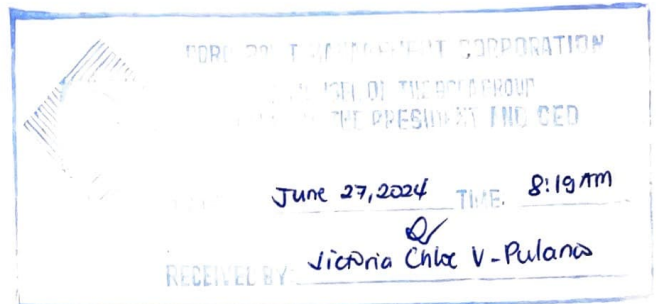




REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
City of San Fernando, La Union

June 3, 2023

ATTY. FELIX S. RACADIO
President and Chief Executive Officer
Poro Point Management Corporation
City of San Fernando, La Union



Dear **President Racadio**:

We are pleased to transmit the Annual Audit Report on the Poro Point Management Corporation (PPMC) for the Calendar Year 2023 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.

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules, and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

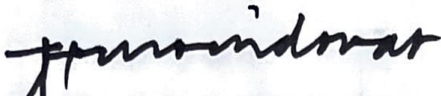
The Auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PPMC in view of the significance of the exceptions noted in audit as stated in the Independent Auditor's Report.

The audit observations together with the recommended courses of action, which were discussed with the concerned management officials and staff during the exit conference held on May 30, 2024, are presented in detail in Part II of the report.

We request that the recommendations contained in the report be immediately implemented and we appreciate being informed of the action taken thereon within 60 days from receipt hereof pursuant to Section 97 of the General Provisions of the General Appropriations Act of Fiscal Year 2023 (Republic Act No. 11936), using the Agency Action Plan and Status of Implementation (AAPSI) Form to be submitted to the Audit Team.

We acknowledge the support and cooperation that you and your staff extended to the Audit Team, thus facilitating the submission of this report.

Very truly yours,



KARLO P. ALMONIDOVAR
Officer-in-Charge

Copy furnished:

President of the Republic of the Philippines
Vice-President of the Republic of the Philippines
President of the Senate
Speaker of the House of Representatives
Chairperson-Senate Finance Committee
Chairperson – Appropriations Committee
Secretary of the Department of Budget and Management
Governance Commission of the Government-Owned and Controlled Corporations
Presidential Management Staff, Office of the President
National Library (soft copy)
University of the Philippines (IP) Law Center (soft copy)
COA Commission Central Library (soft copy)

PORO POINT MANAGEMENT CORPORATION
City of San Fernando, La Union

**AGENCY ACTION PLAN and
STATUS of IMPLEMENTATION**
Audit Observations and Recommendations
For the Calendar Year 2023
As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-Implementation, if applicable	Action Taken/ Action to be Taken
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					From	To			

Agency Sign-off

Name and Position of Accountable Officer

Date

Note: Status of Implementation may either be (a) Fully Implemented, (b) Ongoing, (c) Not Implemented, (d) Partially Implemented, or (e) Delayed



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PORO POINT MANAGEMENT CORPORATION

City of San Fernando, La Union

For the Year Ended December 31, 2023

EXECUTIVE SUMMARY

A. Introduction

The 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). The PPMC's 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.

Comparative Financial Position and Results of Operations

Particulars	2023	2022	Increase /(Decrease)	
			Amount	%
Assets	228,684,326.94	226,283,136.05	2,401,190.89	1.06
Liabilities	115,096,319.36	125,163,190.25	(10,066,870.89)	(8.04)
Equity	113,588,007.58	101,119,945.80	12,468,061.78	12.33
Income	97,177,573.59	82,227,857.19	14,949,716.40	18.18
Expenses	78,755,886.32	72,257,977.43	6,497,908.89	8.99

Budget and Actual Expenditures

Particulars	2023	2022	Increase /(Decrease)	
			Amount	%
Budget	165,310,375.00	126,218,283.00	39,092,092.00	30.97
Actual Expenditures	78,755,886.32	72,257,977.43	6,497,908.89	8.99

C. Scope of Audit

A comprehensive audit was conducted on the accounts and operations of PPMC for the year ended December 31, 2023. 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 of the PPMC with applicable laws, rules, and regulations. It also entailed verification and validation on the implementation of prior years' audit recommendations.

D. Auditor's Opinion on the Financial Statements

The Auditor rendered a qualified opinion on the fairness of the presentation of the Financial Statements (FS) of the PPMC as of December 31, 2023, due to the following exceptions:

1. Overstatement of Investment Property account by ₱96,647,923.90 due to erroneous recording of lands and ongoing construction of infrastructures held in trust.
2. Discrepancies in the reciprocal accounts - Due from BCDA and Due to PPMC, and Due to BCDA and Due from PPMC in the books of the PPMC and BCDA amounting to ₱3,783,785.79 and ₱2,916,430.09, respectively rendering the following balances unreliable:
 - a. Due from BCDA – ₱ 13,191,534.30
 - b. Due to BCDA - ₱64,595,506.14
3. Reclassification of accounts without sufficient and relevant supporting documents resulting in the understatement of Due from Officers and Employees and Retained Earnings accounts by ₱104,468.12.

E. Summary of Significant Observations and Recommendations

In addition to the foregoing observations that materially affected the financial statements, discussed hereunder are the other significant audit observations and recommendations, to wit:

1. The PPMC recognized and recorded as an expense a 20% Development in Progress – Website asset costing ₱52,000.00, and various expenses totaling ₱1,340,504.51 not in accordance with the definitions of accounts as prescribed under the 2019 Revised Chart of Accounts (RCA), thereby affecting the fair presentation of the accounts in the Financial Statements.

We recommended Management direct the Accountant take appropriate adjusting entries and henceforth, properly recognize financial transactions in the books by considering the nature of the transactions that occurred together with the descriptions of the accounts as provided in the 2019 RCA for the proper utilization of the budgeted amounts as allocated and to present fairly the accounts in the Financial Statements.

2. The procurement contract to conduct a Stakeholder Satisfaction Survey for the year 2022, with a contract cost of ₱257,297.60 was awarded to an educational institution, a non-bonafide supplier thereby making the procurement transaction deemed irregular.

We recommended Management direct the PPMC BAC to include in its bid evaluation process the verification of business registrations of prospective suppliers, contractors, and consultants to determine whether the business operations as officially registered are within the Technical Specifications, Scope of Work, or Terms of Reference prepared by the end user.

3. Circumstances that effectively amend the terms of the purchase orders in the procurement of air conditioning units affecting compliance by the supplier were not properly substantiated, thus the accuracy and the propriety of the amount paid to the supplier could not be verified with certainty.

We recommended that Management direct the BAC to submit necessary documents to justify that the supplier indeed intended to deliver the air conditioning units within the terms of the purchase orders sans the weekend installation preference of PPMC Management and that the amount paid to the supplier is proper.

4. The lack of control mechanisms on the payments of reimbursable expenses such as fuel and meal reimbursements claimed by the members of the Board of Directors (BOD) casts uncertainty on the reasonableness, necessity, and propriety of several expenses paid.

We recommended that Management require the concerned member of the BOD to submit justification on the unusual observations noted to enable the Audit Team to render an appropriate audit action and adopt control mechanisms aimed at ascertaining the reasonableness, necessity, and propriety of the amounts claimed by the members of the BOD.

F. Status of Implementation of Prior Years' Audit Recommendations

Of the 19 prior years' audit recommendations, 16 were implemented and 3 were not implemented.

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

As of December 31, 2023, the PPMC had no outstanding suspensions and charges, however, its disallowances totaling ₱1,234,904.05 are under appeal.

TABLE OF CONTENTS

PART I - AUDITED FINANCIAL STATEMENTS

Independent Auditor's Report	1
Statement of Management Responsibility	4
Statement of Financial Position	5
Statement of Comprehensive Income	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9

PART II - OBSERVATIONS AND RECOMMENDATIONS 28

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS 59

PART I

AUDITED FINANCIAL STATEMENTS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. I
CORPORATE GOVERNMENT AUDIT 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

Qualified 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, 2023, and the Statement of Comprehensive Income, Statement of Changes in Equity, and Statement of Cash Flow and Notes to the Financial Statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the effects of the matter described in the Bases of Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the PPMC as at December 31, 2023, and its financial performance and its cash flow for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

The bases for the qualified opinion on the fairness of the presentation of the financial statements of PPMC for the year ended December 31, 2023, were the following:

1. Overstatement of Investment Property account by ₱96,647,923.90 due to erroneous recording of lands and ongoing construction of infrastructures held in trust.
2. Discrepancies in the reciprocal accounts - Due from BCDA and Due to PPMC, and Due to BCDA and Due from PPMC in the books of PPMC and Bases Conversion Development Authority (BCDA) amounting to ₱3,783,785.79 and ₱2,916,430.09, respectively rendering the following balances unreliable:

- a. Due from BCDA – ₱ 13,191,534.30
 - b. Due to BCDA - ₱64,595,506.14
3. Reclassification of accounts without sufficient and relevant supporting documents resulting in the understatement of Due from Officers and Employees and Retained Earnings accounts by ₱104,468.12.

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.

Key Audit Matters

Except for the matters described in the Bases for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

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 the 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.

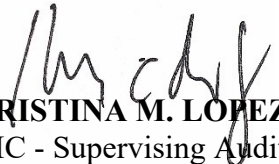
Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

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:



CRISTINA M. LOPEZ
OIC - Supervising Auditor

May 31, 2024



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, 2023, 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 29, 2024
Date Signed


ATTY. FELIX S. RACADIO
President and CEO/
OIC-Chairman of the Board
January 29, 2024
Date Signed

Poro Point Management Corporation
NOTES TO FINANCIAL STATEMENTS
For the year ended December 31, 2023

1. Corporate Information

The Bases Conversion and Development Authority (BCDA) was created under Republic Act (RA) No. 7227 dated March 13, 1993. Its 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 the PPMC as the implementing arm of BCDA over the PPFZ and renaming the JHPDC as the John Hay Management Corporation (JHMC).

The 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).

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

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

- The 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 the PPMC. The PPMC shall record these revenues as Trust Liability and remit the same to BCDA through a designated bank account solely in the name of BCDA. The same shall now be recorded as income of BCDA.
- The 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 ₱60.5 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 of the net income of the zone.
- The 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 the BCDA properties within the zone, as well as maintenance and security services for the properties, however, shall be charged to the BCDA as the owner of the land.
- The PPMC shall formulate an annual work plan and budget to be submitted to the BCDA for approval in accordance with Financial Policy No. 502-2.
- The PPMC shall submit a rolling five-year operating expenditure (OPEX) schedule for the BCDA funding and approval while maintaining the expected Return on Assets (ROA) and Return on Equity (ROE) targets for the BCDA. Yearly submission of the actual OPEX for review and next year's projected OPEX schedule for consideration and approval of the BCDA shall be presented during the planning and budgeting deliberations.

2. Summary of Significant Accounting Policies

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 the Philippine peso, which is the functional and reporting currency of the PPMC.

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

2.2 Use of Estimates and Judgments

Preparing 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 those 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

PAS 2 – Inventories. This standard prescribes accounting treatment of inventories, guidance on determining cost, subsequent recognition as an expense and on the write-down of inventories, and cost formulas used to assign costs to inventories.

PAS 16 – Property, Plant and Equipment. This standard prescribes the accounting treatment for property, plant, and equipment. An item of property,

plant, and equipment that qualifies for recognition as an asset shall be measured at cost. 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 change(s) shall be accounted for as change in an accounting estimate in accordance with PAS 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 the 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

The PPMC has an interest in joint ventures which are jointly controlled entities, whereby the ventures have a binding arrangement that establishes joint control over the economic activities of the entity. The 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 the 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 such that pursuant to 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 a cost of more than ₱50,000.00 are recorded under PPE pursuant to COA Circular No. 2022-004 dated May 31, 2022. The threshold shall be applied on an individual asset or per item basis. Each item within the bulk

acquisition such as library books, small equipment, computer peripherals, work animals, and the like, costing below ₱50,000.00 is to be recognized as semi-expendable property.

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

2.7 Revenue Recognition

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

2.8 Collections received in trust

The PPMC shall remit to the 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-xxxx-54 at the City of San Fernando, La Union. The results of these activities are being reported to BCDA on a monthly basis. -

3. Cash and Cash Equivalents

This account consists of the following:

Particulars	2023	2022
Cash Collecting Officer	7,900.00	-
Cash in Bank-Local Currency, CA	8,560,466.76	24,414,311.69
Total Cash & Cash Equivalents	8,568,366.76	24,414,311.69

Cash in Bank – Local Currency, CA is composed of the following:

Cash in Bank-Local Currency, OPEX Current Account

PPMC maintains a current account at the LBP for its OPEX.

Cash in Bank-Local Currency, Capital Expenditure (CAPEX) Account

On 19 October 2018, PPMC opened a current account at the LBP for its CAPEX 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.

4. Investments

This is composed of Investment in Time Deposits.

Investments in Time Deposits represents authorized placements of time deposit at the LBP for 180 days, comparative details are shown below:

Particulars	2023	2022
Investments in Time Deposits		
Investment in Time Deposits-Local Currency	80,773,689.53	60,194,133.33

5. Receivables

The account is composed of the following:

Particulars	2023	2022
Loans and Receivables Account		
Accounts Receivable	290,096.55	2,109,883.23
Interest Receivable	171,478.00	124,421.27
Inter-Agency Receivables		
Due from National Government Agencies	605,912.61	-
Due from Government Corporations	77,058.82	-
Intra-Agency Receivables		
Due from Parent Corporation	13,191,534.30	3,986,284.17
Other Receivables		
Due from Officers and Employees	1,227,900.21	296,294.64
Other Receivables	1,239,817.20	-
Total Receivables	16,803,797.69	6,516,883.31

Loans and Receivable Account

The accounts receivable pertains to various receivables from customers for regulatory fees.

Interest receivable pertains to accrued interests on investments of time deposit accounts.

Intra-Agency Receivables

The Due from BCDA pertains to reimbursement of land-related costs such as insurance coverage, maintenance, and security services for BCDA properties.

Other Receivables

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

The Other Receivables account consists of ₱1,197,678.19 held in trust by PPMC for BCDA and ₱42,139.01 receivables for PPMC Provident Fund. Out of the ₱1,197,678.19 receivables, the ₱187,953.69 refers to collectibles from airport users and the amount of ₱1,009,724.50 represents long outstanding airport fees due from Ace Pilots Aviation Academy which was subjected to a legal move to pursue collection in Court.

6. Inventories

This account consists of the following:

Particulars	2023	2022
Office Supplies Inventory	539,442.65	766,176.50
Construction Materials Inventory	167,651.46	-
Other Supplies and Materials Inventory	137,152.36	-
Total Inventories	844,246.47	766,176.50

7. Other Current Assets

This account is composed of the following:

Particulars	2023	2022
Prepayments		
Advances to Contractors	1,774,090.36	1,668,343.40
Prepaid Insurance	117,768.04	-
Other Prepayments	200,226.59	-
Deposits		
Guaranty deposits	168,884.00	168,884.00
Withholding Tax at Source		
Withholding Tax at Source	72,278.90	50,195.06
Total Other Assets	2,333,247.89	1,887,422.46

The Advances to Contractors account pertains to the balance of mobilization fees of Contractors for the following projects: Construction of Baywalk with Events Center, Construction of the San Fernando Airport Additional Drainage System, Construction of the San Fernando Airport Runway Slope Protection and Construction of Poro Point Baywalk Structure. Also included is the balance of the mobilization fee for the PPMC website project.

Prepaid insurance includes prepayments for PPMC's building insurance premiums for CY 2024.

The balance of the Other Prepayments account is subject to reversal adjustment in January 2024.

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

Withholding tax at source pertains to tax withheld by customers for services rendered by PPMC to be applied to the income tax due.

8. Investments and Equity in Joint Venture

This account includes:

Particulars	2023	2022
Investments in Joint Ventures	15,000,000.00	15,000,000.00
Other Investments		
Investment in Stocks	15,000.00	15,000.00
Total Investments	15,015,000.00	15,015,000.00

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

Other Investments

The Investment in Stocks represents the subscription of shares of stock with PLDT.

9. Investment Property

This account consists of:

Particulars	2023	2022
Investment Property-Land	16,416,169.40	21,441,469.65
Investment Property-Building	-	20,013,190.52
Construction in Progress	80,231,754.50	65,749,463.66
Total Investment Property	96,647,923.90	107,204,123.83

Investment Property-Land refers to the validated land held in trust within the PPFZ on behalf of the BCDA. Acquisition cost was valued at ₱1,250.00/₱2,300.00 per square meter plus documentary stamp taxes & other similar incidental charges.

There are 58 original land titles already forwarded to the BCDA out of the 73 land titles covering 5.43 hectares, more or less. Titles of the remaining lots are still subject to reconstitution due to 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 TCTs 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 to safeguard PPMC’s rights to the properties.

The PPMC turned over to the BCDA the completed project: Construction of 2019 various the PPMC Infrastructure Projects amounting to ₱20,013,190.52 and was recorded by the PPMC in accordance with the BCDA Accounting Instruction dated March 13, 2023.

Construction in progress held in trust amounting to ₱80,231,754.50 constitutes CAPEX projects such as the construction of a Baywalk with events center, construction of drainage system and slope protection at the San Fernando Airport, 2021 various repair and maintenance projects, construction of Poro Point Baywalk structure, covered parking and extension of fire station roofing and access road and

parking at the San Fernando Airport are funded by the BCDA. After completion, these projects and relevant documents will be turned over to the BCDA, and the corresponding advances granted to the PPMC will be liquidated.

10. Property, Plant and Equipment

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

Particulars	2023	2022
Land Improvements	276,082.12	276,082.12
Buildings & Other Structures	12,055,679.41	12,055,679.41
Infrastructure Assets	516,605.02	516,605.02
Machinery and Equipment	6,313,607.24	6,262,107.24
Transportation Equipment	8,681,939.06	8,681,939.06
Furniture, Fixtures and Books	901,045.01	901,045.01
Total	28,744,957.86	28,693,457.86
Less: Accumulated Depreciation	21,046,903.16	19,662,638.32
Total	7,698,054.70	9,030,819.54

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

11. Other Non-current Assets

The ₱1,254,265.39 balance in 2023 was reclassified to Other Receivables pursuant to COA AOM No. 2023-006 dated April 5, 2023.

12. Financial Liabilities

This account represents the outstanding payables on purchases from local suppliers and contractors and payables to the PPMC personnel.

Particulars	2023	2022
Accounts Payable	25,070,240.72	12,272,622.72
Due to Officers and Employees	321,774.01	-
Total	25,392,014.73	12,272,622.72

Part of the accounts payable is the accrual of a percentage of completion of CAPEX projects such as the construction of the Poro Point Baywalk Structure, covered parking, and extension of fire station roofing, access road and parking and slope protection at the San Fernando Airport as of December 31, 2023, totaling to ₱14,487,582.84.

13. Inter-Agency Payables

This account is composed of the following:

Particulars	2023	2022
Due to BIR	739,199.91	1,248,841.21
Due to Pag-ibig	5,250.00	2,276.70
Due to Philhealth	2,336.25	1,185.95
Due to SSS	7,989.50	2,317.50
Due to Parent Corporation - BCDA	64,595,506.14	81,541,285.70
Income Tax Payable	414,902.93	-
Total Inter-Agency Payables	65,765,184.73	82,795,907.06

Due to Parent Corporation pertains to funds released by the BCDA for CAPEX projects such as the construction of a baywalk with an events center, drainage system, and slope protection at the San Fernando Airport, the construction of 2019 various infrastructure projects per accounting instructions issued by BCDA. PPMC will liquidate these advances by turning over the completed projects to BCDA.

Also included in this account are the earned revenues within the PPFZ held in trust by the PPMC for the BCDA. These collections are to be remitted to the BCDA through its designated bank account. Part of this account is the outstanding airport fees due from Ace Pilots Aviation Academy amounting to ₱1,009,724.50 which was the subject of a legal move to pursue collections in courts, and the other receivable from airport clients of ₱187,953.69.

14. Intra-Agency Payables

This account pertains to the Due to Other Funds account which represents employee and employer contributions to the PPMC Provident Fund covering the period August 15-December 31, 2023. The said Provident Fund was approved by the Office of the President on August 15, 2023.

15. Trust Liabilities

This account consists of trust liabilities, customer deposits, and guaranty/security deposit payables. Trust liabilities refer to bid fees collected from bidders. The customer's deposit represents the receipt of cleanliness bonds from users of the Baywalk area. Guaranty/Security Deposits payable represents the security deposit for the reservation fee of Baywalk lots, warranties posted by Contractors, and retention payable which shall be due for release to the Contractor upon final acceptance of its works by the PPMC. Balances appearing are broken down as follows:

Particulars	2023	2022
Trust Liabilities	1,609,368.56	1,780,405.02
Customer's Deposit Payable	-	47,000.00
Guaranty/ Security Deposits Payable	7,012,789.10	32,000.00
Total Trust Liabilities	8,622,157.66	1,864,405.02

16. Other Payables

This account is composed of:

Particulars	2023	2022
Unearned Revenue	14,000.00	-
Other Payables	65,761.34	9,793,145.69
Total Other Payables	79,761.34	9,793,145.69

The decrease in the balance of the Other Payables account was due to the reclassification as recommended under COA AOM 2023-008 dated April 5, 2023.

17. Inter-Agency Payables

This account pertains to the Due to Parent Corporation (BCDA) account which represents funds released by the BCDA to the PPMC purposely for the acquisition of private lots within the Wallace Area.

18. Stockholders' Equity

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

Particulars	2023	2022
Share Capital	68,143,720.23	68,143,720.23
Other Equity Instruments	15,000,000.00	15,000,000.00
Total Stockholders' Equity	83,143,720.23	83,143,720.23

Share Capital

PPMC was authorized to issue 800,000 shares at ₱100.00 cost per share. BCDA has approved an increase of authorized capital stock from ₱80 million to ₱300 million per letter dated May 4, 2012.

On October 15, 2014, PPMC wrote a letter to the Governance Commission for Government-Owned and Controlled Corporations (GCG), requesting for the latter's endorsement/clearance/recommendation for the amendment of the Articles of Incorporation of the PPMC prior to submission to SEC for approval. On October 27, 2014, the GCG directed the PPMC to submit documents to be used in the evaluation process of the latter's request. On November 2, 2016, the PPMC submitted additional documents required by the GCG in the evaluation process. Finally, on November 23, 2016, the GCG approved the request for an increase in capitalization of PPMC. The PPMC is now reviewing the increase in capitalization in coordination with the BCDA. The latter has not yet given its final approval on the matter, it being the 99% owner of the totality of the stocks of the PPMC.

19. Retained Earnings

This account represents the cumulative results of normal and continuous operations of PPMC including prior period effects of changes in accounting policy and errors and other capital adjustments.

Prior period adjustments taken up as of December 31, 2023, include the following:

Particulars	Amount
Prior year's expenses	(236,667.59)
Reversal/adjustments of accrued accounts payable	1,751,661.05
Application of 5% residual value of PPE items of prior years	154,100.05
Prior year's depreciation expense of assets whose residual values do not exceed its carrying amount	(113,723.14)
Inventory adjustments due to effect of costing	63,526.50
Forfeited customer's deposits of prior years	68,000.00
Prior year's adjustments Due from BCDA account	338,546.78
Pilotage share-Nov. to Dec. 2022	60,687.21
Receipt of funds from BCDA to cover the job grade adjustments of VP Caringal from Oct. 5, 2021 to Dec 31, 2022	333,275.00
Release of salary adjustments to VP Caringal	(333,275.34)
Collection of prior years' electricity charges from the Tri Ferry System contractor: Blackprime Construction, Inc.	18,565.41
Loyalty incentive of employees	(35,000.00)
Salary adjustment of VP Corpuz	1,928.70
Adjustment of various accounts	219,208.26
Net effect	2,290,832.89

20. Service and Business Income

The income of the PPMC is derived from the following sources:

Particulars	2023	2022
Service and Business Income		
Service Income		
Permit Fees	10,516,384.56	3,502,135.16
Business Income		
Management Fees	85,762,008.14	77,599,733.00
Interest Income	668,470.40	539,594.03
Other Business Income	190,000.00	-
Miscellaneous Income		
Miscellaneous Income	40,710.49	586,395.00
Total Revenues	97,177,573.59	82,227,857.19

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.

Management Fees

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

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

As of December 31, 2023, BCDA/PPMC earned a total zone revenue of ₱113,258,459.46 net of ₱53,822,312.00 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 of the revenues generated. The total percentage share in net winnings of 4% as of December 31, 2023, is ₱40,922,135.78. This amount represents variable income for BCDA/PPMC on top of the monthly fixed lease rentals of ₱1,797,646.25.

All collections accruing to the BCDA are deposited to its sole bank account.

Interest Income

These are interests earned on investments and bank deposits.

Other Business Income

This income account includes revenue generated from bay walk fees, forfeited bonds related to bay walk cleanliness, and income earned from renting concrete poles.

Miscellaneous Income

This account comprises liquidated damages collected from contractors and suppliers due to delayed completion of works and delivery of goods.

21. Personnel Services

These include the following expenses of PPMC as presented:

Particulars	2023	2022
Salaries and Wages		
Salaries and Wages-Regular	37,648,292.11	36,475,713.89
Other Compensation		
Personnel Economic Relief Allowance	1,407,216.19	1,370,954.53
Representation Allowance (RA)	802,500.00	810,000.00
Transportation Allowance (TA)	802,500.00	810,000.00
Clothing/Uniform Allowance	354,000.00	342,000.00
Overtime and Night Pay	1,211,831.87	1,133,231.85
Year-End Bonus	3,195,530.00	3,007,525.19
Cash Gift	295,000.00	284,999.81
Mid-Year Bonus	3,025,862.00	2,997,419.00
Directors' and Committee Members' Fees	2,018,000.00	1,865,000.00
Other Bonuses and Allowances	1,758,000.00	1,428,000.00
Personnel Benefit Contributions		
Retirement and Life Insurance Premiums	1,904,607.50	1,403,860.00
Pag-ibig Contributions	68,300.00	68,100.00
Philhealth Contributions	641,897.01	603,834.02
Employee Compensation Insurance Premiums	20,450.00	19,830.00
Provident/Welfare Contribution	1,400,359.23	0.00
Other Personnel Benefit Contributions		
Terminal Leave Benefits	2,485,945.60	2,875,566.80
Total Personnel Services	59,040,291.51	55,496,035.09

On August 15, 2023, the Office of the President approved the establishment of the PPMC's Provident Fund, which is defined as a savings scheme consisting of contributions from both the employees and PPMC which serves as a loan facility and provider of supplementary welfare benefits of its members. Total Provident Fund contributions (employer share) as of December 31, 2023, is ₱1,400,359.23

22. Maintenance and Other Operating Expenses

PPMC incurred the following operating expenses:

Particulars	2023	2022
Travelling Expenses		
Travelling Expenses-Local	2,893,078.54	2,287,899.21
Training and Scholarship Expenses		
Training Expenses	615,224.27	173,924.93
Supplies and Materials Expenses	2,649,782.80	2,505,406.20
Electricity Expense	717,215.57	840,356.86
Communication Expenses	869,544.75	822,612.29
Extraordinary and Miscellaneous Expenses	229,413.24	142,103.04

Particulars	2023	2022
Auditing Services	1,163,037.77	1,095,151.15
Other Professional Services	46,455.09	-
General Services		
Janitorial Services	607,237.94	504,190.13
Security Services	1,356,082.91	1,199,778.02
Repair and Maintenance		
Buildings & Other Structures	204,789.00	371,165.01
Transportation Equipment	165,222.60	130,050.24
Furniture and Fixtures	53,137.12	88,412.44
Taxes, Insurance Premiums, and Other Fees		
Taxes, Duties and Licenses	107,016.00	72,761.81
Insurance Expenses	213,312.79	354,906.73
Other Maintenance and Operating Expenses		
Advertising, Promotional, and Marketing	918,628.44	636,902.58
Representation Expenses	1,299,550.28	1,534,111.80
Subscription Expenses	21,959.00	20,631.00
Other Maintenance and Operating Expenses	4,160,264.95	2,405,966.46
Total MOOE	18,290,953.06	15,186,329.90

The Other Maintenance and Other Operating Expenses account consists of:

Particulars	2023	2022
SP-Trade Mission	1,197,547.09	-
SP-Year-End Activities	981,200.00	1,075,110.03
SP-Anniversary Activities	568,699.33	-
SP-Corporate Social Responsibility	553,115.83	338,288.90
SP-ISO Certification	109,585.10	65,897.62
SP-Annual Report	96,000.00	-
SP-Environmental Management System	74,825.25	1,065.00
SP-Stakeholder Satisfaction Survey	-	257,649.60
SP-Automation of Permit System	-	11,111.11
SP-Website Design and Development	-	260,000.00
SP-Competency-Based HR System	-	2,049.00
BOD-Meals	579,292.35	394,795.20
Total Other MOOE	4,160,264.95	2,405,966.46

The special projects (SP) include community development or 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 in communities. PPMC HELPS was institutionalized as a PPMC vehicle to implement the Corporate Social Responsibility Program. HELPS stands for the various components of the program – health, education/environment, livelihood program, and strengthening linkages.

In addition, the SP also includes Trade Mission, ISO Certification, Environmental Management System (EMS), Annual Report, Year-end, and Anniversary Activities.

The Business Missions provided an opportunity for the PPMC to promote the various business and investment opportunities in the PPFZ as well as to strengthen its government and industry connections and further encourage business-to-business engagements and partnerships with Australian and Japanese companies, respectively. The Business Mission includes business fora, business-to-business Meetings, company visits, and benchmarking activities.

Thus, on June 25, 2023 to July 1, 2023, the PPMC participated in the Philippine Business Mission held in Australia together with the Bases Conversion and Development Authority (BCDA), Subic-Clark Alliance for Development (SCAD), Clark International Airport Corporation (CIAC) and the Philippine Economic Zone Authority (PEZA) which was jointly organized by the SCAD, BCDA and the Philippine Trade and Investment Center (PTIC)-Australia.

Likewise, on November 13 to 18, 2023, the PPMC also participated in the Philippine Business Mission/Investment Roadshow held in Osaka, Japan together with the BCDA, SCAD, Subic Bay Metropolitan Authority (SBMA), and Authority Freeport Area of Bataan (AFAB). The Business Mission was organized by the DTI Philippine Trade and Investment Center (PTIC) Osaka.

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

PPMC focuses on meeting stakeholders and applicable statutory and legal requirements and commits to continually improving its Quality Management System (QMS). Thus, PPMC has ventured into QMS certification 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 an edge in enticing and retaining investors. The PPMC passed the re-certification audit conducted by TUV Nord Philippines, Inc. in December 2023.

23. Non-Cash Expenses

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

Particulars	2023	2022
Depreciation		
Building and Other Structures	469,320.12	469,320.09
Machinery and Equipment	418,337.16	466,389.87

Particulars	2023	2022
Transportation Equipment	526,893.07	554,228.88
Furniture, Fixtures and Books	10,091.40	65,196.70
Amortization		
Amortization Expense-Computer Software	-	20,476.90
Total Non-Cash Expenses	1,424,641.75	1,575,612.44

24. Dividends

The ₱3,806,154.16 decrease represents the dividend for CY 2022 which was 50% of PPMC 2022 Net Income. The amount was remitted to the Bureau of the Treasury in May 2023.

25. Status of Pending Litigations

Case	Status/Update
1. PPMC vs. Ace Pilots Aviation Academy, Inc. Civil Case No. 9007 Collection of Sum of Money PhP1,031,258.80	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. Defendant ceased operations. Recommend to consider the account as “bad debt” pursuant to the provisions of NIRC.
2. BCDA/PPMC vs. Lepanto Consolidated Mining Co. and Shipside Incorporated Re: Expropriation Cases (for eminent domain)	Lepanto, Inc., et. al. filed a Petition for Certiorari to the Supreme Court from the Decision of the CA Order to remand the case to the trial court. The case is pending before the SC. The Office of the Solicitor General and the Office of the Government Corporate Counsel are the statutory counsel. PPMC shall follow up updates with the BCDA.
3. Bulk Handler’s Inc. (BHI), Moran, Tan, Venturina and Poro Point Industrial Corporation (PPIC) vs. BCDA and PPMC. Declaratory Relief	22 May 2006 BHI et al. filed for Declaratory Relief against BCDA & PPMC in RTC Br. 29, SFLU docketed as CC No. 7188 17 December 2009 The RTC rendered judgment in favor of BHI et al.,

Case	Status/Update
<p>pursuant to the Interim Rules of Procedure Governing Intra-Corporate Controversies</p>	<p>declaring among others that the PIA is valid and effective.</p> <p>May 2012 BCDA & PPMC filed a Petition for Review with the CA assailing the Order dismissing the Notice of Appeal & Motion for Reconsideration filed by BCDA & PPMC respectively.</p> <p>11 July 2012 The CA dismissed the consolidated Petition for Review on the ground that the same is time-barred</p> <p>12 March 2015 The BCDA and PPMC filed a Petition for Review on Certiorari with the Supreme Court</p> <p>08 November 2018 The BCDA filed a Motion for Early Resolution of the case.</p> <p>March 2023 The BCDA and PPMC filed their Memorandum pursuant to the SC Resolution directing the Parties' respective Memoranda</p>
<p>4. PPMC vs. Poro Exim Corporation Re: Collection of Sum of Money with damages. Civil Case No. 10225 RTC Branch 29, City of San Fernando, La Union</p>	<p>Following the compliance of withdrawal of the in-house counsel, the PPMC hired a lawyer outside to handle the case with the conformity of the BCDA, OGCC and COA. Plaintiff rested its case. Defendants' turn to present evidence.</p>

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Overstatement of Investment Property (IP) - ₱96,647,923.90

1. The **₱96,647,923.90 Investment Property (IP) of PPMC in its Statement of Financial Position (SFPo) as of December 31, 2023, consists of lands costing ₱16,416,169.40 located within the Poro Point Freeport Zone (PPFZ) and ongoing construction of properties totaling ₱80,231,754.50, both held in trust by PPMC on behalf of BCDA. The nature of the mentioned properties does not fall within the definition of Investment Property as prescribed under the 2019 Revised Chart of Accounts (RCA) thereby affecting the fair presentation of the account in the SFPo.**

- 1.1 PAS 1 - Presentation of Financial Statements sets out the overall requirements for financial statements. The Standard requires that the financial statements must "present fairly" the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework.
- 1.2 Likewise, the 2019 RCA provides the list of accounts including descriptions to facilitate the proper recognition of financial transactions in the books of accounts and preclude misuse of accounts.
- 1.3 Investment properties in the 2019 RCA are defined as,

Investment Property - Land

This account is debited to recognize the cost of land or part of a land held by the owner or by the lessee under a finance lease to earn rentals on a commercial basis or for capital appreciation or both. This account is credited upon sale, losses, reclassification/transfer to other property plant and equipment or inventory account other disposals, and or adjustments.

Construction in Progress (CIP) – Investment Property

This account is debited to recognize the accumulated cost or other appropriate value of Investment Property, Buildings which are still in the process of construction or development. This account is credited upon the reclassification to the appropriate investment property account upon completion and/or adjustments.

- 1.4 A review of the financial statements of the PPMC as of December 31, 2023, disclosed that the Investment Property of ₱96,647,923.90 consists of the following:

	₱
Investment Property-Land	16,416,169.40
Construction in Progress	80,231,754.50
Total	<u>96,647,923.90</u>

Investment Property - Land refers to the validated land held in trust within the Poro Point Freeport Zone on behalf of BCDA.

Construction in Progress held in trust of ₱80,231,754.50 constitutes capital expenditure projects for the construction of a bay walk with an events center, construction of drainage system and slope protection at the San Fernando Airport, 2021 various repair and maintenance projects, construction of Poro Point bay walk structure, covered parking and extension of fire station roofing and access road and parking at the San Fernando Airport 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 will be liquidated.

- 1.5 Correlating the nature of the properties constituting the IP with the account definition as prescribed in the 2019 RCA, it could be concluded that the properties recorded as IP do not meet the definition of IP. To emphasize, the purpose of holding IP – Lands is to earn rentals on a commercial basis, for capital appreciation, or both, while CIP – IP is IPs that are still in the process of construction or development which will be credited upon reclassification to the appropriate IP account. IP does not pertain to assets held in trust for the benefit of legitimate owners.
- 1.6 The PPMC recorded these properties as IP according to an accounting instruction from the BCDA. Nevertheless, these properties may be considered IPs for the BCDA, as they earn lease rentals from the PPFZ, but PPMC operates differently. PPMC neither earns lease rentals from these assets nor holds them for appreciation. Rather, PPMC serves as the estate manager of the PPFZ and earns estate management fees from BCDA.
- 1.7 To elaborate, the recorded IP – Lands are currently undergoing title reconstitution processes managed by PPMC. These IP – Lands will be credited once the titles are duly reconstituted, and the asset recording will then be transferred to BCDA. While in the CIP – IP, these projects together with relevant documents will be turned over to BCDA upon completion. Funds transferred by BCDA to PPMC purposely for the purchase of lands and corresponding title reconstitution and the completion of the projects will be liquidated. Essentially, PPMC is merely holding these properties in a fiduciary capacity and does not have IPs, as PPMC is operating as the estate manager of the PPFZ.
- 1.8 The 2019 RCA does not provide for an account specifically for assets held in trust. As such, the Other Assets account could be used with proper disclosure to

the Notes to Financial Statements. This account is debited to recognize assets not falling under any of the specific asset accounts. This account is credited for disposal, reclassification to specific asset accounts, and/or adjustments.

- 1.9 **We recommended that Management direct the Accounting Division to reclassify the ₱96,647,923.90 IP to the Other Assets account to fairly present the SFPO of the PPMC.**
- 1.10 Management acknowledged the observation and already reclassified the IP – Land and CIP – IP accounts to Other Assets account amounting to ₱96,647,923.90 under JV00027180 dated April 30, 2024.

Unreliability of Due from BCDA and Due to BCDA accounts

2. The year-end balances of reciprocal accounts Due from BCDA and Due to PPMC, and Due to BCDA - current and Due from PPMC in the books of PPMC and BCDA, show discrepancies of ₱3,783,785.79 and ₱2,916,430.09, respectively, that cannot be verified with the supporting schedules of the accounts. These are not in conformity with PAS 1 – Presentation of Financial Statements, thereby affecting the fair presentation of the accounts in the Statement of Financial Position of the PPMC.

2.1 The PPMC is a subsidiary of the Bases Conversion Development Authority (BCDA) which operates as the estate manager for the Poro Point Freeport Zone (PPFZ), a property owned by the BCDA. Capital investments for PPFZ are funded by BCDA and transferred to the PPMC for implementation on behalf of BCDA. All funds received from the BCDA are recorded as Due to BCDA in the books of the PPMC, while the transfer of funds is recorded as Due from PPMC in the books of the BCDA. Similarly, reimbursement of expenses for BCDA land and property-related costs, such as insurance coverage, maintenance, and security services is recorded as Due from BCDA in the books of PPMC. Conversely, outstanding reimbursement claims of PPMC are recorded as Due to PPMC in the books of BCDA. Additionally, as an estate manager, PPMC also collects revenues on account of BCDA and records the same as Due to BCDA. As it stands, these accounts are reciprocal, suggesting that the balances should be equal. However, account confirmation with the BCDA, revealed the following information:

Transactions	PPMC Books	BCDA Books	Difference
Capital Investment	Due to BCDA – current	Due from PPMC	
	64,595,506.14	67,511,936.23	2,916,430.09
Reimbursements	Due from BCDA	Due to PPMC	
	13,191,534.30	16,975,320.09	3,783,785.79

2.2 As can be observed from the table, discrepancies exist between the recorded balances of the PPMC and the BCDA, contradicting the nature of reciprocal accounts and the principle outlined in IAS 1. The standard emphasizes the

importance of accurately portraying an entity's financial standing by providing dependable information. Reliability, in this context, implies the consistency of information. Hence, the account balances in the financial statements should correspond with the records of the other party involved in the transactions, ensuring the reliability of the financial statements through consistent information.

- 2.3 Discrepancies could be reasonable if verifiable with other records. However, verification of the discrepancies could not be possible due to the absence of a detailed schedule of the reciprocal accounts specifically identifying the particular capital investments, claims of reimbursement, and revenue collections comprising the year-end balances. It bears pointing out that the schedule maintained by the PPMC does not specifically present the composition of the year-end balances, rather, it only shows the transactions that have transpired affecting the accounts. Consequently, the reliability of the year-end balances of PPMC reciprocal accounts with the BCDA could not be verified with certainty thereby affecting the fair presentation of the accounts in the Financial Statements.
- 2.4 PAS 1 - Presentation of Financial Statements sets out the overall requirements for financial statements as discussed in the previous finding. Additionally the Standard provides that a fair presentation also requires an entity to present information, including accounting policies, in a manner that provides relevant, reliable, comparable, and understandable information.
- 2.5 **We recommended that Management direct the Accounting Division to:**
 - a. **Specifically identify the capital investments, reimbursements, and revenue collected that comprise the year-end balances of the Due from BCDA and Due to BCDA accounts;**
 - b. **Reconcile the balances with the BCDA, and**
 - c. **Take up the appropriate adjusting entries to present fairly the account balances in the Financial Statements.**
- 2.6 Management agreed with the observation and to comply with the recommendations.

Unsubstantiated Reclassification of Long Outstanding Due from Officers and Employees

3. **The reclassification of ₱104,468.12 long outstanding due from officers and employees, ranging from one year to 16 years, as government expenditures was solely based on certifications, which does not adhere to Section 4 of the Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012. These adjustments was made without complete, sufficient, and relevant**

basis, thereby understating both the Due from Officers and Employees and the Retained Earnings accounts by the same amount.

3.1 Section 4 of PD No. 1445 provides the fundamental principles governing the financial transactions and operations of any government agency. Among these principles are:

- Government funds or property shall be spent or used solely for public purpose.
- Claims against government funds shall be supported with complete documentation.

3.2 While COA Circular No. 2012-001 lists the general requirements for all types of disbursement which include, among others:

Sufficient and relevant documents to establish validity of claim.

3.3 A review of the adjustments made by the PPMC for CY 2023 revealed that receivables from employees duly recorded in the books as Due from Officers and Employees amounting to ₱104,468.12 were credited and debited to the Retained Earnings account. With this adjustment, the expenses previously considered personal to officers and employees effectively became government expenditures. As such, the fundamental principles governing financial transactions, as well as the general requirements for all types of disbursement, particularly on the completeness, sufficiency, and relevancy of supporting documents in establishing claims against government funds shall be applicable.

3.4 Post-audit of the adjustments disclosed that the reclassifications were supported solely by a certification generally stating therein that said amounts were incurred for official purposes. Details of these reversed receivables from employees are shown below:

Reference/ Date	Employee	Particulars	Period Incurred	Amount
JV00024134 11/30/2023	FSR	Meals for official meetings	2016	1,885.52
	MPP	Net of mobile data charges	2012-2014	4,186.83
	EMM	Globe excess usage	2011	4,556.44
JV00024134 11/30/2023	JCB	Personal calls	2009-2010	24,340.17
	RPC	Mobile charges	2011-2014	2,312.51
JV00024582 12/31/2023	JGC	Meeting Sillag 2016	2016	5,962.50
	JGC	Meals on meetings	2014	6,974.00
	JGC	Mobile data charges	2011-2018	10,172.57
	EMM	Mobile data charges	2011-2014	8,390.90
	MVRDGS	Mobile data charges	2007-2018	10,218.85
JV00024574 12/31/2023	CAC	Mobile data charges	2022	467.83
	MVRDGS	Compromise fee	2014	25,000.00
	TOTAL			104,468.12

3.5 Though JV00024134 was reverted to Due from Officers and Employees on January 31, 2024, the amount of ₱1,885.52 incurred for meals in 2016 was not included in the reversion.

- 3.6 Moreover, as can be gleaned from the table, most of the reclassified transactions were mobile excess usages (MEUs) which are long outstanding receivables ranging from one year to 16 years. It bears emphasizing that the PPMC officers who had incurred MEUs are those entitled to reimburse communication expenses subject to amount limitations. The PPMC officers, instead of claiming reimbursements for communication expenses, opted to avail themselves of postpaid plans. The amount of their postpaid plans exactly corresponds to the amount limitations that they are allowed to reimburse. MEUs are determined to be over the allowed amount.
- 3.7 Reimbursement of expenses that could be validly charged against government funds are only those within the amount limitations since such amounts are expressly allowed by existing regulations. However, expenses incurred beyond the amount limitations have no basis, absent of any proof that such excess usages were incurred due to a specific official purpose. As such, MEUs are viewed to be accounted as personal accountability of public officers.
- 3.8 The certifications used as the sole basis for these reclassifications were observed to be insufficient in establishing the official purposes of MEUs due to their unverifiability. Specific details regarding the purported official transactions were not provided in the certifications. Instead, only general statements certifying that the amounts were incurred for official transactions appeared in all the certifications. Details of such-official purposes of calls and the parties called were not included. Additionally, official meetings or activities where mobile data usage was necessary were not identified. Without these specific details, MEUs have no basis to be considered as government expenditures.
- 3.9 Similarly, if these MEUs are deemed official transactions, their official status should have been determined when these MEUs have just occurred. During that time, the circumstances surrounding their occurrence could have been definitively identified, unlike certifying them as official transactions after 16 years.
- 3.10 Concerning the expenses incurred for meals, the certifications do not suffice. Attendance sheets, official meetings undertaken and the authority to incur expenses are the basic supporting documents needed to warrant charging meal expenses against government funds.
- 3.11 With regard to the compromise fee, this resulted from the failure of PPMC to submit BIR form 2316 in 2013. As resolved under Board Resolution No. 2014-11-128, the settlement of the compromise fee amounting to ₱25,000.00 for failure to submit BIR Forms 2316 for the CY 2013 was advanced from PPMC's internally generated funds. An investigation was further directed to be conducted to determine the person/s responsible for the negligence which led to the assessment of the penalty.
- 3.12 Moreover, Section 3 of the Revenue Regulation (RR) 11-2013 provides that,
- Penal Provisions – Any employer/withholding agent, including the government or any of its political subdivisions and government-owned and controlled corporations, who/which fails

to comply with the above filing/submission of BIR Form 2316 within the time required by this Regulations, may be held liable under Section 250 of the Tax Code reading, “In the case of each failure to file an information return, statement or list, or keep any record, or supply any information required by this Code or by the Commissioner on the date prescribed therefor, unless it is shown that such failure is due to reasonable cause and not to willful neglect, there shall, upon notice and demand by the Commissioner, **be paid by the person failing to file, keep or supply the same**, one thousand pesos (P1,000) for each such failure: Provided, however, That the aggregate amount to be imposed for all such failures during a calendar year shall not exceed twenty-five thousand pesos (P25,000).

3.13 Based on the foregoing, the said compromise fee should be paid by the person/s responsible for the negligence that led to the assessment of the penalty. Thus, the reclassification made has no legal basis that effectively resolves the investigation directed by Board Resolution No. 2014-11-128, consequently enforcing Section 3 of RR 11-2013.

3.14 **We recommended that Management direct the Accounting Division to revert the remaining ₱69,072.17 to Due from Officers and Employees and effect reclassification to government expenses only upon submission of complete, sufficient, and relevant supporting documents that would warrant charging against government funds. Further, the establishment and the enforcement of a period within which to submit necessary supporting documents is encouraged considering the age of these receivables, otherwise, these receivables should become final, due, and demandable upon the lapse of time.**

3.15 Management noted the observation and made the necessary adjustment to the Due from Officers and Employees account through JV00027176 dated April 30, 2024. Concerned personnel already authorized PPMC to collect the receivable amounts through salary deduction. Regarding the penalty charge of ₱25,000.00 for PPMC’s failure to submit BIR FORM 2316 in 2013, PPMC proposed charging the amount to the former Accountant whom the Management believes to be at fault.

Misclassification of various accounts

4. **The PPMC recognized and recorded as an expense a 20% Development in Progress – Website asset costing ₱52,000.00, and various expenses totaling ₱1,340,504.51. These entries are not in accordance with the definitions of accounts as prescribed under the 2019 RCA, and do not conform with PAS 1 – Presentation of Financial Statements, thereby affecting the fair presentation of the accounts in the financial statements.**

4.1 The 2019 RCA provides the list of accounts including descriptions to facilitate the proper recognition of financial transactions and preclude misuse of accounts

4.2 However, in the review of disbursements of PPMC for CY 2023, it was noted that transactions totaling ₱1,392,504.51 were not properly recorded, as they do not align with the descriptions of the accounts provided in the RCA. The details of these transactions are as follows:

Particulars	Amount	Proper Account
Other Maintenance and Operating Expenses		
20% payment on the Design and development of the PPMC Website with contract amount of ₱260,000.00	52,000.00	Development in Progress – Websites
Daily Subsistence Allowance, Clothing Allowance, Airfare	691,161.53	Traveling Expenses – Foreign
Per diems and toll fees	32,493.00	Traveling Expenses – Local
Fuel consumption	6,500.00	Fuel, Oil and other Lubricants
Call charges	6,420.03	Telephone Expenses
Purchase of Water System Fittings	11,759.00	Other Supplies and Materials Expense
Advertising Expenses		
Travel	107,371.00	Traveling Expenses – Local
Fuel consumption	7,200.00	Fuel, Oil and Lubricants Expenses
Maintenance of Motor Vehicle	200.00	Repairs and Maintenance – Transportation Equipment
Registration Fees	12,000.00	Training Expenses
Janitorial manpower services	22,604.07	Janitorial Services
Taxes, Duties and Licenses		
Membership dues	500.00	Membership Dues and Contribution to Organizations
Training Expenses		
Per diems in attending meetings	12,100.00	Traveling Expenses – Local
Office Supplies Expenses		
Issuance and utilization of Other Supplies and Materials Inventory	289,458.40	Other Supplies and Materials Expense.
Purchase of purified drinking water	70,615.48	Water Expenses
Purchase of conference tables and monoblack chairs	18,779.00	Semi-expendable Furniture, Fixtures and Books Expenses
Purchase of Stainless Pressure Tank, Laundry Dryer Machine,	51,343.00	Semi-Expendable Machinery and Equipment Expenses

Particulars	Amount	Proper Account
Refrigerator		

4.3 The above-mentioned relevant accounts are described in the 2019 RCA as follows:

Account	Description
Development in Progress – Websites	This account is debited to recognize website development cost incurred during application and infrastructure development, graphical design and content development stages
Other Maintenance and Operating Expenses	This account is debited to recognize other operating expenses not falling under any of the specific maintenance and other operating expense accounts
Traveling Expenses – Foreign	This account is debited to recognize the costs incurred in the movement/transport of government directors, officers, and employees outside the country.
Traveling Expenses – Local	This account is debited to recognize the costs incurred in the movement/transport of government directors, officers, and employees within the country.
Fuel, Oil and other Lubricants	This account is debited to recognize the costs of fuel, oils, lubricants, coals, and the like for use of government vehicles, running power plants, and other equipment in connection with government operations/projects
Telephone Expenses	This account is debited to recognize the cost of transmitting messages through telephone lines (mobile or landlines), faxes, telex, and the like whether prepaid or postpaid
Other Supplies and Materials Expense	This account is debited to recognize the cost of inventories issued to end-users not otherwise classified under the specific inventory accounts.
Advertising Expenses	This account is debited to recognize the costs incurred for advertisement in newspapers, magazines, televisions, radio, and other forms of media.
Repairs and Maintenance – Transportation Equipment	This account is debited to recognize the cost of repairs and maintenance on motor vehicles, trains, aircraft and aircraft ground equipment, watercraft, and other transportation equipment.
Training Expenses	This account is debited to recognize the costs of incurred for the participation/attendance in and conduct of trainings, conventions and seminars/workshops

Account	Description
Janitorial Services	This account is debited to recognize the cost of janitorial services contracted by the government.
Taxes, Duties and Licenses	This account is debited to recognize the amount of taxes, duties, licenses and other fees except income tax due to regulatory entities
Membership Dues and Contribution to Organizations	This account is debited to recognize membership fees/dues/contributions by the entity and/or its officials and employees to recognized/authorized /accredited professional organizations as authorized in its approved annual budget
Office Supplies Expense	This account is debited to recognize the cost of the value of office supplies such as bond paper, pens, inks, paper clips, binder clips, staple wires, staple wire removers, rulers, ring binders, and the like.
Water Expenses	This account is debited to recognize the cost of water consumed in government operations/projects
Semi-expendable Furniture, Fixtures and Books Expenses	This account is debited to recognize the cost of semi-expendable furniture, fixtures and books used in operation
Semi-Expendable Machinery and Equipment Expenses	This account is debited to recognize the cost of semi-expendable machinery and equipment used in operation.

- 4.4 Based on the foregoing, the PPMC did not consider the nature of the transactions that transpired and the descriptions of the accounts in the 2019 RCA. It is worth noting that misuse of asset and expense accounts in the RCA may mislead the users of the financial statements. Likewise, it may lead to a conclusion that the budget allocated to certain accounts is not used as intended since the nature of the expenses incurred does not fall within the description of the accounts where these expenses have been recorded. Thus, it is essential to properly recognize financial transactions in the books as it affects the fair presentation of the accounts in the Financial Statements, consequently affecting the users of financial information.
- 4.5 These observations violate PAS 1 - Presentation of Financial Statements as repeatedly emphasized in the preceding findings. PAS 1 requires financial statements to present information in a manner that provides relevant, reliable, comparable, and understandable information. Misclassification can impact the presentation of financial statements, even for nominal accounts like expenses, because it can distort the accuracy and reliability of the financial information provided. If expenses are not consistently classified, it becomes challenging to analyze trends, make informed decisions, or benchmark performance against industry standards.
- 4.6 The following are the effects of the misclassified transactions:

Accounts	Effect	Amount
Development in Progress – Website	Understated	52,000.00
Traveling Expenses – Local	Understated	151,964.00
Traveling Expenses – Foreign	Understated	691,161.53
Fuel, Oil and other Lubricants	Understated	13,700.00
Repairs and Maintenance – Transportation Equipment	Understated	200.00
Janitorial Expenses	Understated	22,604.07
Telephone Expenses	Understated	6,420.03
Membership Dues and Contributions	Understated	500.00
Other Supplies and Materials Expenses	Understated	301,217.40
Water Expenses	Understated	70,615.48
Semi-expendable Furniture, Fixtures and Books Expenses	Understated	18,779.00
Semi-expendable Machinery and Equipment Expenses	Understated	51,343.00
Other Maintenance and Operating Expenses	Overstated	800,333.56
Advertising Expenses	Overstated	149,375.07
Training Expenses	Overstated	100.00
Office Supplies Expenses	Overstated	430,195.88
Taxes, Duties and Licenses	Overstated	500.00

4.7 We recommended that Management direct the Accountant to:

a. Take up the following adjusting entries:

Development in Progress – Website	52,000.00	
Traveling Expenses – Local	151,964.00	
Traveling Expenses – Foreign	691,161.53	
Fuel, Oil and other Lubricants	13,700.00	
Repairs and Maintenance – Transportation Equipment	200.00	
Janitorial Expenses	22,604.07	
Telephone Expenses	6,420.03	
Membership Dues and Contributions	500.00	
Other Supplies and Materials Expenses	301,217.40	
Water Expenses	70,615.48	
Semi-expendable Furniture, Fixtures and Books Expenses	18,779.00	
Semi-expendable Machinery and Equipment Expenses	51,343.00	
Other Maintenance and Operating Expenses		800,333.56
Advertising Expenses		149,375.07
Training Expenses		100.00

Office Supplies Expenses	430,195.88
Taxes, Duties and Licenses	500.00

- b. Properly recognize financial transactions in the books by considering the nature of the transactions that occurred together with the descriptions of the accounts as provided in the 2019 RCA. This ensures the budgeted amounts are properly utilized and the accounts are fairly presented in the Financial Statements.

Non-recognition of Prepayments

5. The PPMC paid one-year insurance coverage for its service vehicles and recorded the same as outright expenses, which does not conform with PAS 38 – Intangible Assets and the matching principle in accounting, thereby overstating insurance expenses by ₱14,680.37 and understating prepaid insurance by the same amount.

Moreover, disbursements on registration renewal include payments for penalties due to delayed registration leading to unnecessary expenses totaling ₱4,625.30.

5.1 PAS 38 – Intangible Assets provides that this Standard does not preclude an entity from recognizing a prepayment as an asset when payment for goods has been made in advance of the entity obtaining a right to access those goods. Similarly, this Standard does not preclude an entity from recognizing a prepayment as an asset when payment for services has been made in advance of the entity receiving those services.

5.2 Post-audit of the transactions of the PPMC for CY 2023 revealed that the payments for one-year insurance coverage of its transportation equipment amounting to ₱42,072.23, were recorded as outright expenses for CY 2023. Details are as follows:

Particulars	Amount Paid	Coverage	Insurance Expense for CY 2023	Prepaid Insurance
Toyota Innova SHY 999	586.76	November 9, 2023 to November 9, 2024	97.79	488.97
Toyota Innova NRQ 538	4,982.65	August 2023 to July 2024	2,076.10	2906.55
Montero SKA 770	5,711.70	December 8, 2023 to December 28, 2024	475.98	5,235.72
Ambulance SKW 370	5,640.22	December 13, 2023 to November 1, 2024	470.02	5,170.20
Toyota Hi-ace Grandia	15,406.41	January 13, 2023 to January 13, 2024	14,868.01	538.40
Toyota Rush	9,744.49	January 13, 2023 to January 13, 2024	9,403.96	340.53

Particulars	Amount Paid	Coverage	Insurance Expense for CY 2023	Prepaid Insurance
Total	42,072.23		27,391.86	14,680.37

- 5.3 As detailed in the table, the payments for insurance expenses include amounts applicable for CY 2024. Thus, these advance payments should have been recorded as prepayments rather than outright expenses for CY 2023. This contravenes the matching principle which is the core of the accrual basis of accounting. According to this principle, expenses should be recognized in the same period when benefits are derived, ensuring that expenses are recorded in the accounting period they are incurred, rather than the period in which the related cash flows happen.
- 5.4 While the PPMC has recorded the insurance premiums for its buildings, applicable to 2024, as Prepayments, the same accounting treatment was not applied for the insurance expenses for transportation equipment. Consequently, the Prepaid Insurance was understated by ₱14,680.37 and Insurance Expenses was overstated by the same amount.
- 5.5 Moreover, it was observed that the payments of registration renewal include penalties. A review of related documents revealed that most of the transportation equipment of PPMC were registered beyond the required time for registration, thus, the assessed and paid penalties, details are the following:

Date	Check No.	Penalties
1/16/2023	CV004283	1,152.30
08/17/2023	CV005060	200.00
11/08/2023	CV005313	1,000.00
11/30/2023	CV005385	1,100.00
12/27/2023	CV005502	1,173.00
Total		4,625.30

- 5.6 COA Circular 2012-003 provides that unnecessary expenditures include the incurrance of expenditures not dictated by the demands of good government. Good government refers to the effective, transparent, and accountable management of public affairs by the governing bodies, public officials, and employees. It involves principles of transparency and accountability. Accountability is a key component of good governance, ensuring that those in positions of authority are held responsible for their actions and the consequences for any misconduct or failure to meet public expectations.
- 5.7 Generally, the administrative division of any government agency is tasked with ensuring the prompt registration of its transportation equipment. The delayed

renewal of registration, leading to penalty payments, does not reflect good governance. Therefore, incurring these expenses is deemed unnecessary.

5.8 We recommended that Management direct:

a. The Accountant to:

i. To draw the following adjusting entry:

Prepaid Insurance	14,680.37	
Insurance Expense		14,680.37

ii. Henceforth, record payments for prepaid expenses as an asset and take the appropriate adjusting entry to properly reflect the expensed portion.

b. The Administrative Division to conduct an inquiry into the delayed renewal of vehicle registration and determine the accountable official or employee who should bear the responsibility of paying the penalties.

5.9 Management recognized the observation and promptly addressed it by implementing the recommended adjusting entry through JV No. 00027419 dated May 28, 2024. Additionally, penalties amounting to ₱4,625.30 have been duly recorded as receivables from the accountable personnel under JV No. 00027412 dated May 27, 2024.

B. COMPLIANCE AUDIT

Award of Contract to a Non-bonafide Supplier

6. The procurement contract to conduct a Stakeholder Satisfaction Survey for the year 2022, with a contract cost of ₱257,297.60 was awarded to an educational institution, a non-bonafide supplier, which is not in accordance with the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thereby raising concerns about the quality and reliability of the services provided and potentially compromising the integrity and usefulness of the survey results.

6.1 The PPMC procured the project entitled “Consulting Services, Stakeholder Satisfaction Survey for Poro Point Management Corporation” with an Approved Budget for the Contract (ABC) amounting to ₱259,537.60, through the alternative mode under Section 53.6 of the Revised IRR of RA No. 9184 which is the Negotiated Procurement - Scientific, Scholarly or Artistic Work, Exclusive Technology and Media Services.

6.2 The PPMC justified that the satisfaction survey is a scholarly work or research based on the following references:

- a. Survey Research is defined by the business dictionary as, “A method of sociological investigation that uses questions based on statistical surveys to collect information about how people think and act.”
- b. Survey method is one of the 3 types of descriptive research methods;
- c. Survey research is a method of collecting information by asking questions. Sometimes interviews are done face-to-face with people at home, in school, or at work. Other times questions are sent in the mail for people to answer and mail back. Increasingly, surveys are conducted by telephone.

6.3 Annex “H” of the IRR of RA No. 9184 provides the Consolidated Guidelines for The Alternative Methods of Procurement and item b (i) of D (6) requires that,

The BAC shall undertake the negotiation with a technically, **legally**, and financially capable supplier, contractor, or consultant based on the Technical Specifications, Scope of Work, or Terms of Reference prepared by the end user. (*Emphasis supplied*)

6.4 A review of the procurement documents of the project revealed that the contract was awarded to Saint Loius College (SLC). The Business/Mayor’s Permit issued to SLC disclosed that its line of business is operating as a private school.

6.5 Correlating this to the Philippine Standard Industrial Classification (PSIC), SLC is under the industry description of Education. A careful reading of the Education industry disclosed that it did not mention the conduct of surveys as one of its business activities. Hence, we are inclined to infer that SLC is not legally eligible for the consultancy contract to conduct the SSS of PPMC.

6.6 The forecited provision of Annex “H” of the IRR of RA No. 9184 is instructive that BAC should undertake the negotiation with a technically, **legally**, and financially capable supplier, contractor, or consultant based on the Technical Specifications, Scope of Work, or Terms of Reference prepared by the end user.

6.7 CSC Decision No. 150905 dated December 23, 2015, defines what is legally capable supplier/bona fide which is “one who is legally authorized by law to engage in a particular business activity with a license to operate duly issued for him to sell, deal and supply goods for private or public consumption. Logically, a legally capable consultant for the SSS of PPMC should be one with a business license or authority to offer and supply the conduct of satisfaction surveys or surveys in general.

6.8 On the contrary, the PPMC maintained its stand that, SLC is legally capable of undertaking research such as the Stakeholders Satisfaction Survey due to the following reasons:

1. The SLC is duly recognized by the CHED as an institution of higher learning and is thus mandated to provide educational services as prescribed under Republic Act No. 7722, Education Act of 1994, which include, among others, the conduct of instruction, research, and extension programs.
2. Over the past years, SLC has conducted surveys and other similar research undertakings for government agencies such as Department of Labor and Employment (DOLE) and Department of Interior and Local Government (DILG), and
3. Previous AOM recommendation which states that PPMC can directly contract the services of SLC pursuant to Section 53.6 of the IRR of RA No. 9184 since the survey to be conducted by SLC can be categorized as academic, scholarly work or research provided that SLC will be PhilGEPS-registered.

6.9 It is worth emphasizing that the recognition by CHED to SLC pertains to the operation of the latter as a private school. CHED leads the higher education sector of the country, thus, CHED regulates all institutions offering tertiary and graduate education like SLC. Given that SLC is an institution of higher education, it is expected that it shall provide instruction, research, and extension programs since these programs are required by CHED.

6.10 However, this recognition by CHED is not tantamount to legally authorizing SLC to offer and supply survey services for business purposes. Its conduct of research is primarily in connection with its legitimate operation as a private school and not for commercial. Should SLC intend to offer and supply survey research services commercially, it should have updated its line of business in its municipal business records to include research or survey services together with its registration with the Bureau of Internal Revenue (BIR).

6.11 With regard to the previous COA finding, it must be noted that the recommendation pertains to the procurement modality and the registration of SLC in the PhilGEPs. There is no categorical statement that SLC is a bonafide supplier of research/survey services. Nonetheless, the issue on the legal qualification of suppliers, contractors, or consultants was raised to remind the PPMC BAC of its duty to negotiate only with legally capable suppliers, contractors, or consultants based on the Technical Specifications, Scope of Work, or Terms of Reference prepared by the end user.

- 6.12 **We recommended that Management direct the PPMC BAC to include in its bid evaluation process the verification of business registrations of prospective suppliers, contractors, and consultants to determine whether the business operations as officially registered are within the Technical Specifications, Scope of Work, or Terms of Reference prepared by the end user.**
- 6.13 Management acknowledged the recommendation and already directed the BAC to include in its bid evaluation process the mandatory verification of business registrations of prospective suppliers.

Unsubstantiated Amendment of Contract Terms

- 7. The terms of the purchase orders in the procurement of air conditioning units affecting compliance by the supplier were amended but were not properly substantiated contrary to Section 4 of the PD No. 1445 and COA Circular 2012-001 dated June 14, 2012, thus the accuracy and the propriety of the amount paid to the supplier could not be verified with certainty.**

- 7.1 Section 4 of PD No. 1445 provides the fundamental principles governing the financial transactions and operations of any government agency. Among these fundamental principles are:

Government funds or property shall be spent or used solely for public purpose.

Claims against government funds shall be supported with complete documentation.

- 7.2 While COA Circular No. 2012-001 lists the general requirements for all types of disbursement which include among others:

Sufficient and relevant documents to establish validity of claim.

Post-audit of the procurement of air conditioning units under Purchase Order Nos. PO000882 and PO000973 with contract costs of ₱209,000.00 and 781,000.00, respectively revealed that based on the delivery receipts attached to the disbursement vouchers, some units were not delivered on time. Details of the actual deliveries are summarized as follows:

PO000882			Remarks
PO Conforme:		11/24/2022	
Date of Delivery:		15 CD upon receipt of PO	
Expected date of delivery:		12/9/2022	
<i>Actual Delivery</i>			
3 units	108,000.00	11/24/2022	on-time
2 units	101,000.00	1/14/2023	35 days delayed
PO000973			
PO Conforme:		3/3/2023	

Date of Delivery:	30 CD upon receipt of PO		
Expected date of delivery:	4/2/2023		
<i>Actual Delivery</i>			
6 units	499,500.00	3/10/2023	on-time
3 units	281,500.00	4/18/2023	16 days delayed

7.3 As can be seen in the table, the supplier incurred delays in the delivery of some air conditioning units but nevertheless, received the payment for these purchase orders without any deductions for liquidated damages due to these delays.

7.4 To emphasize, Annex “D” (3) of the Revised IRR of RA No. 9184 provides that,

3.1. When the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the procuring entity concerned.

3.2. The procuring entity need not prove that it has incurred actual damages to be entitled to liquidated damages. Such amount shall be deducted from any money due or which may become due to the supplier, or collected from any securities or warranties posted by the supplier, whichever is convenient to the procuring entity concerned. In no case shall the total sum of liquidated damages exceed ten percent (10%) of the total contract price, in which event the procuring entity concerned may rescind the contract and impose appropriate sanctions over and above the liquidated damages to be paid.

7.5 Management justified that the delayed deliveries of air conditioning units were due to scheduled installations during Saturdays in order not to affect the PPMC employees and would not interrupt work in offices. In other words, it was the PPMC Management who decided and scheduled the deliveries. However, it was noted that the April 18, 2023, delivery fell on a Tuesday. Also, it was observed that the January 14, 2023 delivery was more than a month beyond the expected delivery of the units.

7.6 Documents to support that the supplier intended to deliver the units on time or that there are amendments to the terms of the purchase orders were not available. Whether the supplier complied with the terms of the purchase orders sans the weekend installation preference of the PPMC Management could not be verified with certainty.

7.7 It must be noted that disbursements of government funds are required to be supported with complete, sufficient, and relevant documents to properly establish accuracy and propriety of claims. Procurements in the government are supported with contracts or purchase orders. Terms and conditions stated therein are required to be complied with, otherwise, respective sanctions are provided under

the Revised IRR of RA No. 9184. As such, any amendments to the terms and conditions must be substantiated. To properly effect the amendments required in this observation, the end users should have properly requested that deliveries and installations of their air conditioning units be done on weekends, duly recommended by the BAC, and approved by the President as the Head of the Procuring Entity (HoPE). With this, expected date of deliveries and installations are moved which the supplier shall be informed accordingly.

- 7.8 Consequently, the payment to the supplier without any deduction of liquidated damages was not sufficiently supported with documents, hence the propriety of the amount paid could not be verified with certainty.
- 7.9 **We recommended that Management direct the BAC to submit the necessary documents to justify that the supplier did indeed intend to deliver the air conditioning units within the terms of the purchase orders, excluding the weekend installation preference of the PPMC Management, and to verify that the amount paid to the supplier was proper.**
- 7.10 The president already issued Memorandum to the BAC to submit the necessary documents as required by COA to comply with the audit recommendation until May 31, 2024.

Undocumented Cancellation of Hotel Accommodation

8. **The lack of proper coordination in procuring hotel accommodation for members of the governing board resulted in unoccupied rooms raising doubts on the necessity of procuring a 28-person capacity accommodation, which does not adhere to Section 2 of PD No. 1445. This also undermined the principles of efficiency and economy in government operations.**

- 8.1 Section 2 of PD No. 1445 provides that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

The post-audit on the payment for Purchase Order (PO) No. PO000909 revealed that the contract cost amounted to ₱158,000.00 for hotel accommodation for the governing board members attending the 237th regular meeting and activities of the PPMC on December 6, 2022, included charges for unoccupied rooms, indicating a lack of proper assessment of actual accommodation needs and resulting in unnecessary expenses.

In December 2022, the governing board of the PPMC has 10 incumbent members. As such, the board secretary has requested more accommodation capacity than the actual number of the governing board members. It was observed that each member of the Board had been allocated a room good for 2 persons and that two governing board members were allocated 2-bedroom villas each, while the other villa was designated for guests. Details of requested excess capacities were not among the information that could be gathered from the documents supporting the disbursement voucher.

A review of the actual utilization of the procured accommodation showed that some rooms were not occupied on the dates reserved and some were occupied by persons other than those intended occupants. Management clarified that this occurred because some directors canceled their attendance in the scheduled regular meeting.

- 8.2 However, the audit revealed that the PPMC's Board Secretary has no official records on the requests for hotel accommodation, as well as on how and when those cancellations were done by the concerned directors. It was alleged that requests and cancellations by directors were done through phone calls and text messages that retrieval could not be done due to personal circumstances of the Board Secretary.
- 8.3 It is a recognized policy under EO No. 24 that all necessary expenses of members of the Board of Directors/Trustees to attend Board and other meetings and discharge their official duties shall be paid directly by the GOCC. However, these expenses are still subject to existing auditing regulations. It bears emphasizing that claims against government funds shall be supported with complete documentation.
- 8.4 The requests for hotel accommodations were not properly documented. Requests through phone calls and text messages are official communications that the Board Secretary should have reduced in writing as supporting documents of the procurement. Such official communications should have detailed the necessity of procuring hotel accommodation with a 28-person capacity. Also, it could be used in validating the actual utilization of the rooms, whether officially utilized to warrant charging the whole contract amount against government funds.
- 8.5 Nonetheless, it could be inferred that requests for accommodations were not duly approved by the President. Consequently, the necessity of procuring a 28-person capacity accommodation and the propriety of the ₱158,000.00 payment made by the PPMC could not be verified with certainty. Establishing accountability for requesting hotel accommodations and subsequently canceling them is crucial to avoid waste of government funds.
- 8.6 **We recommended that Management direct the:**
 - a. **Board Secretary to reduce in writing all official communications conveyed by the governing board members, as well as the officials and employees of the PPMC through any allowed means;**
 - b. **Procuring Unit to process procurement of hotel accommodations based on requests from the governing board members duly approved**

by the President to properly establish accountability in cases of cancellation of attendance, and

- c. Establish a control policy on requesting hotel accommodation, the allowed time to cancel such request, and any cancellation beyond the allowed time are to be shouldered personally by the requesting party to avoid waste of government funds.**

8.7 Management acknowledged its lapses and committed to comply with the recommendations.

Deficiencies in the Reimbursement of Travelling Expenses

9. The PPMC's traveling expenses of ₱84,150.00 include several issues: inadequate documentation, claims of improper Daily Traveling Expenses (DTE) rates, double claims of DTE in three instances, claims of lodging apportionment of DTE in five single-day travels, and payment of deluxe equivalent transportation fares. These expenses do not comply with PD No. 1445, COA Circular No. 2012-001 dated June 14, 2012, and Executive Order (EO) No. 77, resulting in excessive payments totaling ₱15,694.00, thus casting doubts on the propriety of the ₱84,150.00 travel expenditure due to inadequate documentation.

9.1 One of the fundamental principles governing the financial transactions and operations of any government agency provided under Section 4 of the PD No. 1445 is that claims against government funds shall be supported with complete documentation. COA Circular No. 2012-001 further provides that sufficient and relevant documents are required to establish the validity of claims against government funds.

9.2 Item 1.2.4 of COA Circular No. 2012-001 prescribes the specific documentary requirements for traveling expenses. To wit:

- Bus tickets
- Certificate of appearance
- Copy of previously approved itinerary
- Revised itinerary of travel
- Liquidation Report
- Certificate of Travel Completed

9.3 On the other hand, EO No. 77 set forth the maximum allowable DTE based on destination. These maximum allowable DTE is further based on the following apportionment:

- Hotel/Lodging 50%
- Meals 30%
- Incidental 20%

9.4 Moreover, Section 5 (a) (iii) of EO No. 77 states that “If a private vehicle is used, no reimbursement of the cost of gasoline and fuel shall be allowed. The official or employee concerned, however, is entitled to the equivalent cost of the customary mode of transportation”. Moreover, Section 7 (a) (b) of the EO provides that,

- a. The agency head concerned, or the designated officials shall determine the mode of transportation and type of hotel/lodging to be availed, which in all cases be the most economical and efficient.
- b. As a general rule, only ordinary public conveyance or customary modes of transportation shall be used. xxX

9.5 Post-audit of traveling expense transactions of the PPMC for CY 2023 revealed the following observations:

- a. The PPMC Cashier was assigned monthly travel duties specifically to hand-deliver statements of accounts and collect corresponding fees from airport clients in Metro Manila and Pampanga. In CY 2023, cash advances totaling ₱84,150.00 were granted to cover his travel expenses. Nevertheless, an examination of his liquidation reports revealed the following:
 - i. Out of 64 destinations, only 33 certificates of appearance were provided. Discrepancies were also observed between the dates of appearances as indicated in the certificates and the dates presented in the actual travel itineraries, and
 - ii. A DTE rate of ₱2,200.00 intended for NCR was claimed, although his actual destination was in Pampanga, where the maximum allowable DTE is only ₱1,500.00.

The incomplete certificates of appearance and the inconsistent dates of available certificates with the actual travel itineraries cast uncertainty on the propriety of the claimed transportation expenses and DTE.

- b. Double claims of DTEs of one employee were also noted to have been charged under Travelling Expenses. Details are as follows:

Check No.	Date of Travel	Destination	Claimed DTE	Excess
4266	01/04/2023	La Union	1,100.00	1,100.00
4280	01/04/2023	Manila	2,200.00	
4342	01/16/2023	Manila	2,200.00	1,100.00
4303	01/16/2023	La Union	1,100.00	
4826	06/09/2023	La Union	1,100.00	1,100.00

Check No.	Date of Travel	Destination	Claimed DTE	Excess
4864	06/09/2023	Manila	2,200.00	
Total				3,300.00

- c. Employees claimed lodging apportionment despite single-day trips. Details are as follows:

Date	Check No.	Particulars	Claimed DTE	Remarks
6/7/2023	CV4791	Travel to Manila on June 7, 2023, To secure Ombudsman and Sandiganbayan clearances for the PPMC Directors	Employee 1 - ₱2,200.00 Employee 2 - ₱2,200.00	Excess claim of ₱2,200.00, lodging apportionment
6/9/2023	CV4810	Travel to Manila on June 13, 2023 To process the Biometric Requirements for the Australian Biometric Collection Center	Employee 1 - ₱2,200.00 Employee 2 - ₱2,200.00 Employee 3 - ₱2,200.00	Excess claim of ₱3,300.00, lodging apportionment
11/21/2023	CV5351	Travel to Pasay City on Nov. 23, 2023 to attend the 29th Meeting of the Philippines - Taiwan Joint Economic Conference	Employee 1 - ₱1,980.00 Employee 2 - ₱2,200.00	Excess claim of ₱2,200.00, lodging apportionment
11/30/2023	CV5375	Travel to Quezon City on November 29, 2023 To secure Ombudsman clearance for PPMC's VP and Dir. Joel Caringal	Employee 1 - ₱2,200.00	Excess claim of ₱1,100.00, lodging apportionment
8/14/2023	CV5031	Travel to Laoag City, Ilocos Norte on August 14, 2023	Employee 1 - ₱1,500.00 Employee 2 - ₱1,500.00 Employee 3	Excess claim of ₱2,250.00, lodging apportionment

Date	Check No.	Particulars	Claimed DTE	Remarks
			- ₱1,500.00	
Total Excess Payment				11,050.00

It is important to highlight that the maximum DTE includes a specific apportionment, with 50% designated for lodging expenses. After examining the details of the travels listed in the table, it became apparent that the concerned personnel's arrival and departure dates for the destination coincided. Consequently, it can be deduced that no lodging expenses were incurred. Thus, claims for lodging apportionment are deemed excessive.

- d. Fare expenses for deluxe transportation were also claimed as equivalent fares despite the provision in EO No. 77 that only ordinary public conveyance or customary modes of transportation shall be used. Details are shown below:

Date	Check No.	Particulars	Claimed Fare	Economic Fare	Excess
9/7/2023	5129	Travel to Manila on Sept. 10-11, 2023	deluxe 886.00 x 4 = ₱3,544.00	550.00 x 4 = ₱2,200.00	1,344.00

9.6 The recurrence of the identified deficiencies suggests a lack of stringent adherence to travel expense guidelines and insufficient monitoring of personnel travels. It is important to note that deviating from guidelines can result in excessive spending of government funds, leading to potential financial inefficiencies.

9.7 We recommended that Management direct the:

a. PPMC Cashier to:

- i. complete and submit the lacking certificates of appearance, and
- ii. revise the actual travel itineraries to conform with the dates of appearances as indicated in the certificates and reflect the proper DTE rates based on actual destinations.

b. PPMC Accountant to:

- i. cause the refund of the excess payments as identified, and

- ii. **strictly implement travel expense guidelines and monitor personnel travels to prevent excessive spending of government funds.**

9.8 Management acknowledged the observation and committed to comply with the recommendations. The PPMC Cashier is finalizing the missing certificates of appearance and adjusting the actual travel itineraries to align with the dates specified in the certificates. This includes ensuring that the DTE accurately reflects the actual destinations. To recognize the excess claims, PPMC already set up Due from Officers and Employees account. Regarding the allocation of lodging expenses for single-day travel, the PPMC has assured to discontinue the practice.

Deficiencies on BOD Reimbursable Expenses

10. Due to lack of control mechanisms on the reimbursable expenses claimed by the members of the BOD, such as fuel and meal reimbursements, several expenses were paid without restrictions contrary to the fundamental principles of PD No. 1445, EO No. 24 and BCDA Revised Policy and Guidelines on the Reimbursable Expenses (RPGRE) of the Board of Directors dated November 1, 2017, thereby raising concerns about the reasonableness, necessity, and propriety of the reimbursements noted.

10.1 Section 2 of PD No. 1445 states that “it is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy, and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

10.2 Item 2.4 of GCG Memorandum Circular No. 2012-02 provides that,

Reimbursable Expenses Should Not Be Used as a Form of Compensation. –

Section 12 of E.O. 24 ensures that GOCC Directors do not abuse the structure of reimbursement of expenses as a means to gain indirect compensation by:

- (a) Making it a matter of policy that expenses of members of the Governing Board to attend Board and other meetings and discharge their official duties shall be disbursed directly by the GOCC;
- (b) The only time that Directors obtain a reimbursement of expenses can be:

- (i) when due only to the exigency of the service and subject to the submission of receipts”; and
- (ii) limited only to transportation expenses for attending meetings; travel expenses for official travels; communications expenses; and meals during business meetings.

10.3 The BCDA RPGRE states that,

Directors incurring the expenses should certify that the expenses are reasonable and necessary in attending the Board meetings or discharge of their official duties as envisioned in EO 24 and GCG Memorandum Circular No. 2012-02. The Accounting/Finance Department of the Corporation shall ensure that this policy is implemented with budgeting, accounting, and auditing rules and regulations.

10.4 The members of the BOD of PPMC are granted with the authority to reimburse the necessary expenses incurred in their performance of official functions. Reimbursable expenses include travel expenses, transportation expenses, communication expenses, and representation expenses.

10.5 Post-audit of the reimbursements claimed by the members of the BOD for CY 2023, revealed the following observations:

1. A member of the BOD leased a van to attend a scheduled board meeting. The cost of the lease in the amount of ₱20,000.00 was claimed as reimbursement and paid by the PPMC through Check Voucher (CV) No. 4279 dated January 13, 2023. However, it was noted in a separate reimbursement claim that fuel expenses in the aggregate amount of ₱6,071.75 that were incurred on the same date as the rental period of the van, were nonetheless claimed by the same director and reimbursed by the PPMC.

The reimbursement payment of ₱6,071.75 for fuel expenses appeared excessive in relation to transportation expenses for attending the 238th regular board meeting on January 13, 2023, since the member of the BOD had already utilized the transportation services of the leased van.

2. The amount of ₱17,792.43 was paid as reimbursable expenses through CV No. CV004307 but the official receipts submitted amounted to only ₱15,429.05, thus an excess of ₱2,363.38. Details of the receipts are as follows:

Date	Particulars	Amount (₱)
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1/17/2023	Auto sweep	1,000.00
1/17/2023	Fuel	1,463.38
1/26/2023	Easy trip	250.00
1/26/2023	Auto sweep	363.00
1/26/2023	Fuel	834.43
1/26/2023	Fuel	1,608.34
1/26/2023	Fuel	1,534.90
1/26/2023	Meals	8,375.00
Total		15,429.05

3. A meal reimbursement paid under CV No. CV4288 dated January 17, 2023 in the amount of ₱4,507.01 includes liquor of ₱1,000.00 which is considered to be extravagant under COA Circular 2012-003 dated October 29, 2012, and expressly prohibited under BCDA RPGRE. The provisions read as follows:

COA Circular 2012-003

Annex “E”

Cases that are considered “extravagant” expenditures of government funds

1. Purchase of wines, liquors, cigars, and cigarettes, except when served during state functions and government-sponsored international conferences and conventions.

xxx

BCDA RPGRE

7. Meals. Reimbursement for meals or representation expenses during business meetings is allowed, subject to the following conditions:

7.1 Reimbursement for wines, liquors, cigars and cigarettes is not allowed except when served during state functions and government-sponsored international conferences and conventions.

4. A transportation expense was claimed despite online attendance to a board meeting.

Section 12 (a) of EO No. 24, is clear and unambiguous that reimbursement of transportation expenses is limited only to “transportation expenses incurred in going to and from the place of meetings.”

When a member of the Board incurs transportation expenses in going to a location other than the place of meeting, the same is not reimbursable under EO No. 24, thus, unnecessary expense. However, the amount of ₱2,500.00 for fuel expenses was reimbursed to a Director, through CV No. CV005026 dated August 8, 2023, despite the attendance via Zoom.

- Meal expenses were also reimbursed without restrictions considering that these were reimbursed by each director. The following reimbursements were noted:

Reference	Date of Meeting	Reimbursed Meal Expenses		
		Restaurant/Address	Date of Official Receipts	Amount
CV004278	1/13/2023	Suzukin kitchenette - Makati City	1/12/2023	8,080.00
CV004289	1/13/2023	Suzukin kitchenette - Makati City	1/14/2023	5,319.00
		David's Tea House - Makati City	1/14/2023	866.25
		Central Pitstop - Tarlac	1/14/2023	576.00
		Thunderbird - La Union	1/14/2023	1,192.00
		Feliz – Mandaluyong	1/14/2023	742.00
CV004307	1/26/2023	Suzukin Kitchenette - Makati City	1/26/2023	8,375.00
CV004412	2/10/2023	Savory - Makati City	2/11/2023	832.39
		David's Tea House – Makati City	2/11/2023	3,765.50
	2/24/2023	Suzukin Kitchenette - Makati City	2/23/2023	6,176.00
CV004625	4/28/2023	Le Chef - Baguio City	4/27/2023	1,880.00
		David's Tea House – Makati City	4/27/2023	4,500.00
CV004720	5/18/2023	David's Tea House – Makati City	5/18/2023	5,163.00
CV004742	5/25/2023	David's Tea House – Makati City	5/26/2023	6,600.00
CV004811	6/9/2023	Northern Shores - Baguio City	6/8/2023	1,048.91
		Le Chef - Baguio City	6/8/2023	760.00
		David's Tea House – Makati City	6/8/2023	5,861.00
CV004941	7/7/2023	David's Tea House – Makati City	7/8/2023	8,000.00

As can be observed, the highest meal expense reimbursed was ₱8,375.00 which was incurred by a single director. The Team also noted that five separate meal receipts in a single day were reimbursed by a director pertaining to an attendance in a one-day meeting.

6. The Team also noted the following fuel expense reimbursements of directors, where the amount of fuel procured was not reasonable for the distance traveled. Details are as follows:

Reference	Date of Meeting	Reimbursed Transportation Expenses			Route
		Liters	Date	Amount	
CV004278	1/13/2023	108.21	1/12/2023	6,811.82	Manila - PPMC, La Union; vice-versa
CV004289		27.86	1/14/2023	1,668.81	
		136.07		8,480.63	
CV004944	7/7/2023	55.98	7/6/2023	3,192.00	Vigan - PPMC, La Union; vice-versa
		52.61	7/8/2023	3,000.00	
		108.59		6,192.00	
CV5169			9/10/2023	4,500.00	Manila - PPMC, La Union; vice-versa
			9/12/2023	4,800.00	
				9,300.00	

The quantities of fuel listed above were unusual in terms of the distance traveled.

- 10.6 The BCDA RPGRE emphasizes that Directors incurring the expenses should certify that the expenses are reasonable and necessary in attending the Board meetings or discharge of their official duties as envisioned in EO 24 and GCG Memorandum Circular No. 2012-02. Further, the Accounting/Finance Department of the PPMC shall ensure that the BCDA RPGRE policy is implemented with budgeting, accounting, and auditing rules and regulations.
- 10.7 However, the PPMC Management has not established nor formulated control mechanisms to at least ascertain the reasonableness, necessity, and propriety of the amounts claimed by the members of the BOD. As such, the fundamental principle governing financial transactions that claims against government funds shall be supported with complete, sufficient, and relevant documentation to establish its validity was not adhered to.
- 10.8 It is important to note that the members of the BOD have the authority to reimburse necessary expenses related to official functions, duly supported by an allocated budget. However, the execution of this reimbursement authority is bound by auditing rules, as highlighted in the BCDA RPGRE. Consequently, budget utilization must adhere to prevailing auditing regulations and standards.
- 10.9 **We recommended that Management:**
- a. **Require the concerned members of the BOD to submit justifications on the noted deficiencies in order for the Audit Team to render an appropriate audit action; and**

b. Adopt control mechanisms aimed at ascertaining the reasonableness, necessity, and propriety of the amounts claimed by the members of the BOD.

10.10 Management agreed with the observations and to comply with the recommendations. Also, management acknowledged its lapses and committed to the performance of best practices to attain efficiency, economy, and effectiveness in its operations.

C. GENDER AND DEVELOPMENT (GAD)

8. The PPMC allocated ₱8,305,449.59 or 5.02% of the ₱165,310,375.00 Corporate Budget (COB) as GAD Budget. Review of the GAD Accomplishment Report revealed that its actual GAD Expenditure for CY 2023 amounted to ₱20,838,448.70 or 7.58% higher than the budgeted amount.

D. COMPLIANCE TO SSS, PAGIBIG AND PHILHEALTH CONTRIBUTIONS

9. The PPMC remitted taxes, SSS, PAGIBIG, and PHILHEALTH mandatory premium contributions, as well as loan amortizations withheld during the year. Details are as follows:

	Balance as of January 1, 2023	Withheld	Remitted	Balance as of December 31, 2023
BIR	1,248,841.21	6,126,771.45	6,636,412.75	739,199.91
SSS	2,317.50	1,003,794.90	998,122.90	7,989.50
PAGIBIG	2,276.70	1,623,351.30	1,620,378.00	5,250.00
PHILHEALTH	1,185.95	655,127.36	653,977.06	2,336.25

E. STATUS OF SETTLEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

10. As of December 31, 2023, PPMC had no outstanding suspensions and charges; however, its disallowances totaling ₱1,234,904.05 are under appeal.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

**STATUS OF IMPLEMENTATION OF PRIOR YEARS’
AUDIT RECOMMENDATIONS**

Of the 19 prior years’ audit recommendations, 16 were implemented and 3 were not implemented as detailed below:

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor’s Validation
<p>1. The ₱2,109,883.23 year-end balance of Accounts Receivable includes ₱1,721,836.68 receivables not arising from regular trade and business transactions, which is not in accordance with the International Accounting Standards (IAS) 1 and the Revised Chart of Accounts (RCA), thereby overstating the account and understating Due from Other Government Corporations, Due from Officers and Employees and Other Receivables by ₱1,080,830.00, ₱598,867.67 and ₱42,139.01, respectively.</p> <p>We recommended that Management direct the Accountant to keep and maintain complete details of the ₱388,046.55 Accounts Receivable and immediately reclassify the ₱1,080,830.00, ₱598,867.67, and ₱42,139.01 to Due from Other Government Corporations, Due from Officers and Employees and Other Receivables, respectively for a fair</p>	<p>AAR CY 2022 (page 29)</p>	<p>The Accountant already reclassified the Accounts Receivable to its appropriate receivable accounts per Journal Voucher (JV) No. 00019784, dated March 31, 2023.</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>presentation of the accounts in the Financial Statements.</p>			
<p>2. Past due receivables totaling ₱1,254,265.39 were presented as Non-Current Assets in the Statement of Financial Position, instead of Current Assets, which is not in conformity with International Accounting Standards (IAS) 1, thus, affecting the fair presentation of the Financial Statements.</p> <p>We recommended that Management require the Finance Unit to reclassify the Non-Current Assets - Other Assets as Current Assets – Other Receivables for fair presentation in the Financial Statements.</p>	<p>AAR CY 2022 (page 30)</p>	<p>The Non-Current Assets – Other Assets were reclassified as Current Assets – Other Receivables.</p>	<p>Implemented</p>
<p>3. The Inventories of the Corporation which only include Office Supplies Inventory (OSI) account amounting to ₱766,176.50 in the Statement of Financial Position is inconsistent with the Report on Physical Count of Inventories, which is not in conformity with International Accounting Standards (IAS) 1, thus, casting doubt on the accuracy and reliability of its year-end balance and</p>	<p>2022 AAR Page 32</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>consequently affecting its fair presentation in the Financial Statements.</p> <p>We recommended that Management direct:</p> <p>a. The Finance Unit and the Property Unit to reconcile their inventory records regularly, and</p>		<p>Finance unit reconciled its records. Copies of documents were forwarded to COA as evidence of reconciliation.</p> <p>These includes:</p> <p>a. Property Acknowledgement Receipt (PAR) No. OA2022-0050, dated March 31, 2023, reflecting the issuance of one (1) unit Tablet to the assigned employee costing Php59,302.33.</p> <p>b. Inventory Custodian Slip (ICS) No. OA2022-0024, dated March 31, 2023, reflecting the issuance of one (1) unit Laptop computer to the assigned employee costing Php46,453.49; and</p> <p>c. Report on Physical Count of Inventories as of December 31, 2022 and Inventory Report per Statement of Financial Position</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>b. The Finance Unit adjusts its records accordingly for a fair presentation of inventory balance in the Financial Statements.</p>		<p>reflecting the same quantities for all items using the weighted average cost method.</p> <p>Management adjusted its records accordingly, and provided copies of documents to COA as evidence of adjustments which include JV No. 00019813, dated March 31, 2023, reflecting the reclassification entry made on the Office Supplies Inventory account to Construction Supplies Inventory and Other Supplies and Materials Inventory amounting to ₱239,616.61;</p>	
<p>4. Depreciation Expenses for PPE items totaling ₱2,109,907.80 were not recognized for CY 2022, which is not in accordance with International Accounting Standards (IAS) 16, thereby understating Depreciation Expense and Accumulated Depreciation and consequently overstating the Retained Earnings of the Corporation and carrying amounts of the PPE items.</p> <p>We recommended that Management direct the Finance Unit to review</p>	<p>2022 AAR (Page 34)</p>	<p>The Finance Unit adjusted the accumulated depreciation and retained earnings account to</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>and analyze the details of the four PPE items and take up the necessary adjusting entry to correct the Retained Earnings and the carrying amounts of the four PPE items accordingly.</p>		<p>correct the residual values of the PPEs. A copy of JV No. 00019729, dated March 31, 2023, reflecting the adjustments was submitted to COA.</p>	
<p>5. The Corporation's policy on the application of five percent residual value was not consistently applied to properties with an aggregate cost of ₱4,505,679.69, which is not in conformity with COA Circular No. 2017-004 dated December 13, 2017, thus, rendering the Net Book Value of PPE account overstated by ₱154,100.03.</p> <p>We recommended that Management instruct the Finance Unit to consistently effect the application of five percent residual value to its ₱4,505,679.69 PPE and to take up the adjusting entry.</p>	<p>2022 AAR (Page 35)</p>	<p>The Finance Unit adjusted the residual value of PPEs accordingly, and provided COA a copy of JV No. 00019729, dated March 31, 2023.</p>	<p>Implemented</p>
<p>6. Asset and Liability accounts totaling ₱5,823,511.57 and ₱116,292,242.41, respectively were not properly supported with details, which is not in conformity with International Accounting Standards (IAS) 1 and Section 111 of PD No.</p>	<p>2022 AAR (Page 37)</p>		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>1445, thereby casting doubt on the reliability of the account balances, and consequently affecting the fair presentation of the Financial Statements.</p> <p>We recommended that Management direct the Finance Unit to prepare, maintain and keep the necessary details of the Asset and Liability account balances as these would support and justify the faithful representation of the balances in the Financial Statements.</p>		<p>The PPMC prepared and maintained the Asset and Liability account balances and informed COA through a letter dated April 18, 2023.</p>	<p>Implemented</p>
<p>7.Trust Liabilities-Guaranty/Security Deposits Payable, Intra-Agency Payables – Due to Other Funds and Financial Liabilities - Due to Officers and Employees amounting to ₱ 8,845,453.64, ₱20,900.00 and 891,805.50, respectively were inappropriately presented under Other Payables, which is not in conformity with the International Accounting Standards (IAS) 1 and the Revised Chart of Accounts (RCA), thereby affecting the fair presentation of the Financial Statements.</p> <p>We recommended that Management instruct the Finance Unit to present Guaranty/Security</p>	<p>2022 AAR (Page39)</p>	<p>The PPMC already presented the Guaranty/Security Deposits payable under</p>	<p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>Deposits Payable, Due to Other Funds, and Due to Officers and Employees under Trust Liabilities, Intra-Agency Payables and Financial Liabilities, respectively for a fair presentation of the Financial Statements.</p>		<p>Trust Liabilities; Due to Other Funds under Intra-Agency Payables; and Due to Officers and Employees under Financial Liabilities in its March 2023 FS.</p>	
<p>8. The Aging Schedule that supports the ₱2,109,883.23 Accounts Receivable and the ₱296,294.64 Due from Officers and Employees accounts were not maintained and kept providing the necessary details, which is not in accordance with Section 111 of PD No. 1445, thus, precluding the Management to monitor and analyze the composition of the accounts and failed to ensure the prompt collection of the receivables. Likewise, the non-compliance of the Corporation with Section 6.1 of COA Circular No. 2016-005 dated December 19, 2016, resulted in the accumulation of past due receivables amounting to ₱1,927,736.44, thereby depriving the Corporation of the funds due to them.</p> <p>We recommended that Management instruct the Finance Unit:</p> <p>a. Maintain and keep</p>	<p>2022 AAR (Page 41)</p>	<p>The PPMC is currently preparing the various supporting documents</p>	<p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>the accounts of the Corporation in such detail as is necessary to meet its needs to enforce collection and at the same time be adequate to furnish the information needed to verify the account balances, and</p> <p>b. Conduct monitoring and analysis of receivable accounts regularly to ensure that these are collected when become due and demandable.</p>		<p>together with the Statement of Account (SOA) to be issued to the Officers and Employees to enforce collection of the same.</p> <p>Receivables per personnel were already accounted.</p>	<p>Implemented.</p>
<p>9. Meal expenses amounting to ₱128,080.30 were reimbursed to members of the BOD despite having incurred on dates when there are no official business activities, contrary to Section 4 of PD No. 1445, COA Circular 2012-001 dated June 14, 2012 and BCDA RPGRE dated October 25, 2017, thereby affecting the validity and legality of the transactions.</p> <p>We recommended that Management stop paying reimbursements of meal expenses claimed and incurred by BOD members on dates when there are no official business activities.</p>	<p>2022 AAR (Page 43)</p>	<p>PPM replied to COA that they wrote a letter to BCDA requesting for the amendment of BCDA Financial Policy to include in the coverage all meals incurred during the period of travel to and from the place of business meetings but</p>	<p>Implemented.</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
		upon verification, PPMC complied with the recommendation and stopped paying reimbursement of meal expenses claimed and incurred by BOD members on dates when there are no official business activities.	
<p>10. Transportation expenses amounting to ₱148,652.24 representing costs of fuel were reimbursed to members of the BOD notwithstanding the board meetings were conducted online using the zoom platform, the place of meetings were in close proximity with their residence and employment and the inconsistency of details appearing in the invoices used to support their claims, contrary to PD No. 1445 and COA Circular 2012-001 dated June 14, 2012, thereby affecting the necessity, validity, and legality of the transactions.</p> <p>We recommended that Management:</p> <p>a. Justify the following:</p> <p>i. Payment of fuel reimbursements despite board meetings online</p>	<p>2022 AAR (Page 45)</p>	<p>The PPMC replied to COA that they wrote a letter to the BCDA requesting for the</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>through zoom platform;</p> <p>ii. Payment of fuel reimbursements ranging from ₱2,500.00 to ₱3,000.00 to a member of the BOD who at the same time organic employee of the Corporation;</p> <p>iii. Payment of fuel reimbursements ranging from ₱1,500.00 to ₱3,500.00 to a member of the BOD who resides in the same barangay as the Corporation;</p> <p>b. Cause the refund of transportation expenses amounting to ₱148,652.24</p>		<p>amendment of BCDA Financial Policy to include this in its coverage but upon verification, the PPMC already stopped paying fuel reimbursements for claims by the members of the BOD who attended meetings virtually.</p> <p>The BCDA replied and denied the request of the PPMC. The Management committed to discontinue the practice</p>	<p>Implemented</p> <p>Implemented</p> <p>Not Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>representing the costs of fuel reimbursed to members of the Board of Directors.</p>			
<p>11. Hotel accommodations on account of attending board meetings totaling ₱130,500.00 were provided to members of the BOD who are officially residing within the Region where board meetings are held, contrary to COA Circular 2012-001 dated June 14, 2012, and BCDA RPGRE dated October 25, 2017, thereby rendering the transactions irregular expenditures.</p> <p>We recommended that Management cause the refund of ₱130,500.00 costs of hotel accommodations paid by the Corporation for members of the BOD who reside within the Region where board meetings are held.</p>	<p>2022 AAR (Page 47)</p>	<p>The PPMC replied to COA that they wrote a letter to the BCDA requesting for the amendment of the BCDA Financial Policy to include in the coverage the hotel accommodation of directors within the region but upon verification, the PPMC already stopped providing accommodations for members of the BOD who reside within the Region where board meetings are held.</p> <p>The BCDA replied and denied the request of the PPMC. The Management</p>	<p>Implemented</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
		committed to discontinue the practice.	
<p>12. 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.</p> <p>We recommended that Management direct the Finance Officer to:</p> <p>a. Send a demand letter to the concerned employees/officials to enforce collection of the amounts due from them.</p>	AAR CY 2021 (page 32)	The authority to collect through salary deduction was already signed by the concerned personnel.	Implemented
<p>13. 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,</p>	2019 AAR Page 27		

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>2018. Likewise, several damages were noted during technical inspection.</p> <p>We reiterated the prior years' 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 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</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 letter to PPMC dated July 22, 2021 which includes the following: a) For the PPMC to revise the Contract Price of the project by using its own figures and denying WERR's proposed amounts; b) For the PPMC to terminate the contract with WERR due</p>	<p>Not Implemented</p> <p>The project remains unfinished. No legal action yet was initiated against the contractor.</p> <p>Not Implemented</p> <p>The PPMC's completion of documents needed by BCDA for the release of Retention Money to be used in the repair of damaged gazebos and other items</p>

Observation and Recommendation	Reference	Action Taken by Management	Result of Auditor's Validation
<p>period covering May 31, 2016 to the actual completion or termination;</p>		<p>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 the the PPMC to deduct liquidated damages from the remaining collectibles of WERR; d) For the 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 the PPMC to use retention money to replace the damaged items in the Baywalk, and: f) For the PPMC to recommend to the proper body the blacklisting of WERR from participating in any government procurement for one year.</p>	<p>inside the Poro Point Baywalk still on-going.</p>

PORO POINT MANAGEMENT CORPORATION
San Fernando City, La Union

STATEMENT OF CASH FLOW
All Funds

For the year ended December 31, 2023

	2023	2022
Cash Flow from Operating Activities		
Cash Inflow		
Collection of Income/Revenue	93,097,032.80	81,575,137.31
Collection of Receivables	11,590,416.03	34,110,592.63
Receipt of Inter-agency Fund Transfers	3,221,948.16	21,891,033.32
Receipt of proceeds from termination of investment account	40,030,311.11	40,835,947.73
Total Cash Inflow	147,939,708.10	178,412,710.99
Cash Outflow		
Payment of Expenses	74,493,264.11	68,586,740.97
Purchase of Inventories	1,564,509.29	799,760.40
Payment of Accounts Payable	7,866,512.76	26,238,988.29
Remittance of Personnel Benefit Contributions and Mandatory Deductions	12,923,232.45	5,906,619.29
Adjustments	60,000,000.00	60,000,000.00
Total Cash Outflow	156,847,518.61	161,532,108.95
Net Cash Provided by (used in) Operating Act.	(8,907,810.51)	16,880,602.04
 Cash Flow from Investing Activities		
Cash Inflow		
Receipt of Interest Earned	496,992.40	539,594.03
Cash Outflow		
Purchase/Construction of Investment Property	3,577,472.66	20,957,765.56
Purchase/Construction of Property, Plant and Equipment Capital Expenditure projects	51,500.00	1,767,542.51
Total Cash Outflow	3,628,972.66	22,725,308.07
Net Cash Provided by (used in) Investing Activities	(3,131,980.26)	(22,185,714.04)
 Cash Flow from Financing Activities		
Cash Inflow		
Capex from BCDA	-	-
Cash Outflow		
Payment of Dividends	3,806,154.16	8,624,351.25
Net Cash Provided by (used in) Financing Activities	(3,806,154.16)	(8,624,351.25)
 Net Increase in Cash and Cash Equivalents	(15,845,944.93)	(13,929,463.25)
 Add: Cash and Cash Equivalents, Beginning	24,414,311.69	38,343,774.94
 Cash and Cash Equivalents, Ending	8,568,366.76	24,414,311.69

PORO POINT MANAGEMENT CORPORATION
San Fernando City, La Union

STATEMENT OF COMPREHENSIVE INCOME

All funds

For the Year Ended December 31, 2023

	Note	2023	2022
INCOME			
Service and Business Income	20	<u>97,177,573.59</u>	<u>82,227,857.19</u>
EXPENSES			
Personnel Services	21	59,040,291.51	55,496,035.09
Maintenance and Other Operating Expenses	22	18,290,953.06	15,186,329.90
Non-Cash Expenses	23	1,424,641.75	1,575,612.44
TOTAL EXPENSES		<u>78,755,886.32</u>	<u>72,257,977.43</u>
PROFIT/LOSS BEFORE TAX		<u>18,421,687.27</u>	<u>9,969,879.76</u>
Income Tax Expense/Benefit		4,438,304.22	2,357,571.43
PROFIT/LOSS AFTER TAX		<u>13,983,383.05</u>	<u>7,612,308.33</u>
Net Assistance/Subsidy/(Financial Assistance/Subsidy)		-	-
NET INCOME		<u>13,983,383.05</u>	<u>7,612,308.33</u>

See Accompanying Notes to Financial Statements

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PORO POINT MANAGEMENT CORPORATION

San Fernando City, La Union

STATEMENT OF FINANCIAL POSITION

All Funds

As at December 31, 2023

	Note	2023	2022
ASSETS			
Current Assets			
Cash and Cash Equivalents	3	8,568,366.76	24,414,311.69
Investments	4	80,773,689.53	60,194,133.33
Receivables	5	16,803,797.69	6,516,883.31
Inventories	6	844,246.47	766,176.50
Other Current Assets	7	2,333,247.89	1,887,422.46
Total Current Assets		109,323,348.34	93,778,927.29
Non-Current Assets			
Investments	8	15,015,000.00	15,015,000.00
Investment Property	9	96,647,923.90	107,204,123.83
Property, Plant and Equipment	10	7,698,054.70	9,030,819.54
Other Non-Current Assets	11	-	1,254,265.39
Total Non-Current Assets		119,360,978.60	132,504,208.76
TOTAL ASSETS		228,684,326.94	226,283,136.05
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	25,392,014.73	12,272,622.72
Inter-Agency Payables	13	65,765,184.73	82,795,907.06
Intra-Agency Payables	14	1,825,391.38	-
Trust Liabilities	15	8,622,157.66	1,864,405.02
Other Payables	16	79,761.35	9,793,145.69
Total Current Liabilities		101,684,509.85	106,726,080.49
Non-Current Liabilities			
Inter-Agency Payables	17	13,411,809.51	18,437,109.76
Total Non-Current Liabilities		13,411,809.51	18,437,109.76
TOTAL LIABILITIES		115,096,319.36	125,163,190.25
EQUITY			
Stockholders' Equity	18	83,143,720.23	83,143,720.23
Retained Earnings/(Deficit)	19	30,444,287.35	17,976,225.57
Total Equity		113,588,007.58	101,119,945.80
TOTAL LIABILITIES AND EQUITY		228,684,326.94	226,283,136.05

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, 2023

	Notes	2023	2022
Share Capital			
Balance at Beginning of the Period			
Authorized, issued and fully paid 800,000 shares, P100.00 par value		68,143,720.23	68,143,720.23
Balance at End of the Period		<u>68,143,720.23</u>	<u>68,143,720.23</u>
Other Equity Investments			
Balance at Beginning of the Period		15,000,000.00	15,000,000.00
Additions		-	-
Deductions		-	-
Balance at End of the Period		<u>15,000,000.00</u>	<u>15,000,000.00</u>
Retained Earnings			
Balance at Beginning of the Period		17,976,225.57	22,181,794.09
Correction of prior year's errors	19	<u>2,290,832.89</u>	<u>(3,193,525.60)</u>
As restated		20,267,058.46	18,988,268.49
Dividends	24	<u>(3,806,154.16)</u>	<u>(8,624,351.25)</u>
Net Income (Loss)		<u>13,983,383.05</u>	<u>7,612,308.33</u>
Balance at End of the Period		<u>30,444,287.35</u>	<u>17,976,225.57</u>
TOTAL EQUITY		<u>113,588,007.58</u>	<u>101,119,945.80</u>

See Accompanying Notes to Financial Statements