the possibility of conveying options in the alternative.

1.13 Relative thereto, it is worthy to mention that in various Non-Policy Matter (NPM) Opinion issued by GPPB-TSO, it stressed that, with the operationalization of the PhilGEPS electronic registry, the submission of LOI is no longer required for procurement activities to simplify the procurement process, prevent collusion and avoid additional and unnecessary process.

1.14 More importantly, the promulgation of the IRR is pursuant to quasi-legislative power granted by law to GPPB, having the mandate to determine policy direction in the area of government procurement through the formulation of procurement rules, regulations and guidelines. Thus, it must be emphasized that rules and regulations issued by administrative bodies or competent authorities to interpret the law which they are entrusted to enforce, have the force of law, and are entitled to great respect. They partake of the nature of a statute and are just as binding as if they have been written in the statute itself. As such, the rules and regulations have the force and effect of law and enjoy the presumption of legality.

1.15 In view thereof, the Audit Team posits that unless and until Section 36.a of the 2016 **Revised** IRR of RA No. 9184 is declared by a competent court as invalid showing it exceeded the bounds of the law, their validity and legality must be upheld, thus, the HopE has no option but to apply the same.

1.16 Accordingly, pursuant to the guidelines in the preparation of the Simplified PBDs for Goods and Infrastructure Projects, all procuring entities are mandated to use the provisions of RA No. 9184 and its 2016 revised IRR, including its Generic Procurement Manuals (GPMs) as the primary source for the bidding and contract implementation requirements of procurement projects and shall therefore apply in the use and implementation of the Simplified PBD.

- 1.17 In sum, to require the submission of LOI as part of the eligibility/technical component of bid is tantamount to imposing additional documentary requirements as prescribed in the and Section 23 of the 2016 Revised IRR of RA No. 9184, hence, the BAC may be considered as not following the prescribed bidding procedures as well.
- 1.18 We recommended that Management should no longer require the submission of Letter of Intent pursuant to Sections 23 and 36 of the 2016 Revised IRR of RA No. 9184 and strictly apply the same until such provision has been declared invalid by a competent authority.**
- 1.19 Management commented that the HoPE cannot be faulted for it merely implemented the clear provision of the law. In addition, as regards the difference between the provisions indicated in the law and its Implementing Rules and Regulations (IRR), it is an overarching principle and time-honored doctrine that the spring cannot rise higher than the source. In case of conflict between the law and its IRR, the law always prevails. Management also commented that all the Bids and Awards Committees of PPMC are required to follow the position of the HoPE, otherwise, it will be constituted as an ultra vires act which shall not be countenanced by the HoPE. In closing, while PPMC is grateful to COA for its recommendations, the HoPE cannot adopt the aforesaid recommendations, otherwise, the HOPE will be in violation of the law.
- 1.20 As a rejoinder, while the Audit Team concurred to the principle and time-honored doctrine that the spring cannot rise higher than the source, it also emphasized its position that rules and regulations issued by GPPB pursuant to its mandate to determine policy direction in the area of government procurement have the force of law and enjoy the presumption of legality.

Nevertheless, the Audit Team proposed that if Management's intent is to follow the law and to require a Letter of Intent, then it must be indicated in the bidding documents for both goods and infrastructure projects of PPMC to be consistent so as not to mislead prospective bidders, provided it is not contrary with the guidelines as prescribed under the Simplified PBD.

***Dormant and Uncollected Accounts Receivables amounting to P2,154,640.69***

- 2. Accounts Receivables amounting to P2,154,640.69 as of December 31, 2021, has been long outstanding and remained uncollected for more than 2 to 10 years, thus rendering the collectability of the account doubtful and depriving the agency of additional funds to finance its activities or settle its obligations.**
- 2.1 COA Circular No. 97-001 dated February 5, 1997, provides that, among others, when the accounts in the trial balance of a fund or funds are non-moving for five consecutive years, the Chief Accountant or other officials

concerned shall conduct a review/analysis and determine their existence and validity; and if the review/analysis of the accounts/funds is not possible due to the absence of records and documents, the agency head concerned should request for write-off and/or adjustment of account balances from COA, supported by a list of available records and extent of validation made on the accounts; and Certification and reasons why the books of accounts/records, financial statement/schedules and supporting vouchers/documents cannot be located.

- 2.2 A review of the schedule of the Accounts Receivables and Notes to Financial Statements disclosed a total balance of P2,154,640.69 as of December 31, 2021. This represents various receivables from vendors/customers, former and present PPMC personnel for personal calls, prior year taxes due and other miscellaneous charges.
- 2.3 Likewise, interview with the Finance Manager disclosed that out of the total balance, the amount of P464,300.35 pertains to the unpaid amortization which is due from the two former members of the Board of Directors who availed a shared car plan sometime in the year 1996 with the PPMC, formerly John Hay Poro Point Development Corporation.
- 2.4 Unfortunately, one of the officers is already dead and the car was allegedly carnapped in 2001. Nevertheless, a demand letter dated February 12, 2008 was sent to the heirs of the deceased director to recover the unpaid balance but no payment was made to date.
- 2.5 On the other hand, review of the available records showed that the PPMC won in a civil case it filed against the other director for the recovery of possession of personal property. Hence, in compliance with the court's order, the former director turned over the subject car. However, the finance manager can no longer confirm and remember if the awarded temperate damages and cost suit were also paid. Thus, the amount still remains in the books.
- 2.6 Further interview with the finance manager revealed that the remaining amount represents various receivables from former and present PPMC personnel for personal calls, personal bills, taxes due and other miscellaneous charges, among others, that have been long outstanding and remained dormant for more than 2 to 5 years.
- 2.7 Accordingly, amounts that remained dormant and outstanding in the books for many years cast doubt on the collectability and existence of the receivables, as well as the accuracy and reliability of the balances.
- 2.8 Consequently, if not given proper remedies, this could be an indication of *inefficiency in the collection policy, thus rendering the collectability of*

account doubtful and depriving PPMC of additional funds to finance its activities.

**2.9 We recommended that Management direct the Finance Officer to:**

- a. Send a demand letter to the concerned employees/officials to enforce collection of the amounts due from them; and**
- b. Take appropriate action and have the accounts written-off pursuant to the existing laws, rules and regulations for the amount with remote or nil recovery.**

2.10 Management commented that PPMC will file for a request for authority to write-off for the said two dormant accounts from COA pursuant to COA Circular No. 2016-005, dated December 19, 2016. The said request will be supported by copies of certified relevant documents validating the existence of the conditions, as applicable, such as: death certificate, proof of exhaustion of all remedies to collect the receivables, among others.

2.11 Management further mentioned that for the other existing accounts receivables, they are currently verifying our records and preparing the supporting documents to the demand letters which will be sent to the concerned employees, various persons and agencies. They are also analyzing other accounts which can be written-off in accordance to the recommendation of the Audit Team.

2.12 Management also commented to take cognizance and comply with the audit recommendations

**B. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS,  
DISALLOWANCES AND CHARGES**

As of December 31, 2021, PPMC had no outstanding suspensions and charges, however, disallowances totaling to ₱1,234,904.05 are under appeal.



**PART III**

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

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the seven prior year's audit recommendations, five were implemented and two were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1. Procurement of infrastructure projects totaling P40,845,124.80 were not supported with complete documentation, contrary to Section 4.6 of Presidential Decree (PD) No. 1445 and Item 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009, precluding the timely review and technical evaluation of the said projects. Also, the validity, propriety, and completeness of the recorded transactions related to said projects in the FS could not be ascertained.</p> <p>We recommended that Management instruct the Project Engineer to coordinate with the BAC to submit all the required documents needed for the review/evaluation as well as for the settlement of the transactions in compliance with Section 4.6 of PD No. 1445 and COA Circular No. 2009-001.</p> <p>We also recommended that Management instruct the Project Engineer for timely technical inspection of infrastructure projects and complete the specific</p>	<p>2020 AAR Page 28</p>	<p>Management has already submitted the required documents to COA.</p> <p>For on-going and future infrastructure projects, Management will likewise submit the said required reports to COA.</p>	<p><b>Implemented</b></p> <p><b>Implemented</b></p>

<p>documentary requirements outlined in the attached checklist of COA Circular No. 2009-001 be submitted to the Audit Team immediately after the completion of infrastructure projects.</p>			
<p>2. The disbursement vouchers and the supporting documents, journal vouchers, and other financial reports were not submitted within the prescribed period, contrary to Sections 7.1.1 and 7.2.1 of the 2009 Rules and Regulations on Settlement of Accounts (RRSA), thereby audit of the accounts and transactions of the PPMC was hindered and the validity, propriety, and completeness of the recorded transactions in the financial statements for that period could not be ascertained.</p> <p>We recommended that Management instruct the Finance Officer to regularly submit all the required reports not later than the 10<sup>th</sup> of the following month after the month of transactions as required under Sections 7.1.1 and 7.2.1 of COA Circular 2009-06 dated September 15, 2009.</p> <p>We also recommended that Management instruct the Finance Officer to immediately submit the lacking disbursement vouchers with supporting documents.</p>	<p>2020 AAR Page 30</p>	<p>Management already submitted the disbursement vouchers and journal vouchers that are due for submission. Management likewise submitted the required reports to COA for the period Jan-May 2021.</p> <p>Management commented that they will comply with the recommendation</p>	<p><b>Implemented</b></p> <p><b>Implemented</b></p>

<p>3. The inaction of the Management to require the contractor to perform its obligations under the construction contract caused delay in the work completion of the project, Baywalk with Events Center, costing P60,156,383.46 contrary to pertinent provisions of 2016 Revised IRR of RA No. 9184, thus, had been incurring liquidated damages of P5,464,892.98 from May 31, 2016 to September 30, 2018. Likewise, several damages were noted during technical inspection.</p> <p>We reiterated the prior year's recommendation that Management:</p> <p>a. Require the contractor for the immediate completion of the project, otherwise, enforce legal action against the latter, terminate the contract and enforce rights against the performance security posted by the contractor;</p> <p>b. Charge the contractor for the liquidated damages incurred for the period covering May 31, 2016 to the actual completion or</p>	<p>2019 AAR Page 27</p>	<p>As a result of the over-all review of the BCDA of the Baywalk Project, the BCDA had already granted the request of Management of the release of retention money to repair/replace the damaged gazebos and other items inside the Poro Point Baywalk which was refused by WERR to replace or repair despite written demands.</p> <p>As a result of the overall review of the Baywalk Project, the BCDA laid down its recommendations in its</p>	<p><b>Not Implemented</b></p> <p><b>Not Implemented</b></p>
---	-----------------------------	---	---

<p>termination; Provide the Audit Team the actual Statement of Work Accomplishment showing that the contractor resumed work after expiry date of the project which serve as basis for the reduction of liquidated damages incurred for the period covering May 31, 2016 to the actual completion or termination;</p> <p>c. Submit the documents under item (c) and proof of actions taken by management.</p>		<p>letter to PPMC dated July 22, 2021 which includes the following: a) For PPMC to revise the Contract Price of the project by using its own figures and denying WERR's proposed amounts; b) For PPMC to terminate the contract with WERR due to the latter's delay in the completion of the project of more than the maximum threshold of delay allowed by RA 9184 and its abandonment of the project; c) For PPMC to deduct liquidated damages from the remaining collectibles of WERR; d) For PPMC to forfeit, after terminating the contract, the remaining collectibles of WERR in lieu of the Performance Security in case the latter is no longer valid; e) For PPMC to use retention money to replace the damaged items in the Baywalk, and: f) For PPMC to recommend to the proper body the blacklisting of WERR from participating in any government procurement for one year.</p> <p>Management committed to submit the other documents after the completion of the joint</p>	<p><b>Implemented</b></p>
--	--	--	---------------------------

		inspection, joint quantification and joint reconciliation of quantities for the projects being spearheaded by BCDA. Management had already submitted to the Audit Team the series of communications among PPMC, BCDA and WERR in resolving the unfinished Baywalk Project	
--	--	---	--