



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

ANNUAL AUDIT REPORT

on the

PHILIPPINE RETIREMENT AUTHORITY

For the Year Ended December 31, 2012

**PHILIPPINE RETIREMENT AUTHORITY
ANNUAL AUDIT REPORT FOR CY 2012**

EXECUTIVE SUMMARY

Introduction

The Philippine Retirement Authority (PRA), with business address at 29th floor, Citibank Tower, 8741 Paseo de Roxas, Makati City is a 100 percent government-owned and controlled corporation domiciled in the Republic of the Philippines.

Executive Order No. 1037 dated July 4, 1985 created the Philippine Retirement Park System, a corporate body tasked primarily to develop and promote the Philippines as a retirement haven providing the best quality of life for targeted retirees. It also aims to accelerate the social economic development of the country and at the same time strengthen its foreign exchange position. To fully reflect the nature of its operation, the Board of Trustees (BOT), in its Resolution No. 003 dated July 30, 1985, approved the change of its corporate name to Philippine Retirement Authority (PRA). On August 31, 2001, through Executive Order No. 26, the control and supervision of PRA was transferred from the Office of the President to the Board of Investments.

PRA is mandated to attract foreign nationals and former Filipino citizens to retire, invest and reside in the Philippines, with a vision to make our country a leading and significant destination for the world's retirees, seniors and elderly. PRA recommends to the Bureau of Immigration (BI), the issuance of Special Resident Retirees Visa (SRRV), a multiple- entry visa with limited tax-free privileges, to all qualified foreigners and former Filipinos who wish to make the Philippines their second home.

With the passing of Tourism Act of 2009, also known as Republic Act (RA) 9593 on May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry to the Department of Tourism. Formal turn-over ceremony was held at Malacañang Palace on March 10, 2010.

On October 22, 2010, in its 245th meeting, the BOT approved the new product offerings described and labeled as Simplified and Simple, Marketing-oriented, Integrated, Long-lasting and Efficient (SMILE), Diplomats Retirement Product, Long-stay Trial Retirement Product, Human Touch, Retirement Areas Deemed as Retirement-Friendly (RADAR), Services with a Smile (SWS), Deposit Management and Allied Services and Retirement Public-Private Partnerships. After the implementing guidelines have been published by the UP Law Center, the SMILE program was officially launched on May 5, 2011.

On June 8, 2011, a Memorandum of Agreement (MOA) was entered into by and between PRA and the Development Bank of the Philippines (DBP), making DBP as the only authorized depository bank for the requisite visa deposit of the member-retirees.

Although the member-retirees prior to the implementation of the SMILE program were enrolled under a different product portfolio, their contracts continue to be honored and they were given the option thru migration to the SMILE program.

At the beginning of the year, PRA has a total of 18,210 retiree-members, 9,320 of whom are principals and the remaining 8,890 are dependents. However, a cumulative total of 3,246 have enrolled during the year while 673 members have cancelled their membership, leaving a total of 20,783 members as at the end of CY 2012, consisting of 10,639 principal and 10,144 dependents.

As at year end, there are 120 accredited marketers, who contributed significantly to the total enrollment by 1,409 members as against the 209 walk-in clients during the year. PRA had likewise accredited retirement facilities and merchant partners composed of hotels, medical and dental facilities, travel agencies, resorts, car rentals, spa and wellness services, remittance service, etc. Upon accreditation, these merchant partners are tapped to service the needs of PRA's member-retirees nationwide. Aside from DBP, PRA still maintains partnership with 13 private banks who service the investment requirement of member-retirees who enrolled prior to the implementation of the SMILE program.

For purposes of bringing PRA closer to its member-retirees as well as stimulating local governments and private sectors to be actively involved in the retirement industry, PRA established satellite offices in the following areas:

Area	Address
Baguio	PRA Baguio Satellite Office Unit 8 Building 3, Nevada Square #2 Loakan Road, Baguio City
Clark-Subic	Clark-Subic Satellite Office Phil-Kansai Building #363 First Street, Balibago, Angeles City
Cebu	Shop No. 7, 2 nd Level, Waterfront Hotel No. 1 Salinas Drive, Lahug, Cebu City
Davao	2 nd floor The Royal Mandaya Hotel J. Palma Gil St., Davao City

The present PRA administration is headed by General Manager Veredigno P. Atienza while the policy-making body of PRA is the Board of Trustees (BOT), composed of the following ex-officio Members:

Position	Name	Representative/Alternate
Chairman	Hon. Ramon R. Jimenez, Jr. Secretary, Department of Tourism (DOT)	
Vice-Chairman	Hon. Veredigno P. Atienza General Manager, PRA	
Member	Hon. Ricardo A. David, Jr. Commissioner, Bureau of Immigration (BI)	Hon. Siegfred B. Mison Associate Commissioner, BI
Member	Hon. Amando M. Tetangco, Jr. Governor, Bangko Sentral ng Pilipinas (BSP)	Hon. Juan J. De Zuñiga, Jr. Deputy Governor, BSP
		Hon. Evelyn R. Cajigal Director, Legal Services, DOT

Financial Highlights

For the year 2012, PRA generated a gross income of P338.613 million and incurred operating expenses of P128.232 million. Net income after tax reached P127.000 million as at year end.

PRA contributed to the financial position of the government through the payment of income taxes amounting to P63.114 million and the remittance of dividends to the National Treasury amounting to P85.268 million.

Also, PRA accumulated a total amount of US\$47.828 million visa deposits placed at DBP by the end of the year, net of pre-termination caused by the discontinuance of SRRV applications, cancellation of membership from the program, withdrawals of excess deposits and conversions into active investments.

Scope of Audit

The audit covered the operations of PRA for CY 2012. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgment, including the assessment of the risks and material misstatement of the financial statements, whether due to fraud or error.

State Auditor's Report on the Financial Statements

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the PRA for the year 2012 for reasons stated in the Independent Auditor's Report in Part I of the Report.

Summary of Significant Audit Observations and Recommendations

- 1. The year-end balances of the Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits in the amount of P2,041.751 million and P2,032.523 million respectively were not reconciled showing a variance of P9.228 million thereby casting doubts on the accuracy of the balances of the said accounts in the Financial Statements (FS). Likewise, both balances were understated in the FS by P85.183 million due to double recording of withdrawals of retirees' deposits.**

Recommendations:

- a. Instruct DBP to transfer all interests earned from matured visa deposits to the Authority's dollar savings account so that the balance of the Cash Deposits from Retirees-Restricted account will reflect the accurate total visa deposits of retirees as of balance sheet date;
- b. Prepare a journal entry voucher reclassifying the entry made amounting to P9.228 million from Cash Deposits from Retirees-Restricted to Cash in Bank-DBP Dollar Savings Account since the former represents the visa deposits only of the retirees;
- c. Draw a JEV to correct the entries made on the double recording of withdrawals on retirees' visa deposits amounting to P85.183 million; and
- d. Assign a responsible official/employee of the Authority to regularly monitor and review the processes of retirees' visa deposits so that errors/variance mentioned above shall be avoided.

- 2. PRA's inability to recognize the effects of changes in foreign exchange rates on the required visa deposits or investment requirements of retirees/members placed at the DBP at reporting date in the amount of P52.013 million resulted in the overstatement of the Cash Deposits from Retirees-Restricted and the corresponding Funds Held in Trust-Retirees' Deposits accounts.**

Recommendations:

- a. Record retirees placements/investments (on initial recognition) at an exchange rate at the date of transaction;
- b. Translate foreign currency denominated transactions at the exchange rate at balance sheet/reporting date and recognize the effects of changes in foreign exchange rates

between the transaction date and balance sheet date. The exchange difference amounting to P52.013 million should be recorded in the books as follows:

Funds Held in Trust-Retirees' Deposits	P52,012,618.35
Cash Deposits from Retirees-Restricted	P52,012,618.35

- c. Record withdrawals of retirees' placements/investments using the foreign exchange rate at the date of the transaction.

3. Unreleased checks of the Authority as of year-end amounting to P3.793 million were not restored to the Cash in Bank and appropriate payable/liability accounts contrary to Sections 2.3 and 2.4 of GAFMIS Circular Letter No. 2002-001 dated December 16, 2002.

Recommendations:

- a. Prepare a JEV to record the entry for the restoration of cash equivalent to the unreleased checks and recognition of the payable/liability accounts at the end of the year; and
- b. A reversing entry to restore the cash and appropriate payable/liability accounts to the correct balances at the start of the ensuing year.

4. The granting and liquidation of cash advances were inconsistent with COA Circular Nos. 97-002 dated February 10, 1997 and 2009-002 dated May 18, 2009.

Recommendations:

- a. Comply with COA Circular No. 97-002 on the grant of cash advance and discontinue the grant of additional cash advance to accountable officers with unsettled/unliquidated previous cash advances;
- b. Require the submission of an estimate or breakdown of expenditures which are realistic enough (with only about 10 per cent contingency) and duly approved by the official concerned to serve as the basis of the amount of cash advance to avoid the risk of mishandling unutilized cash advance; and
- c. Demand for the immediate liquidation and settlement of all unliquidated cash advances pursuant to COA Circular No. 97-002.

5. The liquidation report by the Department Manager (DM) - Marketing relative to her foreign travel from June 19 to July 4, 2011 was not supported with official receipts to establish validity of expenses in the amount of \$14,500 equivalent to P631,112.50.

Recommendation:

Direct the DM-Marketing to submit the official receipts issued by the concerned hotels or by the Department of Tourism for payment of the cocktails sponsored by PRA to support the full liquidation of her cash advance.

- 6. Fund utilization of ₱128.232 million for calendar year 2012 exceeded the budgeted expenditures of ₱125.924 million by ₱2.308 million, while expenses amounting to ₱2.029 million were not included in the budget and the amount of ₱23.818 million were grossly under utilized.**

Recommendation:

- a. Limit expenditures within the budget and justify the negative variance between the actual utilization and approved budget. Request for a realignment of the budget or submit a supplemental budget to the DBM and implement strictly the approved/realigned budget;
 - b. Stop the practice of setting overly high expense projections particularly those expenses which are the fund sources of the CNA incentive in order to earn savings for purposes of granting the CNA; and
 - c. Require the accounting and budget division to closely monitor the utilization of funds and prepare periodic reports to assess whether funds were utilized as budgeted.
- 7. Taxes deducted and withheld by the Authority were not remitted fully to the Bureau of Internal Revenue (BIR) contrary to the provisions of the National Internal Revenue Code (NIRC) of 1997 (as amended) on the remittance of taxes.**

Recommendation:

- a. Ensure that all taxes deducted and withheld are fully remitted on the prescribed period; and
 - b. Strictly adhere with the laws, rules and regulations on the remittance of taxes withheld in accordance with the provisions of the NIRC, to avoid payment of penalty or surcharges by the accounting official.
- 8. The non-adherence with the fundamental principles on government transactions, breakdown in internal control on segregation of incompatible functions and non-maintenance of the books of accounts were contrary to Sections 4 and 114, of PD 1445, resulting in disbursements which were not approved and supported with necessary documents and were suspended in audit amounting to P1.986 million and delayed submission of financial statements thereby affecting the timely delivery of audit services.**

Recommendation:

- a. Maintain complete set of books of accounts at all times to establish correctness, accuracy and reliability of the accounts reflected in the financial statements pursuant to Sections 114 and 121, PD 1445;
- b. Comply with the fundamental principles on government transactions pursuant to Section 4, PD 1445;
- c. Observe the purpose for which the petty cash fund was established such that all small amount of disbursements shall be taken from the petty cash fund;

- d. Submit financial statements together with complete files of DVs/JVs/LVs/ORs, missing JVs and/or DVs including supporting documents;
 - e. Require that DVs are duly approved before issuance of checks;
 - f. Assign another personnel to do the bookkeeping and preparation of financial statements;
 - g. Ensure that the basic requirements of internal control on segregation of incompatible functions are observed so that no one person shall be in complete control of/has access to assets and records, authorization and execution of transactions; and
 - h. Establish controls in the recording of transactions so that all transactions recorded must always be signed/approved by the Accountant.
- 9. Validity of the payments made for 2011 CNA Incentive paid in 2012 could not be established since it was not fully supported with documents provided under Sections 3.1, 3.2.1, 3.2.2, 3.2.3, 3.6 and 3.7 of DBM Budget Circular No. 2011-5 dated December 26, 2011. Moreover, the agency fee collected from non-employees' association members and accredited union members were not the same as reviewed by the Civil Service Commission (CSC).**

Recommendations:

- a. Comply with the CSC rules and regulations authorizing the grant of benefits to avoid confusion/conflict vis-à-vis CNA Incentives particularly on the computation of agency fee; and
- b. Submit reports on accomplishments, schedules of savings generated, copy of MFO, OPIF and an annual report on the total expenditure for CNA Incentive submitted to the DBM in compliance with the provisions stated under DBM Budget Circular No. 2011-5 particularly Sections 3.1 and 3.2.1; 3.2.2,s 3.2.3 and 3.6.

Status of Implementation of Prior Years' Audit Recommendations

Of the 27 prior years' audit recommendations embodied in the previous year's Annual Audit Report, 5 were implemented, 8 were partially implemented and 14 were not implemented.

COA Audit Team Composition

The Philippine Retirement Authority is audited by Audit Group D, Team I namely:

ROSALIE D. SARMIENTO

State Auditor IV
OIC-Supervising Auditor

ALEMIE N. GALVAN

State Auditor III
Audit Staff

Part I
Audited Financial Statements

Part II

A. Comments and Observations

A.1 Audit Observations and Recommendations

B. Status of Implementation of Prior Year's Audit Recommendations



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES

Philippine Retirement Authority
Makati City

We have audited the accompanying financial statements of the Philippine Retirement Authority (PRA), which comprise the balance sheet as of December 31, 2012, and the statement of income and expenses, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Part IIA – Comments and Observations, we considered the following in forming our audit opinion:

1. The year-end balances of the Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits in the amount of ₱2,041.751 million and ₱2,032.523 million respectively were not reconciled showing a variance of ₱9.228 million thereby casting doubts on the accuracy of the balance of the said accounts in the Financial Statements (FS). Likewise, both balances were understated in the FS by ₱85.183 million due to double recording of withdrawals of retirees' deposits.
2. PRA's inability to recognize the effects of changes in foreign exchange rates on the required visa deposits or investment requirements of retirees/members placed at the DBP at reporting date in the amount of ₱52.03 million resulted in the overstatement of the Cash Deposits from Retirees-Restricted and the corresponding Funds Held in Trust – Retirees' Deposits accounts.
3. Unreleased checks as of year-end amounting to ₱3.793 million were not restored to the Cash Balance and appropriate payable/liability accounts contrary to Sections 2.3 and 2.4 of COA GAFMIS Circular No. 2002-001 dated December 16, 2002.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Philippine Retirement Authority as of December 31, 2012, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT


ROSALIE D. SARMIENTO
OIC, Supervising Auditor
Audit Team D
Cluster C
Corporate Government Sector

June 30, 2013

PHILIPPINE RETIREMENT AUTHORITY
BALANCE SHEET
December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Notes	2012	2011
ASSETS			
<u>Current Assets</u>			
Cash and cash equivalents	2a & 3	552,109,171	506,505,357
Investments - Current	5	120,000,000	75,000,000
Receivables - Net	2b & 4	25,683,918	26,900,831
Prepaid expenses	6	2,507,627	2,984,186
Interests receivable		2,024,776	2,165,000
Inventories	7	2,271,531	1,921,611
Due from officers/employees-current		14,455.00	636,323
Other current assets	8	1,631,977	1,386,020
		706,243,455	617,499,328
<u>Non-current Assets</u>			
Cash Deposits from Retirees - Restricted	16	2,041,751,362	643,552,901
Investments -Non Current	5	73,164,116	167,507,379
Property and equipment - Net	2c & 9	37,026,392	41,686,367
Receivables-disallowances and charges		1,335,662	1,335,662
Due from officers/employees-prior years		1,148,344	1,137,225
Other receivables	10	169,600	584,557
		2,154,595,476	855,804,091
TOTAL ASSETS		2,860,838,931	1,473,303,419
LIABILITIES AND EQUITY			
<u>Current Liabilities</u>			
Inter-agency payables	11	98,069,054	162,291,720
Deferred credits	12	46,052,873	31,044,849
Accounts payable		16,743,539	13,336,105
Due to officers and employees		4,315,710	3,617,375
DBP Consolidated Interest Payable		1,897,333	
Other payables		316,426	302,728
Due to other funds		37,559	7,081
<u>Trust Liabilities</u>			
Funds held in trust - retirees' deposits	16	2,032,523,361	643,552,901
LIABILITIES		2,199,955,855	854,152,759
Paid-in capital/equity		63,217,089	63,217,089
Retained earnings		597,665,987	555,933,571
EQUITY		660,883,076	619,150,660
TOTAL LIABILITIES AND EQUITY		2,860,838,931	1,473,303,419

The notes on pages 9 to 17 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENT OF REVENUE AND EXPENDITURES
For the Year Ended December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Notes	2012	2011
INCOME			
<u>Income from operations:</u>	2d		
Management/Conversion fees		142,524,595	175,856,686
Passport and visa application fees		111,105,675	89,945,928
Annual PRA Fees		51,435,936	-
Inspection/Visitorial fees		25,106,198	26,628,649
ID/Registration fees		5,576,216	7,143,245
Affiliation/Accreditation fees		1,562,892	1,464,656
Processing/Service fees		848,974	972,481
Other service income		333,661	478,546
Gross income		338,494,147	302,490,191
OPERATING EXPENSES			
	Sch. 1		
Personal services		25,281,619	18,739,532
Maintenance and other operating expenses		102,938,876	86,865,425
Financial expenses - bank charges		11,433	16,087
Total operating expenses		128,231,928	105,621,044
TOTAL OPERATING INCOME		210,262,219	196,869,147
<u>Other Income (Expense):</u>			
Interest income - Regular		15,114,948	14,052,523
Interest Income - DBP Dollar Placements		7,740,030	-
Miscellaneous Income		119,235	96,769
Gain / (Loss) on foreign exchange	14	(43,121,905)	(1,017,607)
NET INCOME BEFORE TAX		190,114,527	210,000,832
Income tax		(63,114,436)	(59,089,775)
NET INCOME AFTER TAX		127,000,091	150,911,057

The notes on pages 9 to 17 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Note	Paid-in-capital/ Equity	Retained Earnings	Total Equity
Balance, January 1, 2011		63,217,089	553,158,359	616,375,448
Net Income for the FY 2011		-	150,911,057	150,911,057
Dividends payable for FY 2010 & 2011	13	-	(148,135,845)	(148,135,845)
Balance, December 31, 2011		63,217,089	555,933,571	619,150,660
Net Income for the FY 2012		-	127,000,091	127,000,091
Dividends payable for FY 2012	13	-	(85,267,675)	(85,267,675)
Balance- As of December 31, 2012		63,217,089	597,665,987	660,883,076

PHILIPPINE RETIREMENT AUTHORITY
CASH FLOW STATEMENT
For the Year Ended December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Notes	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of income		329,682,346	278,044,714
Collection of receivables		22,766,428	23,867,021
Gain on foreign exchange	14	12,294,433	26,635,347
Interest Income		12,090,337	14,426,294
Receipt of trust liabilities		1,617,687	2,356,438
Receipt of Payables		13,746	-
Payment of guaranty deposits		(1,783,576)	-
Remittance of GSIS/Pag-IBIG/withholding taxes/others		(1,802,534)	(15,295,668)
Purchase of office supplies		(1,914,699)	(1,583,627)
Release of cash advances (Due from officers/employees)		(3,425,916)	(3,130,508)
Payment of payables		(10,589,751)	(63,932,207)
Loss on foreign exchange	14	(47,715,163)	(28,928,237)
Payment of income tax		(55,535,348)	(36,742,572)
Payment of operating expenses		(100,698,231)	(71,644,087)
Payment of Dividends	13	(148,135,845)	(86,461,415)
Receipt of guaranty deposits		0	2,106,968
Reversion of outstanding checks		0	121,393
Excess payment of dues		0	3,960
Net cash provided by operating activities		6,863,914	39,843,814
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investment in bonds and high yield deposits		38,740,000	(45,469,387)
Purchase of property and equipment:			
Library books		(100)	-
Office equipment		0	(1,900)
Other structures		0	(71,129)
Information technology (IT) equipment and software		0	(400,626)
Net cash provided by/(used in) investing activities		38,739,900	(45,943,042)
NET INCREASE IN CASH AND CASH EQUIVALENTS		45,603,814	(6,099,228)
CASH AND CASH EQUIVALENTS, BEGINNING		506,505,357	512,604,585
CASH AND CASH EQUIVALENTS, ENDING	2a & 3	552,109,171	506,505,357

The notes on pages 9 to 17 form part of these financial statements.

Schedule 1

PHILIPPINE RETIREMENT AUTHORITY
SCHEDULE OF OPERATING EXPENSES
For the Year Ended December 31, 2012
(With corresponding figures for 2011)
(In Philippine Peso)

	Note	2012	2011
PERSONAL SERVICES			
Salaries and wages-regular		16,510,391	12,382,199
Other Compensation:			
Year-end bonus		1,424,701	1,038,719
Personnel economic relief allowance (PERA)		901,782	804,895
Representation allowance (RA)		772,833	681,051
Transportation allowance (TA)		543,799	681,051
Other bonuses and allowances		744,580	540,000
Cash gift		187,500	153,000
Clothing/uniform allowance		176,260	128,000
Personnel Benefit Contributions:			
Life and retirement insurance contributions		1,976,890	1,482,487
PHILHEALTH contributions		143,542	130,262
PAG-IBIG contributions		45,392	40,606
ECC contributions		45,392	40,600
Other Personnel Benefits:			
Monetization of leave credits		1,808,557	636,662
Total personal services		25,281,619	18,739,532
MAINTENANCE AND OTHER OPERATING EXPENSES			
Other MOOE - Marketers Fee		28,216,707	21,712,190
Other MOOE-Bureau of Immigration fees		18,692,693	12,864,730
Advertising Expenses		17,232,913	5,302,969
General services		8,231,336	10,177,759
Rent Expenses		6,994,934	4,377,553
Travelling expense - foreign		3,469,409	2,554,719
Representation expenses		1,930,997	3,115,696
Auditing services		1,793,312	1,628,300
Other MOOE-medical		1,593,399	1,505,665
Office supplies expense		1,523,653	2,108,096
Depreciation - office building		1,463,994	1,534,079
Depreciation - motor vehicles		1,281,281	1,426,141
Membership dues and contributions to organizations	15	1,161,715	1,410,756
Depreciation - IT equipment		1,117,080	1,637,145
Internet expenses		848,809	749,153
Postage and delivery expenses		696,461	714,063
Promotional supplies expenses		762,105	202,368
Telephone expenses-landline		598,123	633,440
Electricity expenses		550,107	704,642
Travelling expense - local		450,695	262,473
Gasoline, oil and lubricants expense		418,178	650,056
Bad debts expense		413,355	7,828,618

Telephone expenses-mobile	367,321	366,920
Repairs and maint.-leasehold improvements, bldg.	347,982	125,431
Depreciation - furniture & fixtures	301,488	303,273
Insurance expense	263,559	269,289
Depreciation - other PPE	245,817	255,514
Security services	239,983	234,487
Legal services	229,415	112,210
Other MOOE - Persistency Bonus	220,529	-
Repairs and maintenance - motor vehicles	217,415	498,266
Transportation and delivery expenses	175,860	90,211
Depreciation - office equipment	158,456	239,930
Training expenses	158,143	328,894
Repairs and maintenance - office equipment	127,987	316
Fidelity bond premiums	104,109	89,268
Cultural and athletic expenses	78,047	9,940
Extraordinary expenses	61,815	106,368
Subscription expenses	60,666	64,242
Depreciation - other equipment	52,406	62,729
Depreciation - Leasehold Improvement	34,800	-
Taxes, duties and licenses	17,647	27,273
Printing and binding expenses	15,063	-
Cable, satellite, telegraph and radio expenses	13,200	12,100
Depreciation - Other Structure	4,152	-
Repairs and maintenance - IT equipment	1,760	197,151
Donations	-	290,035
Other MOE-NBI	-	69,485
Other professional services	-	11,482
Total maintenance and other operating expenses	102,938,876	86,865,425
Financial expenses:		
Bank charges	11,433	16,087
TOTAL OPERATING EXPENSES	128,231,928	105,621,044

The notes on pages 9 to 17 form part of these financial statements.

PHILIPPINE RETIREMENT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Pesos unless otherwise stated)

1. General Information

Executive Order No. 1037 dated July 4, 1985 created the Philippine Retirement Park System, a corporate body tasked primarily to develop and promote the Philippines as a retirement haven providing the best quality of life for targeted retirees. It also aims to accelerate the social economic development of the country and at the same time strengthen its foreign exchange position.

To fully reflect the nature of its operation, the Board of Trustees, in its Resolution No. 003 dated July 30, 1985, approved the change of its corporate name to Philippine Retirement Authority (PRA).

PRA recommends to the Bureau of Immigration (BI), the issuance of Special Resident Retirees Visa (SRRV), a multiple-entry visa with limited tax-free privileges, to all qualified foreigners and former Filipinos who wish to make the Philippines their second home.

With the passing of Tourism Act of 2009, also known as Republic Act (RA) 9593 last May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry to the Department of Tourism. Formal turn-over ceremony was held at the Malacañang Palace on March 10, 2010.

On October 22, 2010, in its 245th meeting, the BOT approved the new product offerings described and labeled as SMILE, Diplomats Retirement Product, Long-stay Trial Retirement Product, Human Touch, RADAR, Services with a Smile (SWS), Deposit Management and Allied Services and Retirement Public-Private Partnerships as embodied under Board Resolution No. 24 series of 2010.

As approved, the SMILE retirement product requires a visa deposit of US\$20,000 for retiree-applicants who are 35 years old and above while the required visa deposit of Ambassadors, members of international organizations and former Filipino citizens are maintained at US\$1,500. Such deposits are non-withdrawable except when the retiree leaves and/or withdraws from the program.

On June 8, 2011, a Memorandum of Agreement was entered into by and between PRA and the Development Bank of the Philippines (DBP), making DBP as the only authorized depository bank for the requisite visa deposit of the retiree-members under the new product offerings. Under the MOA, the DBP shall accept the requisite deposit for the account of PRA primarily from foreign currency funds inwardly remitted to the Philippines by the qualified retiree for which a certification of inward remittance for each retiree shall be issued and submitted by DBP to PRA.

2. Summary of Significant Accounting Policies

a. Cash and cash equivalents

The Authority considers all highly liquid debt instruments with maturity of three months or less from date of acquisition to be cash equivalents.

b. Provision for doubtful accounts

This is provided for visitorial fees receivable, pertaining to accounts of member-retirees considered delinquent, that is, if it is outstanding/unpaid for three consecutive years. Provision was also made for the following accounts:

b.1. Accreditation fee of marketers who opted not to renew their accreditation with PRA after the one-year expiration period;

b.2. Management fees from Bankwise, Inc. (Note 10).

c. Property and equipment

Property and equipment are carried at cost less accumulated depreciation. Significant improvements and renewals, including incidental costs are capitalized. The straight-line method of depreciation is being used based on the estimated life of the assets less ten percent residual/scrap value in accordance with the New Government Accounting System as follows:

<u>Assets</u>	<u>Estimated Life</u>
Office building	30 years
Office equipment	5 years
Furniture and fixture	10 years
IT and software	5 years
Library books	7 years
Technical and scientific equipment	10 years
Motor vehicle	7 years

d. Income recognition

The modified accrual method is used in recognizing income.

3. Cash and Cash Equivalents

This account consists of:

	2012	2011
Cash in bank-Forex, time deposits	523,145,538	435,962,550
Cash in bank-Forex, savings account LBP	26,597,175	38,909,913
Cash in bank-Peso, current account LBP Cebu Branch	809,746	1,849,726
Cash – collecting officers	648,729	1,231,831
Cash in bank-Forex, current account LBP Cebu Branch	619,424	1,443,343
Cash in bank-Forex, savings account DBP	113,897	25,383,207
Petty Cash Fund	102,394	-
Cash in bank-Peso, savings account DBP	72,268	67,492
Cash in bank-Peso, current account LBP	-	1,657,295
	552,109,171	506,505,357

4. Receivables - Net

This account consists of:

	2012	2011
<u>Current Assets:</u>		
Visitorial fees (VF)	37,716,861	38,317,627
Management fees	12,569,545	12,259,811
Harmonization fees	517,516	697,515
DBP Retirees' Deposit	0	332,528
Allowance for doubtful accounts-VF	(25,120,004)	(24,706,650)
	25,683,918	26,900,831

a. **Visitorial fees receivable** represents annual fees due from retirees who have converted their pre-requisite deposits into active investments, at the rates ranging from 0.5 to 1.5% of the total amount invested.

Since May 29, 2006, the Special Reduced Deposit (SRD) scheme was implemented, modifying the amount of required deposits as well as the visitorial fees for the conversion of deposits into active investments covered by this scheme. The minimum qualifying deposit and visitorial fee rates applicable to those enrolled under the SRD Program for the principal retiree-applicant are as follows:

Minimum Qualifying Deposit:

<u>Age</u>	<u>From</u>	<u>To</u>
35 to 49 years old	US\$ 75,000	US\$ 50,000
50 years old and above	US\$ 50,000	US\$ 20,000

Visitorial Fees:

<u>Amount of Deposit</u>	<u>Annual VF Collected</u>
<u>Converted</u> US\$ 20,000	US\$ 500 or its peso equivalent
US\$ 50,000	US\$ 750 or its peso equivalent

Retirees who had been delinquent in paying VF for more than three years were sent collection letters/notices. After three notices and the retirees still failed to pay, they were placed on a watch list published in three leading newspapers of general circulation. If after publication and the retirees still fail to remit the VF, their SRRV shall be recommended to the BI for cancellation and the receivables shall be recommended to the BOT to be written off from the books of accounts.

In the implementation of the new product offerings described in the General Information portion, the SRD Program is now referred to as "Classic".

- b. Management fees receivable** represents accruals of estimated fees due from PRA accredited banks equivalent to 1.5% of the outstanding daily balance of retirees' deposits.
- c. Harmonization fees** are amounts collected pursuant to Board Resolution No. 92 series of 2007, otherwise known as the harmonization of the old and new schemes of deposit. A management fee of 1.5% per annum is levied by PRA on the retiree in consideration for the release of the amounts in excess of the required deposit under the modified SRD scheme.

5. Investments

This account represents investments in Treasury and retail bonds, Peso high yield deposit, and Negotiable certificate of time deposit (NCTD) with maturity of three months or less from the date of placement are classified under current assets. All other investments with maturity of more than three months are treated as non-current. The other non-current investments in stocks are in golf shares of Baguio Country Club Corporation.

Details are as follows:

	2012	2011
<u>Current</u>		
Investments in high yield deposit	120,000,000	75,000,000
	120,000,000	75,000,000
<u>Non-current</u>		
Investments in NCTD	-	87,360,000
Held to maturity-investment in bonds (long term)	72,564,116	79,547,379
Investment in stocks	600,000	600,000
	73,164,116	167,507,379

6. Prepaid Expenses

This account consists of:

	2012	2011
Deferred charges	2,032,971	2,509,530
Other prepaid expenses	474,656	474,656
	2,507,627	2,984,186

7. Inventories

This account consists of:

	2012	2011
Office supplies inventory	2,187,981	1,838,061
Other office supplies	83,550	83,550
	2,271,531	1,921,611

8. Other Current Assets

This account consists of guaranty deposits or amounts deposited with service providers/suppliers to guarantee performance of obligation, such as PLDT, lessors of the buildings occupied by the Authority, and others. However, major compositions of guaranty deposits are those paid to PHILEXIM/TIDCORP and Colossus Properties for the rental of their property on the 4th and 15th floors of Citibank Center Building and Citibank Tower Building, respectively.

9. Property and Equipment - Net

The details of the account are shown below:

	Land and Building	Office/IT Equipment, Furniture, Fixtures and Others	Motor Vehicles	Total
<u>Cost:</u>				
Balance, January 1, 2012	56,503,341	26,569,625	13,789,398	96,862,364
Additions*	-	100	-	100
Disposals*	-	-	(600)	(600)
Balance, December 31, 2012	56,503,341	26,569,725	13,788,798	96,861,864

	Land and Building	Office/IT Equipment, Furniture, Fixtures and Others	Motor Vehicles	Total
<u>Accumulated Depreciation:</u>				
Balance, January 1, 2012	28,201,907	18,680,600	8,293,490	55,175,997
Additions	1,502,947	1,875,247	1,281,281	4,659,475
Disposals	-	-	-	-
Balance, December 31, 2012	29,704,854	20,555,847	9,574,771	59,835,472
Net book value, Dec. 31, 2012	26,798,487	6,013,878	4,214,027	37,026,392
Net book value, Dec. 31, 2011	28,301,434	7,889,025	5,495,908	41,686,367

*The amount of 600 represents income from sale of waste material parts of L-300 PRA vehicle with plate number SGJ 465, which was erroneously recorded as property disposal, for adjustment the following year, while the amount of 100 represents purchase of a library book.

10. Other Receivables

The account represents outstanding receivables from marketers and resigned officers and employees presented in the Balance Sheet as part of the Current Assets in previous years, subsequently classified as Non-current Assets and now provided with sufficient allowance for doubtful accounts.

Comparative figures are as follows:

	2012	2011
Management fees receivable	3,450,556	3,356,836
Other receivables	1,248,401	1,757,078
Allowance for doubtful accounts	(4,529,357)	(4,529,357)
	169,600	584,557

Management fees receivable represents dues from Bankwise, Inc., whose Memorandum of Agreement was terminated on April 10, 2006. Collection had already been endorsed to the OGCC for legal action considering that Bankwise, Inc. is now under receivership by the Philippine Deposit Insurance Corporation.

11. Inter-agency Payables

The account represents the amount of dividends payable to the Bureau of the Treasury, last quarter income tax payable to the BIR and other mandatory deductions from the salaries of officers and employees, required to be paid in 2013, consisting of:

	2012	2011
Due to Bureau of the Treasury	85,267,675	148,135,845
Due to BIR	12,340,862	14,027,951
Due to other NGAs	437,955	107,215
Due to GSIS	20,277	18,614
Due to Pag-ibig	1,448	1,508
Due to Philhealth	837	587
	98,069,054	162,291,720

12. Deferred Credits

This account consists of:

	2012	2011
Application fees	24,804,851	10,893,995
Prepaid visitorial fees	15,514,793	15,220,194
Harmonization fees	4,436,544	3,706,719
Retirees' ID	1,075,741	1,007,997
Other deferred credits	220,944	215,944
	46,052,873	31,044,849

13. Dividends Payable

Fifty per cent (50%) of the current net earnings after tax is deductible from retained earnings and payable to the Bureau of the Treasury (BTr) pursuant to Republic Act 7656. Dividends payable for CY 2010 and 2011 in the amount of 148,135,845 were paid on February 6 and December 26, 2012 amounting to 106,190,301 and 41,945,544 respectively. Dividends for FY 2012 had been estimated and booked in the amount of 85,267,675 which were fully paid on May 16, 2013.

14. Gain/ (Loss) on Foreign Exchange

Philippine Accounting Standard/International Accounting Standard 21 requires companies to determine their functional currency and measure their financial position and results of operation in that currency. The Bureau of Internal Revenue, on the other hand, requires the computation of tax liabilities based on transactions measured in Philippine peso, hence this entry, which represents the net amount of gains and losses from dollar denominated deposits, investments and other transactions of the Authority.

15. Membership Dues and Contributions to Organizations

The account represents payment of condominium and canteen dues for the 29th floor PRA-owned unit at the Citibank Tower and membership dues to the Baguio Country Club Corporation.

16. Cash Deposits from Retirees – Restricted / Funds Held in Trust – Retirees’ Deposits

These accounts represent the member’s required visa deposit held in trust for the account of the retiree-members, placed in NCTD with the DBP in the name of PRA, with maturity of one year. The balances of these accounts are equivalent to the amount of the members’ required visa deposits, net of withdrawals due to early termination for reasons of discontinuance of their SRRV application, cancellation of membership from the program, withdrawal of excess deposit or conversion of deposit into active investment.

As at year-end, the details of the account balances are as follows:

Cash Deposits	2,041,751,362
Funds Held in Trust-Retirees’ Deposit	2,032,523,361
Difference	9,228,001

The difference corresponds to the following:

Interest payable to retirees	1,897,333
Interest earned by PRA	7,330,668
Total	9,228,001

Such difference shall be adjusted accordingly the following year.

A. COMMENTS AND OBSERVATIONS

A.1 Audit Observations and Recommendation

1. **The year-end balances of the Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits in the amount of P2,041.751 million and P2,032.523 million respectively were not reconciled showing a variance of P9.228 million thereby casting doubts on the accuracy of the balances of the said accounts in the Financial Statements (FS). Likewise, both balances were understated in the FS by P85.183 million due to double recording of withdrawals of retirees' deposits.**

1.1 All qualified foreigners and former Filipinos who wish to make the Philippines their second home, pay the required visa deposits to PRA and the latter recommends to the Bureau of Immigration the issuance of the Special Resident Retirees Visa (SRRV). These visa deposits are held in trust for the account of the retirees/members and placed in Negotiable Certificate of Time Deposits with the Development Bank of the Philippines (DBP) in the name of PRA with maturity of one year. The time deposits carry a 1.75 per cent interest per annum of which 0.30 per cent accrues to the retirees.

1.2 The requisite visa deposit is remitted by the retirees to the DBP under a bank to bank scheme. Upon receipt of the Certificate of Inward Remittance issued by DBP, a journal entry voucher is drawn to record the deposit/placement made as follows:

Cash Deposits from Retirees-Restricted	xx	
Funds Held in Trust-Retirees' Deposits		xx

1.3 Upon withdrawal by the retiree of his/her visa deposit, the accounting entry at placement is just being reversed, thus, the following entry:

Funds Held in Trust-Retirees' Deposits	xx	
Cash Deposits from Retirees-Restricted		xx

1.4 Interest earned equivalent to 1.75 per cent and the appropriate share of the retiree of .30 percent on all visa deposits that mature during the month is recognized in the books at the end of the month. The accounting entry to take up interest is shown below:

Cash Deposits from Retirees-Restricted		
(Face Value X 1.75)	xx	
DBP Consolidated Interest Income-PRA		xx
DBP Consolidated Interest Payable-Retirees		xx

1.5 Normally, the balances of Cash Deposits from Retirees-Restricted and the Funds Held in Trust-Retirees' Deposits accounts should equal since these are contra accounts. As shown by the preceding entries, however, the Cash Deposits from Retirees-Restricted would reflect a higher balance than its contra account, Funds

Held in Trust-Retiree's Deposits, since the interest on visa deposits is being debited to the Cash Deposits from Retirees-Restricted account.

- 1.6 The entry made on the recognition of interest earned on visa deposits resulted in the overstatement of the Cash Deposits from Retirees-Restricted in the amount of ₱9,228,001 and disclosed a variance between Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits accounts by the same amount. Consequently, the fairness of presentation of the Cash Deposits from Retirees-Restricted account in the financial statements is affected. The said variance is shown below:

Balances, December 31, 2012

Cash Deposits from Retirees-Restricted	P2,041,751,362
Funds Held in Trust-Retirees' Deposits	<u>2,032,523,361</u>
Variance/Overstatement	<u>P 9,228,001</u>

- 1.7 Moreover, verification of the entries made on visa deposits as well as withdrawals revealed that there were withdrawals in the aggregate amount of ₱85.183million that were recorded twice. Details of the withdrawals and double recording is shown below:

Month	Dollar	Exchange Rate	Peso	Remarks
November 2011	259,970.00	43.775	11,380,186.75	The same amount of P63,209,523.96 were withdrawn and recorded under JEV Nos. 2079966 dated April, 2013
December 2011	235,012.50	43.970	10,333,499.63	
January 2012	185,400.00	43.075	7,986,105.00	
February 2012	336,268.00	42.890	14,422,534.52	
March 2012	212,369.65	42.965	9,124,462.01	
April 2012	235,136.56	42.370	9,962,736.05	
Sub-total			63,209,523.96	
July 2012	524,046.90	41.930	21,973,286.52	Also, the same amount of P21,973,286.52 were taken up under JEV Nos. 2079561 and 2079567 both dated July, 2013
Total			85,182,810.48	

- 1.8 The amount of P63.210 million represents withdrawals from November 2011 - April 2012 which were already deducted from the accumulated balance of the placements/deposits of retirees (net of withdrawals) since during this period, only a summary/schedule/list was prepared every month showing the said accumulated balance. There was no book entry made. It was only on December 31, 2011 that the accumulated balance of placements/deposits amounting to P643.553 million was reflected in PRA's books as:

Cash Deposits from Retirees-Restricted	P643,552,901
Funds Held in Trust-Retirees' Deposits	P643,552,901

In May 2012, a journal entry voucher was drawn and the amount of P63.210 million was included in the total withdrawals hence, there was a double recording of the said withdrawals. Likewise, the amount of P21.973 million was taken up twice in the books under JEV Nos. 2079561 and 2079567 both dated July, 2012 thus, the double recording of this amount also. Therefore, total double withdrawals amounted to P85.183 million.

- 1.9 The double recording of withdrawals resulted in the understatement of both the Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits accounts by ₱85.183 million.

1.10 We recommended that Management:

- a. Instruct DBP to transfer all interests earned from matured visa deposits to the Authority's dollar savings account so that the balance of the Cash Deposits from Retirees-Restricted account will reflect the accurate total visa deposits of retirees as of balance sheet date;**
- b. Prepare a journal entry voucher reclassifying the entry made amounting to ₱9.228 million from Cash Deposits from Retirees-Restricted to Cash in Bank-DBP Dollar Savings Account since the former represents the visa deposits only of the retirees;**
- c. Draw a JEV to correct the entries made on the double recording of withdrawals on retirees' visa deposits amounting to P85.183 million; and**
- d. Assign a responsible official/employee of the Authority to regularly monitor and review the processes of retirees' visa deposits so that errors/variance mentioned above shall be avoided.**

- 1.11 Management agreed to implement the recommendation on the transfer of interest to the Authority's dollar savings account except for the retirees' share which shall still form part of the Cash Deposits from Retirees-Restricted. To eliminate the variance between Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits, they suggested that an account Funds Held in Trust-Retirees' Interest Payable will be set up for the retirees' share on the said interest.

- 1.12 We reiterate that the entry suggested to take up Funds Held in Trust-Retirees' Interest Payable is inconsistent with the Notes to FS as there was no mention or inclusion of interest earned on visa deposits on these two accounts (Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits).

- 1.13 Management further stated that the visa deposits with DBP, as a premiere transactions of the Authority was not audited yet after a year hence, the error in recording is deemed possible such that they exerted an effort to "call back" the recording and analysis of journal transactions. Management admitted that they found out the double recording of the withdrawals which caused understatement of both accounts amounting to P85,182,810.47. The said amount was adjusted in January and April 2013 in the amount of P21,973,286.52 and P63,209,523.95 respectively.

1.14 Moreover, the contention of management that the DBP transactions were not audited yet after a year is not accurate as evidenced by the 2011 PRA Annual Audit Report wherein several weaknesses and deficiencies were noted under the Comments and Observations portion of the said report.

1.15 We would like to emphasize that Sections 4.4, 4.7 and 4.8 of PD 1445, provide the fundamental principles that shall govern in the financial transactions and operations of any government agency to wit:

“4. Fiscal responsibility shall, to the greatest extent, be shared by all those exercising authority over the financial affairs, transactions, and operations of the government agency;

7. All laws and regulations applicable to financial transactions shall be faithfully adhered to; and

8. Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed provided they do not contravene existing laws and regulations”.

2. PRA’s inability to recognize the effects of changes in foreign exchange rates on the required visa deposits or investment requirements of retirees/members placed at the DBP at reporting date in the amount of P52.013 million resulted in the overstatement of the Cash Deposits from Retirees-Restricted and the corresponding Funds Held in Trust-Retirees’ Deposits accounts.

2.1 The Philippine and International Accounting Standards (PAS/IAS) provides for the Recognition of Exchange Differences as follows:

2.1.1. Exchange differences arising on the settlement of monetary items or on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements shall be recognized in profit or loss in the period in which they arise; and

2.1.2. When monetary items arise from a foreign currency transaction and there is a change in the exchange rate between the transaction date and the date of settlement, an exchange difference results. When the transaction is settled within the same accounting period as that in which it occurred, all the exchange difference is recognized in that period. However, when the transaction is settled in a subsequent accounting period, the exchange difference recognized in each period up to the date of settlement is determined by the change in exchange rates during each period.

2.2 PRA recommends to the Bureau of Immigration (BI) the issuance of Special Resident Retirees Visa (SRRV), a multiple-entry visa with limited tax-free privileges to all qualified foreigners and former Filipinos who wish to make the Philippines

their second home upon payment of the required visa deposits to PRA. These visa deposits are held in trust for the account of the retirees/members, placed in Negotiable Certificate of Time Deposits (NCTD) with the DBP in the name of PRA with maturity of one year.

- 2.3 Verification of the JEVs showed that the Authority did not include in its financial statements the effects of changes on foreign exchange rates the resulting difference in the foreign exchange rate conversion during the date the required visa deposits were placed with the DBP as against the foreign exchange rate at balance sheet date or reporting date. The exchange difference recognized during the period are those foreign currency deposits of the Authority pertaining to its dollar savings accounts with the Land Bank of the Philippines. The said foreign exchange difference is translated every quarter and any difference is recognized as foreign exchange gain or loss during the period. The effects of changes on foreign exchange rates as of December 31, 2012 amounted to P52.013 million. (Please refer to Annex 1 for details).
- 2.4 The account balances of the Cash Deposits from Retirees-Restricted and Funds Held in Trust-Restricted reflected as of reporting date were not fairly presented due to the non-recognition of the effects of changes on foreign exchange rates.
- 2.5 Moreover, JEVs drawn to record investments/placements made by retirees as well as withdrawals made by retirees during the month were recognized in the books at an exchange rate at the end of the month instead of the currency rate at the date of the transaction which is not in consonance with PAS/IAS which states that:

A foreign currency transaction shall be recorded, on initial recognition as well as on the date of settlement in the functional currency, by applying to the foreign currency amount the spot exchange rate between the functional currency and foreign currency at the date of transaction.

- 2.6 This practice of taking up the investments as well as withdrawals at an exchange rate at the end of the month should have been corrected had management recognized the exchange rate difference at reporting/balance sheet date.
- 2.7 The non-recognition of management on the effects of changes in foreign exchange rates resulted in the overstatement of the Cash Deposits from Retirees-Restricted and Funds Held in Trust-Retirees' Deposits accounts amounting to P52.013 million and thus these accounts were not fairly presented in the financial statements of the Authority.

2.8 We recommended that Management:

1. **Recognize in its books the following transactions in accordance with PAS/IAS 21 :**
 - a. **Record retirees placements/investments (on initial recognition) at an exchange rate at the date of transaction.**

- b. Translate foreign currency denominated transaction at the exchange rate at balance sheet/reporting date and recognize the effects of changes in foreign exchange rates between the transaction date and at balance sheet date. The exchange difference amounting to P52.013 million should be reflected in the books as follows:

Funds Held in Trust-Retirees Deposits	P52,012,618.35
Cash Deposits from Retirees-Restricted	P52,012,618.35

- c. Record withdrawals of retirees' placements/investments using the foreign exchange rate at the date of the transaction.

2.9 Management submitted the following comments:

- a. Retirees' visa deposits starting June 2011 to March 2012 were recognized and translated at month end rate of every following month. However, the last every month-end translation was the month-end rate of April 2012 @ 42.370. Retirees' visa deposits with Development Bank of the Philippines are considered premiere in their books such that accounting procedures in foreign transactions, effects of changes in foreign exchange rates are not yet defined.
- b. The practice of taking up investments as well as withdrawals at an exchange rate at the end of the month was already corrected. Effective January 2013 PRA records initial deposits at an exchange rate at the date of the transaction, as well as withdrawals by using the foreign exchange rate at the date of the transaction. They also recognized exchange rate differences between the transaction date of placements and that of the withdrawals and also translate foreign currency denominated transactions at the exchange rate at balance sheet/reporting date every quarter.
- c. For the year 2011-2012, proposed adjusting entries were prepared and we recognized the exchange rate difference at reporting/balance sheet date (December 31, 2012.)

2.10 The journal entry voucher drawn to take up the proposed adjusting entries referred to by Management has yet to be signed/approved by the accountant and is one of the adjustments/correcting entries made for April 2013.

3. Unreleased checks of the Authority as of year-end amounting to P3.793 million were not restored to the Cash in Bank and appropriate payable/liability accounts contrary to Sections 2.3 and 2.4 of COA GAFMIS Circular Letter No. 2002-001 dated December 16, 2002.

3.1 COA GAFMIS Circular Letter No. 2002-001 dated December 16, 2002 provides:

"Sec. 2.3. At the end of each month, a Schedule of Unreleased Checks shall be prepared by the cashier for submission to the Accounting Uni. Base on this schedule, a working paper entry shall be prepared to restore the amount of cash equivalent to the total amount unreleased checks by debiting the account Cash in Bank – Local Currency, and

Sec 2.4. At the end of the year, the same procedures under Item 2.3 shall be done except that a Journal Entry Voucher (JEV) shall be prepared to record the entry for the restoration of cash equivalent to the unreleased checks and recognition of the appropriate payable/liability accounts.”

3.2 Verification of the disbursements showed unreleased checks amounting to ₱3.793 which were not restored at the end of the year. (Please refer to Annex 2 for details).

3.3 The non-restoration resulted in negative balance of the PRA's LBP Current Account in the amount of ₱1.509 million. To present a debit balance of the account since normally cash accounts are presented in the financial statements with debit balances, the bookkeeper/accounting clerk automatically added the overdraft amount to the cash in bank current account and also to the account payables account. This was done without the necessary JEV drawn to record the restoration in both the cash in bank and the accounts payable accounts.

3.4 Due to the Authority's inability to restore the unreleased checks amounting to ₱3.793 million, the cash and the appropriate payable/liability accounts were both understated by the same amount.

3.5 We recommended and Management agreed to prepare the following:

a. A JEV to record the entry for the restoration of cash equivalent to the unreleased checks and recognition of the payable/liability accounts at the end of the year; and

b. A reversing entry to restore the cash and appropriate payable/liability accounts to the correct balances at the start of the ensuing year.

3.6 Management commented that the observations and recommendations were duly noted. Though they overlooked the said adjustment, they further commented that they have been preparing it in previous years and informed us that the recommendation would be implemented in the current year.

4. The granting and liquidation of cash advances were inconsistent with COA Circular Nos. 97-002 dated February 10, 1997 and 2009-002 dated May 18, 2009.

4.1 During the year, the following deficiencies were noted in the grant and liquidation of the advance:

4.1.1 Cash advances amounting to P1.120 million were granted even though the following accountable officers had not yet liquidated their previous cash advance:

Name	Date of grant of the Unliquidated CA	Amount of Unliquidated CA	Date the New CA was Granted	Amount of New CA Granted
Atienza, Veredigno	10/05/2012	P 11,222.00	10/10/2012	P 71,715.35
-do-	11/09/2012	1,500.00	11/30/2012	174,422.68
Bautista, Noehl	03/30/2012	1,500.00	4/27 to 5/22/2012	175,050.69
Del Espiritu, Pedro	10/30 to 31/2012	44,549.88	11/13/2012	10,000.00
Fajardo, Danny	09/26/2012	49,540.00	10/01/2012	3,000.00
Guiritan, Roel	05/11/2012	291.50	06/08/2012	10,000.00
-do-	10/03/2012	1,500.00	10/31/2012	143,694.72
Habitan, Orlando	03/30/2012	1,500.00	04/30/2012	98,990.69
-do-	04/30/2012	98,990.69	05/22/2012	50,000.00
Lachica, Scarlet	7/20 to 12/12/2011	58,788.00	5/25 to 10/31/2012	205,194.72
Llapay, Irma	10/12/2012	955.00	10/12 and 24/2012	17,100.00
Llames, Jaime	07/29/2011	16,800.00	12/13/2011	13,750.00
-do-	12/13/2011	17,206.75	10/10 and 31/2012	92,655.21
Moreno, Phillip John	11/13/2012	10,000.00	12/03/2012	55,000.00
Total		P 314,343.82		P 1,120,574.06

4.1.2 This practice is not in conformity with Section 4.1.3 (ii) of COA Circular No. 2009-002 dated May 18, 2009 which states that: *“No additional cash advance shall be allowed to any official or employees unless the previous cash advance given to him is first liquidated and accounted for in the books”*.

4.1.3 Review of the Liquidation Reports revealed that there were cash advances which were excessive as shown on the amounts and percentages of unutilized cash advances. Likewise, these cash advances were processed by the Accounting Division and approved by the officials concerned without the requisite estimates or budget of expenditures necessary to be disbursed relative to the purposes for which the cash advances were granted.

4.1.4 Details of these cash advances are shown on the next page:

Name	Amount of Cash Advance Granted	Unutilized Amount/ Amount/ Refunded	Percentage of Refund	No. of Days from grant to refund of the excess
Atienza, Veredigno	P 10,000.00	P 6,534.20	65.34	11
-do-	20,000.00	8,778.00	43.89	5
-do-	82,100.00	35,688.46	43.47	10
Bautista, Noehl	45,000.00	24,562.25	54.58	4
Carbonel, Marcelina	132,230.93	45,296.75	34.26	18-27
Eria, Annalyn	81,800.00	78,405.30	95.85	17
Fajardo, Danny	49,540.00	25,431.00	51.33	61
Habitan, Orlando	50,000.00	32,239.00	64.48	6
-do-	2,277.20	2,277.20	100.00	1
Lappay, Irma	16,000.00	6,156.00	38.47	1-6
-do-	10,278.75	2,297.51	22.35	1
Marasigan, Francis Jeffrey	150,000.00	37,500.00	25.00	1
Moreno, Phillip John	55,000.00	35,837.00	65.16	18
Palmos, Erlan Remus	50,000.00	50,000.00	100.00	6-7
Rupa, Thelma	8,584.00	4,249.08	49.50	1
-do-	168,749.62	52,744.85	31.25	1
Sousa, Raymond	16,400.00	6,370.00	38.84	6
-do-	7,000.00	2,750.00	39.28	8
Total	P 954,960.50	P 457,116.60		

4.1.5 The above table disclosed that cash advances were granted in excess of necessity. This is contrary to sound internal control since this practice may expose the cash to unnecessary risk or possible loss.

4.1.6 Cash advances granted for local and foreign official travels were liquidated beyond 30/60 days contrary with Section 5 of COA Circular No. 97-002 dated February 10, 1997 as shown below:

Name	Amount of Cash Advances	Required liquidation period	Number of days from grant to liquidation
Lachica, Scarlet	P 58,788.00	30 days	499
-do-	50,000.00	30 days	98
Llames, Jaime	17,206.75	30 days	578
Atienza, Veredigno	187,837.84	60 days	122
Bautista, Noehl	21,060.00	30 days	126
Binudin, Muammar Ali	7,000.00	30 days	171
Deki, Jamilah	48,000.00	30 days	237
Carbonel, Marcelina	132,230.93	60 days	87
Eria, Annalyn	215,530.93	60 days	70
Lappay, Irma	2,400.00	30 days	170
Palmos, Erlan Remus	47,000.00	30 days	164

4.1.7 The non-liquidation or partial liquidation of the above cash advances beyond the required liquidation period is clear violation of Section 5 of COA Circular No. 97-002.

4.2 **We recommended that Management:**

1. **Comply with COA Circular No. 97-002 on the grant of cash advance and discontinue the grant of additional cash advance to accountable officers with unsettled/unliquidated previous cash advances.**
2. **Require the submission of an estimate or breakdown of expenditures which are realistic enough (with only about 10 per cent contingency) and duly approved by the official concerned to serve as the basis of the amount of cash advance to avoid the risk of mishandling unutilized cash advance.**
3. **Demand for the immediate liquidation and settlement of all unliquidated cash advances pursuant to COA Circular No. 97-002.**

4.3 Management submitted the following comments:

- a. Cash Advances granted to accountable officers even with previous unliquidated cash advance.

There may appear to be some cash advances (CAs) that were unliquidated when new CAs were issued. But in fact, there were many instances that before the release of new CAs, previous C's have already been accounted for and liquidation had been submitted to Finance Division. If we consider the date the Official Receipts on excess amount of CA, we can see when the CA recipient liquidated his/her CA. In addition, the dates in the JEVs do not reflect the actual dates when liquidations were submitted as JEVs are prepared at the end of the month due to required time to evaluate and record the liquidation documents. Examples are as follows:

Accountable Officer	Previous Cash Advance	OR on Previous Cash Advance	JEV on Previous Cash Advance	New Cash Advance
Atienza, V.	10/05/12	10/10/12	10/31/12	10/10/12
Lappay, I.	10/12/12	10/22/12	10/31/12	10/24/12
Moreno, P.	11/13/12	12/04/12	12/31/12	12/04/12
Guiritan, R.	10/01/12	05/11/12	05/31/12	06/08/12

Thus, the examples tabulated in the AOM do not necessarily reflect that previous cash advances were not liquidated nor accounted for, before new cash advances were issued.

As a rejoinder, we take into consideration the above four accountable officers who have liquidated on or before the grant of the new cash advance. We maintain, however, our audit observation that PRA granted new cash advances to some accountable officers even though the previous ones are not yet liquidated.

b. Cash advances granted were excessive

Management respectfully do not find anything wrong in cash advances that happened to be in excess of the actual expenses incurred. There are many possible reasons for having excess in CAs released as follows:

- Most CAs are not based on actual billings, but merely estimates. Estimates may include some amount of buffer to absorb fluctuation in prices. Thus, CAs are normally not exact and in the range of adequate to more than adequate.
- Actual discounts may be enjoyed but not included in the estimates
- Cost cutting measure, which may include modification of specifications in items being procured, discontinuing minor items/activities, bargaining with product or service providers, efficient use of some resources (e.g. fuel)
- Changes or modifications from original plans
- Degree of complexity of project and the volume of activities; the more complex the project is and the numerous the sub-activities are, increase the amount of probable difference of CA and expenses incurred.

In the cited case of Mr. Fajardo, the cash advance was for the PRA Sports Activity 2012. Unutilized amount were originally intended for the purchase of trophies, prizes, closing ceremony among other that were discontinued. It took 61 days for the excess to be returned because the PRA Sports activity itself was extended for several weeks, a modification from the originally approved schedule of events. The changes were due to the difficulty of implementing the activities that will not hinder work operations. Thus, the excess amount and the period that the unused amount was returned were eventualities that were not easily controllable.

There are also obvious negative implications if the attitude to be developed in utilizing CAs is to maximize the disbursements and prevent "excess" amounts. The practice of non-flexibility in performing activities may rise, disregarding real developments in the performance of activities for purposes of sticking to the original plan and minimizing "excess". It will discourage savings and cost cutting measures, because savings become the object of suspicion rather than reward.

Nevertheless, efforts will be exerted to issue cash advances containing fair estimates.

c. Cash advances not liquidated or liquidated beyond allowed period per COA Circular No. 97-002.

PRA will comply with the recommendation and continue to remind CA recipients to liquidate within the allowed period. As discussed in earlier point, the date of the JEV reflecting entries on liquidation does not necessarily reflect the date of liquidation documents/report were submitted. This practice will be changed, and as much as possible, the JEV should be the same date liquidation documents were submitted, In case immediate preparation of JEV could not be performed, the submission date will be reflected/indicated in the notes or explanations of the JEV entry.

PRA further stated that in addition to the comments on specific issues, PRA will comply with recommendations enumerated in the AOM.

5. The liquidation report by the Department Manager (DM) - Marketing relative to her foreign travel from June 19 to July 4, 2011 was not supported with official receipts (ORs) of expenses to establish validity of expenses in the amount of \$14,500 or its equivalent of P631,112.50.

5.1 The then Secretary of the Department of Tourism (DOT) authorized the DM-Marketing to travel to New York, Las Vegas, Los Angeles, San Francisco, USA and Toronto, Canada on June 19 to July 4, 2011 to represent the Philippine Retirement Authority (PRA) in a road show for Pinoy Homecoming campaign. In the memorandum of the DM-Marketing dated June 1, 2011 addressed to the General Manager of PRA, it was stated that:

“Joining in road show such as the PINOY HOMECOMING ROADSHOW, the Authority can recruit new retirees to the retirement program and marketers that would entice more enrollees and as a result, additional income to PRA.”

5.2 The same memorandum stated that as contribution to the road show, PRA will host cocktails for approximately 100 attendees in each of the six cities with a total budget of US\$18,500. Cash advance of P805,212.50 (\$18,500 x P43.525) for the purpose was granted to the DM-Marketing and taken up in Journal Voucher no. 2079105 dated June 30, 2011.

5.3 Further, the cost-benefit analysis, disclosed that additional revenue of \$144,000 could be generated from the road show in the form of service and accreditation fees from the projected 90 enrollees and 60 marketers together with an investment of \$135,000 summarized in the next page:

Particulars	Potential Number of Enrollees (A)	Required Amount of Investment/Service Fees (B)	Total (A x B)
1. Required deposit	90 retirees	US\$1,500.00	<u>US\$135,000</u>
2. Service fee	90 retirees	US\$1,400.00	126,000
3. Accreditation-Marketer	60 marketers	300.00	<u>18,000</u>
			<u>US\$144,000</u>
Total			<u>US\$279,000</u>

- 5.4 In the liquidation of subject travel, the DM-Marketing returned the amount of \$4,000 evidenced by OR No. 5666900 dated July 8, 2011 and submitted documents for the following expenses pertaining to the cocktails sponsored by PRA:

Venue of Banquet/Cocktail	Amount	Account Stated in the Banquet Check	Cash Received By
Crowne Plaza Chicago OHare	US\$ 3,499.65	Social Events 2011 – Pinoy Homecoming Balikbayan Plus Program	Director
New York, USA	3,500.00		Director
Venetian Hotel, Las Vegas	2,524.80	Philippine Department of Tourism	Tourism Attaché
The Hilton Hotel, Los Angeles	2,500.00	Philippine Tourism Event	Tourism Attaché
Westin St. Francis Hotel, San Francisco, California	2,500.00		Tourism Attaché
Total	US\$14,524.15		

- 5.5 Although the submitted documents totaled \$14,524.15, the DM-Marketing claimed only the amount of \$14,500. The difference of \$24.15 was disregarded in her liquidation.
- 5.6 In lieu of the official receipts that should have been issued by the hotels as evidence of the expenses by the Authority, acknowledgment receipts signed by the tourism officers/attache were submitted. Also submitted were banquet checks as statements of account and/or billing statements issued by Crowne Plaza Chicago O’Hare, Venetian Hotel, Las Vegas and The Hilton Hotel, Los Angeles in the respective amounts as presented above. Noteworthy to mention was the banquet checks were issued for the account of the Philippine Tourism and not for the account of PRA. In view of the deficiency and inconsistency, the validity of payment for expenses in the amount of US\$14,524.15 could not be established.
- 5.7 We recommended that Management direct the DM-Marketing to submit the official receipts issued by the concerned hotels or by the Department of**

Tourism for payment of the cocktails sponsored by PRA to support the full liquidation of her cash advance.

5.8 The DM-Marketing informed that the acknowledgment receipts submitted to PRA were all issued by the different Department of Tourism Offices in North America. She would also communicate with the DOT-Team America and DOT Offices abroad to ensure that official receipts would be issued.

5.9 We maintain our audit recommendation and a Credit Notice (CN) would be issued with a corresponding notice of suspension for non-submission of the required official receipts from DOT or by the concerned hotels.

6. Fund utilization of P128.232 million for calendar year 2012 exceeded the budgeted expenditures of P125.924 million by P2.308 million, while expenses amounting to P2.029 million were not included in the budget and the amount of P23.818 million were grossly under utilized.

6.1 We reviewed the actual fund utilization of the of the PRA's Corporate Operating Budget (COB) for the year 2012 with the end in view of determining whether funds were utilized for the intended purpose and within the limits as provided in the COB.

6.2 Review of fund utilization vis-a-vis the COB, showed the following:

1. Fund utilization exceeded the budgeted expenditures for 2012. Details of the said utilization as compared with the budgeted expenditures are shown in Annex 3.
2. Comparison of the budgeted expenses against actual expenses revealed that there were expenses that exceeded the budget. Budget Utilization Slips (BUS) were approved despite the absence of funds hence, expenses amounting to P48.341 million exceeded the budget of P43.672 million or by P4.669 million. The excess was computed as follows:

Expense Item	Actual	Budget	Variance
Transportation allowance	P 543,799	P 466,000	P (77,799)
Other bonuses and allowances	744,580	74,000	(670,580)
PHILHEALTH contribution	143,542	136,500	(7,042)
Marketer's fee	28,216,707	25,586,000	(2,630,707)
BI fees	18,692,693	17,409,600	(1,283,093)
Total	P 48,341,321	P 43,672,100	P (4,669,221)

3. Likewise, disbursements for the following expenses amounting to P2,029,086 were not included in the PRA's COB:

Monetization of leave credits	P 1,808,557
Other MOOE - persistency bonus	220,529
Total	P 2,029,086

Hence, were not authorized and considered as irregular unless a supplemental budget was requested or a realignment approved.

4. Comparison of the actual marketers' fee expense with the actual enrollment with marketers disclosed that actual expenses booked were short by P755,855 corresponding to about 36 member retirees who enrolled thru marketers whose marketers fees have not been taken up in the books. This is shown below:

1,409 enrollees for the year x 500x 41.25 (exchange rate)	P	28,972,562
Actual expenses booked for the year (Marketers Fee)		28,216,707
Difference	P	755,855

5. While the income projections of PRA had been pegged at P87.382 million less than their actual gross income in CY 2011 amounting to P302.490 million expenditure projections were exceedingly high as can be gauged from their actual utilization as shown below:

	Actual	Per COB	Percentage of Utilization
Representation Expenses	P1,793,312	P 2,022,472	37.13
Office Supplies Expense	1,523,653	5,127,180	29.72
Membership dues and contribution	1,161,715	2,645,137	43.92
Internet expenses	848,809	1,930,906	43.96
Postage and delivery	696,462	1,784,680	39.02
Promotional supplies	762,106	5,000,000	15.24
Electricity expenses	550,108	1,252,447	43.92
Traveling expense - local	450,695	1,500,700	30.03
Security services	239,983	503,755	47.64
Repairs and Maintenance - motor vehicle	217,415	1,452,562	14.97
Subscription expenses	60,666	128,000	47.40
Printing and binding expenses	15,063	57,668	26.12
Cable, satellite, telegraph and radio	12,200	50,000	26.40
Repairs and Maintenance - IT equipment	1,760	362,533	0.49
Total	6,540,635	21,795,568	34.99

6. Analysis disclosed that there was no appropriate planning on specific program/projects/activities undertaken during the year. Overprovision for some expense items were noted, particularly the six MOOE items which were the fund sources of the Collective Negotiation Agreement (CNA) Incentive, such as traveling, communication, repairs and maintenance, transportation and delivery, supplies and materials and utility expenses. It is noted that in accordance with Section 5.1 of the Budget Circular No. 2012-4, the use of savings from the MOOE items listed under item 4.3 of the said circular shall be subject to the condition that the savings were generated out of improvement/streamlining of systems and procedures and cost-cutting measures identified in the CNA.

6.3 We recommended that Management:

- 1. Limit expenditures within the budget and justify the negative variance between the actual utilization and approved budget. Request for a realignment of the budget or submit a supplemental budget to the DBM and implement strictly the approved/realigned budget;**
- 2. Stop the practice of setting overly high expense projections particularly those expenses which are the fund sources of the CNA incentive in order to earn savings for purposes of granting the CNA; and**
- 3. Require the accounting and budget division to closely monitor the utilization of funds and prepare periodic reports to assess whether funds were utilized as budgeted.**

7. Taxes deducted and withheld by the Authority were not remitted fully to the Bureau of Internal Revenue (BIR) contrary to the provisions of the National Internal Revenue Code (NIRC) of 1997 (as amended) on the remittance of taxes.

7.1 The Due to BIR account represents the amount withheld from officers and employees, marketers, contractors and suppliers for remittance to the Bureau of Internal Revenue (BIR).

7.2 As of December 31, 2012, the account has a balance of P12.341 million representing the following taxes:

Income Tax	P	12,028,664.60
Withholding Tax		40,174.72
Expanded Withholding Tax		139,475.47
Value Added Tax		132,546.51
Total	P	<u>12,340,861.30</u>

7.3 Verification showed that of the total amount of P12.341 million, P12.029 million represented income tax payable for the last quarter of 2012 and was remitted to the BIR on April 15, 2013. The unremitted balance of P312,196.70 referred to taxes withheld which should have been remitted on the prescribed period or on the following month after it was withheld. Details are shown on the next page:

Particulars	Total	Below 30 Days	Prior Years	Remarks
Withholding Tax on Compensation	P 40,174.72	P 19,420.75	P 20,753.97	The amount of 20,753.97 represents 2008 unremitted withholding tax from compensation.
Expanded Withholding Tax	139,475.47	6,199.81	133,275.66	The 133,275.66 prior years' expanded tax refers to 2010 and 2011 unremitted taxes.
Value Added Tax	132,546.51	-	132,546.51	These were unremitted taxes for the year 2009.
Total	P 312,196.70	P 25,620.56	P 286,576.14	

7.4 The inability of the Authority to remit the previous years' taxes withheld is a violation of the provisions of the NIRC on the remittance of taxes and the accounting official maybe held personally responsible thereto especially the payment of penalties and surcharges as a result of the non-remittance of the subject withholding taxes.

7.5 Republic Act No. 8424, otherwise known as the Tax Reform Act of 1997 (The Revised Internal Revenue Code) states that:

"Sec. 2.80. LIABILITY FOR TAX-
xxx xxx xxx

(C) Additions to tax

(1) There shall be imposed, in addition to the tax required to be paid, a penalty equivalent to twenty five per cent (25%) of the amount due, in the following cases:

(a) Failure to file any return and pay the tax due thereon as required under the provisions of the Code or these regulations on the date prescribed;

xxx xxx xxx

If the withholding agent is the government or any of its agencies, political subdivisions, or instrumentalities, or a government-owned or controlled corporations, the employee thereof responsible for the withholding and remittance of tax shall be personally liable for the surcharge and interest imposed herein." (Emphasis provided)

7.6 We recommended that Management:

- 1. Ensure that all taxes deducted and withheld are fully remitted on the prescribed period.**

2. Strictly adhere with the laws, rules and regulations on the remittance of taxes withheld in accordance with the provisions of the NIRC, to avoid payment of penalty or surcharges by the accounting official.

7.7 According to Management, out of the balance of the Due to BIR amounting to P312,196.70, P155,680.36 would be remitted to the BIR by August, 2013. For the P156,516.34 balance, the Finance Division is still doing its best to reconcile records as to the proper suppliers/payees since most of the taxes pertains to 'prior years'. As soon as the reconciliation is done, remittance to the BIR shall follow.

8. The non-adherence with the fundamental principles on government transactions, breakdown in internal control on segregation of incompatible functions and non-maintenance of the books of accounts were contrary to Sections 4, 114, and 123-124 of PD 1445, resulting in disbursements which were not approved and supported with necessary documents and were suspended in audit amounting to P1.986 million and delayed submission of financial statements thereby affecting the timely delivery of audit services.

8.1 The importance of the Accounting Unit (AU) in any organization like the Philippine Retirement Authority (PRA) is beyond question. Aside from the financial transactions processed by the AU, it provides almost all reports required by management, the agency's stakeholders, the government and the public. As such, reports should at all times be accurate and reliable since the decision making of management would depend on how these reports are generated based on the procedures/processes, practices, standards, laws, rules and regulations adopted for the attainment of PRA's objectives.

8.2 During the audit, the Team observed the following lapses, weaknesses and deficiencies in the Accounting Unit:

1. *General ledgers (GLs) were not maintained* – Basic bookkeeping requires the book of original entries which are the journals and the book of final entries which are the GLs. In the case of PRA, the GLs were no longer maintained. The totals of all accounts at the end of the month indicated in the Journal of Checks Issued, Report of Collections and Deposits and the General Journal are directly reflected in the Financial Statements (FS) and thus, an FS is generated.
2. *Subsidiary ledgers (SLs) were not also maintained* – The SLs provide details of the balance of an account such that SL for suppliers provide information on the payments made thereof. Since PRA did not maintain suppliers' SLs, the total payments made to them for a certain period was not readily available. Instead of the SL the accounting unit prepares schedules. So there is no reconciliation of accounts being made between the GL and the SL.
3. *The Cash Receipts and Deposits Journal was not also maintained* – The Report of Collections and Deposits prepared by the Cash Unit is the one being used by the AU to record collections and deposits thereby no check and

balance was done by the latter to determine the accuracy of the Report prepared by the former.

Under the New Government Accounting System, the regular agency books under the manual system of government accounting shall consist of journals and ledgers as follows:

Journals

- a. Cash Receipts and Deposits Journal
- b. Cash Disbursements Journal
- c. Check Disbursement s Journal
- d. General Journal

Ledgers

- a. General Ledgers (GL)
- b. Subsidiary Ledgers – where applicable, for the following accounts:
 - Cash
 - Receivables
 - Inventories
 - Investments
 - Property, Plant and Equipment
 - Construction in Progress
 - Liabilities

In addition, Section 114, PD 1445 provides that:

"The General Ledger

1. *The government accounting system shall be on a double entry basis with a general ledger in which all financial transactions are recorded.*
2. *Subsidiary records shall be kept where necessary".*
4. *Transactions were paid without complete documentation* – There were payments for transactions in 2011 and 2012 that were suspended amounting to P1,986,261.69 due to incomplete documentation. Basic documents such as Purchase Request, Request for Price Quotations, Notice of Award were not attached to the disbursement vouchers to support the payments made. In view of the deficiencies, the validity, correctness and accuracy of the payments were not assured, contrary with Section 4 (6), PD 1445 on the fundamental principles on financial transactions and operations of any government agency that:

"Claims against government funds shall be supported with complete documentation".

5. *Checks were issued in payment of small amount of expenses* – It was also noted that checks were issued in payment of petty expenses such as the payments for meals served during meetings, defeating the purpose of establishing the petty cash fund. It should be noted that such practice

hampered the efficiency of the payment process. Example of these payments are the following:

Check No.	Check Date	Date of Meeting	Amount
2390280	January 17, 2012	January 3, 2012	853.12
2390427	January 31, 2012	January 16, 2012	957.50

6. *Financial Statements including disbursement/journal/liquidation vouchers submitted for audit was very much delayed and incomplete.* This situation significantly affected the manner in which audit procedures were executed. Two of the journal vouchers pertaining to liquidation of cash advances were found missing:

JV No.	Accountable Officer	Amount
2079541	Marcelina Carbonel	P 49,887.21
2079570	Veredigno Atienza	3,465.80

7. *Disbursement Vouchers (DVs) on file were incomplete.* This submission of incomplete DVs entails additional time in locating them and also affects the completion of the audit being done.
8. *Disbursement Vouchers were not signed by the approving officials yet checks were issued to the payees thereby weakening the control over cash.* These kinds of transactions or disbursements are not authorized and therefore are considered as irregular disbursement of funds, subject to audit disallowances, contrary with Section 4 (5), PD 1445 which states that:

" Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials".

9. *The personnel who signs in the Budget Utilization Slip (BUS) being the Budget Officer also performs bookkeeping functions and is in charge of the preparation of the PRA's Financial Statements.* In fact he was the one who developed the computerized system in the generation of the financial statements. While he has complete control of the budget utilization functions, he has also access to accounting records/reports which are incompatible functions. This is an indication of a weakness in internal control
10. *Several JEVs were recorded without the necessary review and approval of the accountant.* Majority of the JEVs pertaining to the recognition and withdrawal of the visa deposits were drawn without the approval of the accountant. Appropriate controls were not in place in the AU such that all JEVs that do not bear the approval of the accountant will not be recorded in the General Journal.

8.3 We recommended that Management:

- 1. Maintain complete set of books of accounts at all times to establish correctness, accuracy and reliability of the accounts reflected in the financial statements pursuant to Sections 114 and 121 of PD 1445;**
- 2. Comply with the fundamental principles on the financial transactions and operations of the agency pursuant to Section 4 (6) of PD 1445;**
- 3. Observe the purpose for which the petty cash fund was established such that all small amount of disbursements shall be taken from the petty cash fund;**
- 4. Submit financial statements together with complete files of DVs/JVs/LVs/ORs including supporting documents and the missing JVs and/or DVs;**
- 5. Require that DVs are duly approved before issuance of checks;**
- 6. Ensure that the basic requirements of internal control on segregation of incompatible functions are observed so that no one person shall be in complete control of/has access to assets and records, authorization and execution of transactions;**
- 7. Assign another personnel to do the bookkeeping and preparation of financial statements pursuant to Section 123, PD 1445; and**
- 8. Establish controls in the recording of transactions so that all transactions recorded must always be signed/approved by the Accountant.**

8.4 Management submitted comments on the following:

- a. General Ledgers (GLs) were not maintained – They would comply with this requirement and continue the GL from when it was temporarily stopped due to resignation of personnel handling it.
- b. Subsidiary Ledgers (SLs) were not also maintained – It is not entirely true that SLs are not being maintained at all. There are various subsidiary ledgers that PRA maintains especially in relation to revenues and receivables. They maintain SLs of Visitorial Fees, Harmonization Fees, Annual Fees, and Management Fees among others. There are some SLs that are maintained not in book form but maintained in soft copy form. From these soft copy SLs, schedules were prepared to support the figures reflected in the Financial Statements. The SL for the suppliers will be initiated as recommended.
- c. Cash Receipts and Deposit Journal was not also maintained – A Cash Receipts and Deposits Journal in the form of multi-column journal books may not be maintained but the Accounting Unit maintains MS Excel multi-column spreadsheets that serve the same purpose. The excel version of Cash Receipts and Deposits Journal contains the same information including accounting entries of receipts and deposits. Once printed, the same shall be

the permanent record of PRA and open for external examination and review just as manual.

- d. Transactions were paid without complete documentation – The specifically identified payments in 2011 and 2012 that were suspended due to incomplete documentation are already noted and are being addressed. Documentary requirements for various routine disbursement transactions are already established and are being complied with by the Authority.
- e. Checks were issued in payment of small amount of expenses – Many small amount expenses were paid through check by the Finance Division to ensure proper withholding of taxes on the same. The Finance Division does not maintain any petty cash fund, and if paid by other Division's petty cash fund, it is more likely that withholding of taxes will not be performed but they will try to avoid the use of checks in small amount disbursement transactions as recommended.
- f. Financial Statements including disbursement/journal/liquidation vouchers submitted for audit were very much delayed and incomplete – Due to ever increasing number of transactions and lack of personnel, the Finance division cannot gather all documents and complete the organizing, recording and preparation of FS within a one-month cycle resulting to delayed submission. This issue will be addressed in the very near future upon approval of the PRA's Rationalization Plan.
- g. Disbursement Vouchers (DVs) on file were incomplete – this concern is also due to a mismatch of the existing number of personnel and the required man-hours to perform various functions in PRA, organizing the DV's are not given adequate time allocation of personnel. There are many DVs that are handled by divisions other than Finance and that organizing and ensuring their completeness on file requires much effort and coordination. The issuance of DV's payable to the Bureau of Immigration for payment in visa processing is a good example, where the processing divisions of RRSC temporarily keep the DV's awaiting receipt of the BI Official Receipts that only become available after the visa processing has been complete. This will take several days after the payment of check. The Processing Division, whose main function is to process and endorse SRRV application to the Bureau of Immigration, the organized and complete filing of DVs may not fall on the very urgent activities of the Division. The anticipated increase in number of personnel upon the approval of the PRA Rationalization Plan as well as increased coordination of Finance with other Divisions will hopefully increase time to be used for organizing these DV files.
- h. Disbursement Vouchers were not signed by the approving officials yet checks were issued to the payees thereby weakening the control over cash. Issuance of check payments to the payees with incomplete signature in the DVs only happens on rare occasions, only when the approving official has commitment outside PRA office and that it is very important that payments be released on specific dates. A good example is the release of payroll of the regular employees, which PRA is obliged to release on specific dates without delay.

Because of its rare occurrence, the argument on the weakening control over cash is not strongly supported.

- i. The personnel who signs in the Budget Utilization Slip (BUS) being the Budget Officer also performs bookkeeping functions and is in charge of the preparation of the PRA's Financial Statements – The overlap in the function of being a signatory in the BUS and the function of Financial Statement preparation, also arise from lack of regular employees in the Finance Division. Regular employees are forced to engage in multi-tasking through the assistance of Job Order employees. As soon as the PRA Rationalization Plan is approved, they will be able to address this issue.

On the other hand, the PRA Budget itself is not a primary output of the Budget Officer but of the MSO Department. The Budget Officer may already be considered as a user of an already consolidated budget report by the MSO and cannot be manipulated or changed by the former. On the hand, the preparation of the financial statements is an activity that relies on trail of documents and journal entries open to examination and review. Any error or misstatement arising from alleged incompatibility of function will surely be exposed, if any. Thus, the appearance of incompatible function being performed by the Budget Officer may in reality be just that, only in appearance.

- j. Several JEVs were recorded without the necessary review and approval of the Accountant. – All JEVs that are recorded should indeed be reviewed and approved by the Accountant. Efforts will be exerted to ensure that this is performed.

In addition to the comments on specific issues, PRA will comply with the recommendations enumerated in the AOM.

9. Validity of the payments made for 2011 CNA Incentive paid in 2012 could not be established since it was not fully supported with documents provided under Sections 3.1, 3.2.1, 3.2.2, 3.2.3 and 3.6 of DBM Budget Circular No. 2011-5 dated December 26, 2011. Moreover, the agency fee collected from non-employees' association members and accredited union members were not the same as reviewed by the Civil Service Commission (CSC).

9.1 DBM Budget Circular No. 2011-5 dated December 26, 2011 provides:

“Sec. 3.1 CNA Incentive may be granted only when the agency has:

- a. Completed at least 90 per cent of all programs/activities/projects (P/A/Ps) approved in its budget; and,
- b. Accomplished or delivered at least 90 per cent of the performance targets under each major final output (MFO) consistent with the Organizational Performance Indicator Framework (OPIF).

- 9.2 Verification of the payments made for CNA disclosed that the requirements/documents like the report on savings generated and specific expenditure item as sources of CNA, copy of the accomplishment report submitted to the DBM based on its submitted physical and financial plan and the copy of the MFO and OPIF as required under the Budget Circular were not attached to the payroll on CNA Incentive for 2011.
- 9.3 Likewise, we observed that the agency fee collected from non-employees' association members and accredited union members varies from one another. In fact two top ranking officials were not collected the appropriate agency fee.

Moreover, review by the Civil Service Commission (CSC) of the CNA provides that:

“The collectible agency fee from non-employees’ association members who enjoy the benefits under the CNA is limited to a reasonable amount equivalent (same or equal in amount) to the union dues and other fees normally (regularly) paid by the accredited union members”.

- 9.4 Due to the absence of the documents as mentioned in the Budget Circular such as reports on accomplishments, computation of savings generated, copy of the MFO, OPIF and the annual report on the total expenditures for CNA Incentive submitted to the DBM, validity of the payments made on the 2011 CNA Incentive cannot be established.

9.5 We recommended that Management:

- 1. Comply with CSC rules and regulations authorizing the grant of benefits to avoid confusion/conflict vis-à-vis CNA Incentives particularly on the computation of agency fee; and**
- 2. Submit reports on accomplishments, computation of savings generated, copy of MFO, OPIF and the annual report on the total expenditures for CNA Incentive submitted to the DBM in compliance with the provisions stated under DBM Budget Circular No. 2011-5 particularly Sections 3.1 and 3.2.1; 3.2.2,s 3.2.3 and 3.6.**

10. Copies of contracts executed by PRA and their supporting documents were not furnished to COA within five (5) working days, upon their perfection contrary to COA Circular No. 2009-001.

- 10.1 Verification, examination and review of the documents submitted to COA as well as audit of the transactions of the Authority revealed that contracts entered into by and between PRA and various suppliers, contractors, service providers, mega marketers, accredited facilities/banks and other services as well as deeds of undertaking of retirees including their supporting documents were not submitted to COA in compliance with Sections 2.1, 3.1.2 of COA Circular No. 2009-001 dated February 12, 2009 which states that:

- 10.1.1 This circular shall cover contracts, purchase orders and they like, entered into by any government agency irrespective of amount involved.
- 10.1.2 Within five (5) working days from the execution of the contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. In case of agencies audited on an engagement basis, submission of a copy of the contract and its supporting documents shall be submitted to the Auditor of the mother agency or parent company, as the case may be.
- 10.1.3 The copies of the documents to be submitted shall include but not limited to the following:
- a. Invitation to Apply for Eligibility and to Bid;
 - b. Letter of Intent;
 - c. Eligibility Documents and Eligibility Data Sheet;
 - d. Eligibility Requirements;
 - e. Results of Eligibility Check/Screening;
 - f. Bidding Documents;
 - g. Minutes of Pre-bid Conference;
 - h. Supplemental Bid Bulletins where applicable;
 - i. Bidders Technical and Financial Proposals;
 - j. Minutes of Bid Opening;
 - k. Abstract of Bids;
 - l. Post Qualification Report of Technical Working Group;
 - m. BAC Resolution Declaring the Winning Bidder;
 - n. Notice of Post Qualification;
 - o. BAC Resolution Recommending the Award;
 - p. Notice of Award;
 - q. Contract Agreement;
 - r. Performance Security;
 - s. Terms of Reference;
 - t. Detailed Breakdown of the Approved Budget for the Contract;
 - u. Detailed Breakdown of the Contract Cost or Bid Amount;
 - v. Certificate of Availability of Funds;
 - w. Notice to Proceed; and
 - x. Such other documents peculiar to the contract and/or to the mode of procurement and considered necessary in the auditorial review and in the technical evaluation thereof.
- 10.2 The non-submission of the copies of contracts/agreements/undertakings by PRA to COA deprived the team to conduct a timely review and generate timely audit results. Likewise, this is not in compliance with COA Circular No. 2009-001 on the submission to COA within five (5) working days from perfection.

10.3 We recommended that Management comply strictly on the furnishing of copies of contracts including their supporting documents to COA within five (5) working days.

11. Payments for airline tickets relative to foreign travels by the officials of the Authority were in violation of Section 10 of Executive Order (EO) and Section 3.1.A.2, COA Circular No. No. 85-55A. Likewise, foreign travel of the Department Manager, Admin and Finance was not in accordance with Section 16 (c) of the General Provisions of the General Appropriations Act of 2012.

11.1 Audit of foreign travels showed the following:

11.1.1 Airline tickets for all travels abroad were purchased from travel agencies other than the airline itself. This practice is considered an irregular expense falling under Section 3.1.A.2, COA Circular No. 85-55A prohibiting the purchase of goods and services from middlemen resulting in additional expenses amounting to P117,866.33 as shown below:

CK #	Date	Cost of ticket if purchased directly from the Airline Company *	Actual cost of ticket purchased from travel agency	Additional expenses incurred	Remarks
2391501	4/18/2012	P149,331.15	P153,990.00	P4,658.85	Business class without the Office of the President's approval
2391532	4/19/2012	15,981.90	18,082.00	2,100.10	
2457695	10/18/2012	419.50	1,138.00	718.50	No airline rate available for comparison, hence, only travel insurance/service fees were compared
2457721	10/22/2012	629.25	4,065.75	3,436.50	No airline rate available for comparison, hence, only travel insurance/service fees were compared
2457793	10/29/2012	30,522.82	36,347.40	5,824.58	
2458344	11/20/2012	49,005.84	62,914.00	13,908.16	
2474682	12/5/2012	38,063.76	43,652.40	5,588.64	
2474957	12/20/2012	99,220.00	180,851.00	81,631.00	One Division Chief used Coach/Business Class without the Office of the President's approval
	Total			P117,866.33	

* Data taken from the quotation of the Airline Company attached to the DV

11.1.2 Business class tickets were purchased without the appropriate approval of the President in compliance with Section 10 of EO 248 as amended under Section 7 of EO 298, which states that:

“In case officials and employees authorized to travel abroad are not provided with transportation by the host country or sponsoring organization or agency, they shall be allowed official transportation, which shall be of the restricted economy class unless otherwise authorized by the President of the Philippines”.

- 11.1.3 The agency’s Travel Bible that contains the travel projections for the year and which are included in the agency’s Project Procurement Management Plan (PPMP) and Annual Procurement Plan (APP) was not submitted;
- 11.1.4 Reproduced copies of Travel Reports, Authority to Travel, Itinerary of Travel, Certificate of Travel Completed and Boarding Pass attached to the payment of airline tickets were not certified as true copies of the original;
- 11.1.5 Copies of etickets, certificates of travel completed, boarding passes and travel report were not attached to prove that travel had actually been undertaken and the purpose of the travel had been achieved;
- 11.1.6 The travel of the Department Manager-Admin and Finance from November 2-12, 2012 to China to conduct series of meetings and briefings for prospective retirees and marketers is considered as a violation of Section 16 (c) of the General Provisions of the General Appropriations Act of 2012, which states that:

“Payment of foreign travelPROVIDED, That no official or employee, including uniformed personnel of the DILG and DND, may be sent to foreign training, conference or attend international commitments when they are due to retire within one year after the said foreign travel”.

- 11.1.7 Use of Coach other than economy accommodation by the Division Chief-Admin on November 30 to December 10, 2012 to Canada and USA to participate in the Joint DOT-Pal, US-Canada Road Show 2012 was not mentioned in the travel order nor was it approved by the President, hence, is also considered a violation of Section 10, EO 248 as amended under Section 7 of EO 298.
- 11.1.8 The above deficiencies were violations of Section 7, EO 298, Section 3.1.A.2, COA Circular No. 85-55A, and Section 16 (c) of the General Provisions of the General Appropriations Act of 2012 and the basic rule on disbursements that it must always be supported with complete documentation.

11.2 We recommended that Management:

- 1. Stop the practice of availing accommodations other than the economy mode of transportation unless approved by the President and specified in the travel order;**
- 2. Submit the agency's Travel Bible or a copy thereof at the beginning of the year together with the agency's Project Procurement Management Plan and Annual Procurement Plan to support claims for travelling expenses for audit purposes;**
- 3. Support payments for airline tickets with complete documentation; and**
- 4. Comply strictly with the provisions of Section 16 (c) of the General Provisions of the General Appropriations Act of 2012 on the prohibition of any official or employee to attend foreign training, conference and international commitments when they are due to retire within one year after the said foreign travel.**

11.3 Management submitted the following comments:

1. Airline tickets purchased form travel agencies

Airline companies require cash payment upon booking. Booking cannot be effected since travel order is required before booking can be made which take some time. Moreover, the SDO of Admin and Finance which is charged of flight booking is allowed only up to P50,000.

Rejoinder: Our audit disclosed that purchasing tickets from travel agencies cost PRA more in the amount of P119,124.83 than directly purchasing the same from the airline companies.

2. Use of Business Class

This was resorted due to lack of time to book earlier because travel order was released 2 days before the actual departure and by then no economy class is available.

Rejoinder: Section 10 of Executive Order No. 248 as amended under Section 7 of EO 298 is very clear on the allowable official transportation which shall be of restricted economy class unless otherwise authorized by the President of the Philippines.

3. Absence of Travel Bible

Most foreign trips are per invitation and these usually are sent a few days before the actual date, hence cannot be planned earlier for the preparation of the travel bible.

Rejoinder: Verification of the PPMP and APP disclosed that these travels were not included therein and there was no approved amendment or a

supplemental procurement plan prepared for these travels. In effect, these travels were not funded.

4. Airline Tickets were not certified as true copies of the original

Billing from Airline tickets are usually made through fax machine but as to the Official Receipt (OR) as proof of payment, management are strictly implementing no issuance of OR, no release of checks unless payment are required for exigency of the service.

Rejoinder: Official Receipts and Billing are not the only documents required for payment of airline tickets. Other documents such as Travel Reports, Authority to Travel, Itinerary of Travel, Certificate of Travel Completed and Boarding Passes are additional requisites for payment which should be certified as original when a photo copy is used as supporting documents to the disbursement voucher, in order for the documents to be considered legal and proper.

5. Copies of etickets, certificates of travel completed, boarding passes and travel report were not attached.

As far as management is concerned, before the approval of the liquidation, all required documents were properly attached including etickets, certificates of travel completed, boarding passes and travel report, management suspected that they were only disarrange from the filing.

Rejoinder: The said documents were not disarranged from the file. These were supposed to be attached to the liquidation of cash advances on travels made, but copies were not attached or were not included as supporting documents in the payment of airline tickets.

6. Travel of the Department Manager – Admin and Finance

The travel is not within the restriction cited such as foreign training, conferences or attend international commitments but due to the exigency of the service and performance of an official function which is vital to the functions of the office and does not include signing of an international treaty.

Rejoinder: We maintain however, that her travel to China to conduct series of meetings and briefings for prospective retirees and marketers was not within her functions being the DM of Admin and Finance but that of the DM of Marketing. Moreover, if she would be retiring from government service within a year after the said foreign travel, the expenses incurred by PRA will be more compensated in terms of the knowledge, training and experience that would have been gained by the personnel and the responsible official or employee from the Marketing Department.

12. We reiterate our prior years' audit observation that PRA had not been incorporating plans and budget for Gender and Development (GAD) in its

operations contrary to the Philippine Plan for Gender and Development for 1995 - 2025 as approved under Executive Order No. 273.

- 12.1 Government agencies are mandated to incorporate plans and budget for GAD in their agency under Executive Order NO. 273-Approving and adopting the Philippine Plan for GAD, 1995-2025 and Joint Circular No. 2004-1 dated April 5, 2004 of the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA), and National Commission on the Role of Filipino Women (NCRFW).
- 12.2 **We recommended that Management incorporate plans and budget for Gender and Development in compliance with the Philippine Plan for Gender and Development for 1995 – 2025 under Executive Order No. 273.**

A.2 Status of Unsettled Audit Disallowances, Charges and Suspensions

Below is the summary of the unsettled audit disallowances, charges and suspensions as of December 31, 2011:

Audit Action	Beginning Balance January 1, 2012	Issued	Settled	Ending Balance December 31, 2012
Suspension	P1,053,590.13 \$ 2,000.00	P1,986,261.69	P809,830.18 \$ 2,000.00	P2,230,021.64
Disallowances	7,106,871.83	251,066.65		7,357,938.48
Charges				
Total	P8,160,461.96 \$ 2,000.00	P2,237,328.34	P809,830.18 \$ 2,000.00	P9,587,960.12

B. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 27 prior year's audit recommendations embodied in the previous year's Annual Audit Report, 5 were implemented, 8 were partially implemented and 14 were not implemented.

Audit Observation	Recommendation/s	Management Comments/Actions
<p>1. The security of the retirees' deposits in the Development Bank of the Philippines amounting to US\$14,559,313 as of December 31, 2011 was at risk due to the weaknesses/deficiencies noted in the implementation of the SMILE retirement program, prominent of which were the placement of the retirees' deposits in the name of PRA and the absence of written guidelines in the withdrawals/transfer of said deposits.</p>	<p>We recommended that Management undertake the following:</p> <p style="margin-left: 40px;">a. As regards the selection of DBP as the depository bank for the retirees' deposits, submit for audit evaluation documents showing that DBP was a better depository bank for the retirees' accounts as compared to other government depository banks such as the Land Bank of the Philippines;</p> <p style="margin-left: 40px;">b. Justify the placement of the retirees' deposits in the name of PRA;</p>	<p><i>Partially implemented.</i></p> <p>The concept was first offered to LBP but despite several meetings the bank has not finalized its decision. DBP was invited & explained the concept to its officers. DBP expressed its intention for possible partnership with PRA as evidenced by its aggressiveness in complying with the requirements to qualify as an accredited bank for visa deposit. PRA is not closing its doors to other government banks which can offer the same services if not more than what DBP has offered.</p> <p>The idea of putting retirees' deposit in government banks was the result of an observation by the Senate Finance Committee in its briefing/review of PRA that government banks must be given priority.</p> <p><i>Rejoinder:</i> Although the decision was explained my Management, no documents were submitted to support their claim.</p> <p><i>Implemented.</i></p> <p>To easily facilitate and monitor all transactions accruing from all the deposits of retirees, management has decided to consolidate all deposits into one account by putting the PRA's account name for all the deposits. However, the retirees' deposits remain to be secured because PRA in return is issuing each retiree a</p>

	<p>c. Formulate written guidelines on the withdrawals from the retirees' deposits, detailing the responsibilities of the PRA and the bank and likewise taking into consideration control measures to prevent unauthorized withdrawals from the account, to be signed by both the PRA and the bank, and to be approved by the Board;</p> <p>d. Make representation with the proper authority to amend, revise or supersede the provision in the recognition of interest stated in the IRR of EO 1037 before implementing the terms and conditions No. 5 of the related MOA between DBP and PRA;</p>	<p>certification of their deposits, as a proof that all claims are properly accounted by PRA for its individual deposits.</p> <p>Partially implemented.</p> <p>Management had already made a process flowchart that visualizes and analyzes the responsible centers, various systems and procedures. PRA together with the DBP bank, insures that all withdrawals conform with strict and necessary procedures before release of the dollar deposits. In addition, all withdrawals are only in the mode of bank transfer and by means of how the retiree wishes to receive the fund through Philippine Domestic Dollar Transfer System (PDDTS), SWIFT transfer System or Real Time Gross Settlement (RTGS).</p> <p>Rejoinder: Although the flow chart internal to PRA had already been submitted, no written guidelines signed by both DBP and PRA and duly approved by the PRA Board were submitted for our guidance in audit.</p> <p>Partially implemented.</p> <p>The actual payment of interest was already released subject to the request of the retiree for interest to be deposited to individual accounts through bank to bank transfers. The payment of interest to the retiree's visa deposit was taken up in the meeting of the PRA Board of Trustees when the proposal to open an account for the interest of the retirees' visa deposit was submitted. The Board took into consideration the comment of one of its members that proper safeguards must be determined regarding the interest on deposit consolidation.</p>
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	<p>e. Obtain post facto approval from the Board, and henceforth, comply with Board Resolution No. 23 and attach Board approval for every withdrawal made from the receiving to the disbursing account; and</p>	<p>The PRA management has also written the OGCC for expansion of the Section III Rule VIII of the Implementing Guidelines to read as follows:</p> <p>“...Sharing on services fees charged by depository banks will include deposit consolidation income made possible by the difference between the retail rates paid to retail depositors, to which category retirees belong, and the market rates paid by the money and capital markets to the depository banks. Share on service fees will also include the 1.5% management fee being hitherto paid by accredited private banks to PRA.”</p> <p>The OGCC has recommended that the EO 1037 issued in 1985 be updated to include deposit consolidation.</p> <p>Rejoinder: The IRR of EO 1037 has not been amended up to the date of this writing, however, Management is already implementing all the conditions set forth in the MOA.</p> <p>Not implemented.</p> <p>The Board of Trustees seldom meets. Operation wise, it is impossible to clear each withdrawal with the Board. At any rate, the Banking Committee makes it to a point to submit to the Board for its notification of the withdrawals for DBP. The management, through its Banking Committee, processed the release of withdrawals without prior board approval, as it deemed impractical to wait board approval prior to every withdrawal by the retiree as it may hamper the operations.</p>
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	<p>f. To strengthen internal control in the conversion of deposits to investments, ensure that the type of retirement program (whether SMILE or classic) is stamped on the face of the CTD issued by DBP, to be done by the RRSC before said CTDs are forwarded to the Finance Division for safekeeping.</p>	<p>Nevertheless, the Banking Committee shall submit to the Board for ratification all disbursements made due the retirees.</p> <p>Not implemented.</p> <p>There is a distinction between the retirees under the SMILE program and the retirees under the classic retirement program, because RRSC stamps the type of program on the retiree's application form.</p> <p>The certificates of time deposit (CTDs) are released to ANF (Finance Division) where they are held for safekeeping and therefore, RRSC does not handle the CTDs at all. The RRSC will provide Finance a list of retirees enrolled under the different products of SMILE scheme.</p> <p>The retiree is furnished a copy of the Certificate of Inward Remittance issued by DBP and a Certificate of Visa Deposit issued by PRA. Upon maturity, another certificate is issued to the retiree with the information that the same is roll over of the original and every roll over thereafter.</p>
<p>2. The cost of maintaining the Service with a Smile (SWS) program in the total amount of P339,800 was not commensurate to the 80 incoming calls generated by the program.</p>	<p>We recommended that Management take into account the following:</p> <p>a. Implement the SWS in-house; assign personnel that would address the retirees' needs and concerns and properly train said personnel for the purpose; and</p>	<p>Not Implemented.</p> <p>Upon GM Atienza's assumption of office, one of the pending proposals by the outgoing GM was the establishment of a contact center with total budget of P11 million. GM Atienza decided to outsource the project at less than P800,000 per year. The project proved unviable and the outsourcing contract was not extended last June 15, 2012</p>

	<p>b. If it is necessary, apply for another PLDT line, which shall solely be used for the SWS program.</p>	<p>Not Implemented.</p>
<p>3. Some officers regularly availing the services of the agency vehicles were also receiving the transportation allowance in full, contrary to the General Provisions of the General Appropriations Acts.</p>	<p>We recommended that the concerned PRA officers strictly observe the following:</p> <p>a. For PRA official regularly using agency vehicle, waive the transportation allowance and refund the TA previously received; require the Finance Department to determine the total amount to be refunded subject to the verification of COA;</p> <p>For PRA official irregularly using agency vehicle, comply with COA Circular No. 2000-005 dated October 4, 2000 which states the following: <i>“Whenever an official or employee entitled to transportation allowance uses government vehicle issued to his office, a corresponding proportionate reduction on his transportation allowance shall be made.”</i></p>	<p>Partially implemented.</p> <p>A memorandum letter dated June 21, 2012 was already sent to the Finance Division /in charge of payroll preparation, allowing the effect of deduction for the entire TA of GM and ₱250.00 per day for DMs every actual use of company vehicle for whatever purpose, official or otherwise.</p> <p>In the case of the General Manager the following were effected:</p> <ol style="list-style-type: none"> 1. Effective June 1 to June 15, 2012, the deduction from the transportation allowance will be based on the actual used of the vehicle. 2. Effective June 16, 2012 and until the instruction of the General Manager to the contrary, will no longer be entitled to the transportation allowance. <p>The Audit Team Leader (ATL) only issued notice of suspension for the GM & DM – Admin & Finance for the period September 2010 up to the present disregarding the fact that other officers have been using the company vehicle prior to the cut – off period when the GM is not yet connected with PRA & yet no notice of disallowance was issued from August 2010 downwards.</p> <p>The ATL has been assigned in PRA for more than seven (7) years and yet it was only when</p>

the GM was appointed that the (ATL) issued such notices.

Furthermore, below table is the listing of the following officers with their corresponding details who have refunded their TA:

OFFICER	DATE	OR No.	AMOUNT
GM	27-Nov-12	8829381	71,750.00
DGM	3-Sep-12	2451387	3,840.85
DM-Mktg	16-Apr-13	3375446	6,237.82
		3375460	850.50
DM-A&F	23-Nov-12	8829275	64,125.00
Total			146,804.17

Rejoinder: The ₱250.00 per day deduction for the DMs is inaccurate considering that one could still claim a portion of the TA during the months with less than 22 actual working days. Furthermore, AOM No. 2006-03 issued on May 18, 2006, duly received by the Office of the GM, is the exact contradiction of their contention that “*The ATL has been assigned in PRA for more than seven (7) years and yet it was only when the GM was appointed that the ATL issued such notices*”.

On the same AOM, please take note of our last recommendation, among others, to “**Stop the granting of transportation allowance to officers using government vehicles on a regular basis.**”

b. Issue updated MR for all the vehicles including those assigned to the GM, the DGM and all the department managers, and in cases where custody and physical control of the

Since the former GM immediately complied with our recommendation, the issuance of NS and ND is no longer necessary, unlike the present Management who insisted in claiming both the transportation allowances and use government vehicles at the same time.

	<p>expenses which these OGCC lawyers claimed / reimbursed from PRA.</p>	
<p>5. Deposits from terminated lease contracts and bonds / deposits for office space renovation in the total amount of ₱533,598 remained in the possession of the lessors to the disadvantage of PRA.</p>	<p>We recommended that Management take immediate action for the immediate refund / return of the guarantee deposits / bond by the Citibank and Philexim.</p>	<p><i>Partially Implemented.</i></p> <p>Of the amount of ₱533,598.00 still in the possession of the lessors ₱344,554.38 was already adjusted subject to deduction by Philexim from PRA for additional rental, Electricity charges & Equipment damage due for offsetting from the Rental Deposit of 4th Floor per JV#2079473 dated April 2012. In the meantime another ₱25,000.00 in payment of Bond for renovation of the 29/F Citibank tower office cannot yet be refunded until such time the office is still being occupied.</p> <p>Unfortunately, the balance of ₱164,044.00 of the ₱533,598.00 are still due for reconciliation subject to the claim of Cititower condominium that said deposit was already consumed by the PRA from the last rental period of the contract. Hence, management is still asking for Cititower Condominium for submission of proper documents to validate said notice to PRA.</p>
<p>6. Uncollected overdue receivables from incumbent, retired / resigned employees and former members of the board accumulated to ₱3.109 million for failure to implement control measures such as requiring clearance for retiring employees or the prohibition in the granting of multiple cash advances.</p>	<p>We recommended that for retired / resigned employees and former Board members, Management cause offsetting of whatever payable amount was due them against the balance of the receivable account due from them; exert efforts to know their whereabouts and send collection letters.</p>	<p><i>Partially implemented.</i></p> <p>Management has already sent the letters to all the retired/resigned employees and former members of the board who have uncollected overdue receivables due to PRA, awaiting for recipient's reply.</p> <p>However, due to the possibility of incorrect address, or perhaps the recipient no longer lives in respective</p>

	<p>We further recommended that Management immediately collect the amount of ₱790,666.76 (₱619,460.76 + ₱171,206) due from active employees.</p>	<p>mailing address, most of the sent letters were returned to PRA.</p> <p>Implemented.</p> <p>All active employees were asked to settle their overdue accounts within prescribed period subject to withholding their salaries. Some of active employees agreed to settle their overdue accounts on installment basis and payroll deductions; some were required to liquidate and comply with the necessary documents needed for the liquidation.</p> <p>As of March 31, 2013 overdue receivables from former officers and employees totaled ₱1,831,066.91 and for active officers and employees the total is ₱90,464.89, which is being collected through salary deduction.</p>
<p>7. The validity of some of PRA's transactions could not be ascertained due to incomplete documentation and the integrity and completeness of the records on file were not determined due to inadequate record-keeping.</p>	<p>We recommended that Management:</p> <p>a. Ensure that supporting documentation of disbursements are properly accomplished and signed, such as Budget Utilization Slip, Disbursement Voucher, trip tickets and Purchase Request and that meal reimbursements are duly supported with the required documents; and</p> <p>b. Assign a suitable and secured space for COA and Finance records</p>	<p>Not Implemented.</p> <p>Release of funds is not implemented unless all necessary documents are signed and attached to the request.</p> <p>Concerned personnel were reminded to complete all the information required.</p> <p>Rejoinder: Documents submitted for the current year were still found wanting as to the completeness of documentation, hence, the same topic was reiterated in the Comments and Observation portion of this report.</p> <p>Partially implemented.</p> <p>There is already a separate</p>

	<p>together with non-financial documents; and designate regular employee/s to oversee the orderly record keeping of financial and non-financial records.</p>	<p>storage room for Finance Division & COA.</p> <p>Rejoinder: As of the date of this writing, we are still waiting for the completion of the cabling project so that a suitable storage space could be provided for PRA's financial records which should be under the custody of COA, to comply with the provisions of PD 1445.</p>
<p>8. The cashier and some of the petty cash custodians do not maintain cashbooks, in violation of Section 181 (b) of the Volume I, Government Accounting and Auditing Manual (GAAM).</p>	<p>We recommended that Management require strictly the use of cashbook for all the designated cash custodians, and require the settlement of the cash shortage of ₱351.76 in the Administrative and Finance Fund and remit to the cashier the amount of ₱940.30 representing the overage in the RRSC fund.</p>	<p>Not implemented.</p> <p>An office order was issued requiring to use cash books in order to easily keep track of their daily cash disbursements.</p> <p>Cash books are already provided to the custodians for their use.</p> <p>Per report submitted to the Finance Division by the DC Admin no shortage of ₱351.76 was incurred. All change/cash were remitted to the cashier with OR.</p> <p>Rejoinder: Although an Office Order had been issued, compliance with the order is a totally different matter. Furthermore, considering that the finding is the result of the cash examination conducted, the refund and liquidation should have been submitted to us on a separate cover, however, up to the time of this writing, we have not received the same. We believe the liquidation of the cash advance of the DC, Admin is one of the documents missing as mentioned in the Comments and Observation portion of this report.</p>
<p>9. Payments of salary and statutory deductions for two employees who were both on leave without pay were made, indicating that payments</p>	<p>We recommended that Management monitor strictly the leave credits of employees who are on extended leave and ascertain that they are</p>	<p>Implemented.</p> <p>We have already adjusted the unrecognized employees' vacation and sick leave benefits understated in PRA's</p>

<p>were processed without sufficient verification on the status of the leave credits of said employees.</p>	<p>not granted their monthly compensations if their leave credits had already been exhausted; request the refund of the statutory deductions erroneously remitted or deduct the amounts from the subsequent remittances to these respective government agencies.</p>	<p>liability and expense accounts, per General Journal Voucher # 2079789, dated December 31, 2012, following the relevant provisions of the Rule XIV of the Omnibus Rules Implementing Book V of Executive Order No. 292 wherein, leave benefits shall be recognized as expense and the liability shall be set up at the end of the accounting period.</p> <p>As of December 2012, we had recognized monetization of leave credits for the total amount of ₱1,503,853.73 using the rate of basic salary of PRA regular employees as of Dec 31, 2012.</p> <p>For compulsory remittances, the amount erroneously applied to those two employees who were both on leave without pay, cannot easily be refunded from the respective government agencies.</p> <p>Remittance for the concerned employees will be adjusted so that payment made will be credited to the subsequent remittances.</p> <p>Per General Journal Voucher Nos. 2079207 & 2079232 dated December 2011 correcting entries were already taken up for adjustment.</p>
<p>10. Cash advances in the total amount of ₱470,000 utilized for the granting of groceries on the occasions of Government Employees' Week and 2011 PRA Christmas Party were wanting of</p>	<p>We recommended that Management undertake the following:</p> <ol style="list-style-type: none"> a. Submit legal authority to purchase groceries for the employees during the celebrations of the National Government 	<p><i>Partially Implemented.</i></p> <p>Management had already made the employees refund all the expenses made for the purchase of groceries during the</p>

<p>legal basis. Additional cash advance of ₱75,000 for employees meals was excessively drawn.</p>	<p>Employees Week and the 2011 PRA Employees' Christmas Party, and without which, the full amount of groceries distributed have to be refunded in full;</p> <p>b. Grant cash advance based only on actual needs; and</p> <p>c. Require strictly the liquidation of all cash advances at the end of the year.</p>	<p>celebrations of the National Government Employees Week and the 2011 PRA Employees' Christmas Party.</p> <p>Rejoinder: To date, the total amount distributed has not been fully refunded.</p> <p>Not Implemented. This finding is reiterated in the Comments and Observation portion of the report.</p> <p>Not Implemented. There are still outstanding balances as at year end.</p>
<p>11. PRA had not been incorporating plans and budget for Gender and Development in its operations contrary to the Philippine Plan for Gender and Development for 1995 – 2025 as approved under Executive Order No. 273.</p>	<p>We recommend that Management give importance to the GAD's goals and programs in compliance with the EO 273.</p>	<p>Not Implemented.</p> <p>The programs that were submitted did not qualify for GAD budget allocation.</p>

Philippine Retirement Authority
Computation of Exchange Rate Difference
As of December 31, 2012

	PLACEMENTS/ WITHDRAWALS IN US DOLLARS	MONTH-END EXCHANGE RATE	PESO EQUIVALENT AT MONTH-END RATE	EXCHANGE RATE (Dec. 31, 2012)	PESO EQUIVALENT Dec. 31, 2012	EXCHANGE RATE DIFFERENCE
Balance as of April 30, 2012	25,332,106.92	42.37	1,073,321,370.20	41.13	1,041,782,897.09	(31,538,473.12)
Placements, May 2012	3,067,552.96	43.50	133,438,553.76	41.13	126,153,115.48	(7,285,438.28)
Less: Withdrawals, Nov. 2011-May 2012	(1,703,478.83)		(73,567,817.70)			
Add: Adjustment on placements			18,818,380.15			
Placements, June 2012	2,914,803.22	42.34	123,412,768.33	41.13	119,871,282.42	(3,541,485.91)
Less: Withdrawals, June 2012	(350,415.50)	42.34	(14,836,592.27)			
Placements, July 2012	4,359,550.44	41.93	182,795,949.95	41.13	179,286,511.85	(3,509,438.10)
Less: Withdrawals, July 2012	(524,046.90)	41.93	(21,973,286.52)			
Less: Withdrawals, July 2012	(524,046.90)	41.93	(21,973,286.52)			
Placements, August 2012	3,641,303.73	42.23	153,772,256.52	41.13	149,748,615.90	(4,023,640.62)
Less: Withdrawals, August 2012	(290,153.18)	42.23	(12,253,168.79)			
Placements, September 2012	3,455,563.61	41.87	144,684,448.35	41.13	142,110,053.46	(2,574,394.89)
Placements, October 2012	3,657,744.94	41.20	150,699,091.53	41.13	150,424,760.66	(274,330.87)
Less: Withdrawals, September 2012	(196,047.00)	41.87	(8,208,487.89)			
Less: Withdrawals, October 2012	(330,242.04)	41.20	(13,605,972.05)			
Placements, November 2012	3,264,815.31	40.90	133,530,946.18	41.13	134,265,529.62	734,583.44
Less: Withdrawals, November 2012	(206,602.00)	40.90	(8,450,021.80)			
Placements, December 2012	2,794,602.49	41.13	114,928,027.40	41.13	114,928,027.40	0.00
Less: Withdrawals, December 2012	(535,192.65)	41.13	(22,009,797.73)			
TOTAL	47,827,818.62		2,032,523,361.10			(52,012,618.35)

Note: Placements from June 2011 until March 2012 were translated to the month-end rate of every following month. Total placements as of March 31, 2012 was translated to April 2012 month-end rate of 42.370. Starting May 2012 no translation was done and the recognized rate was the month-end rate

Philippine Retirement Authority
Schedule of Outstanding Checks
As of December 31, 2012

<u>Date of Check</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Date Received</u>
24-Sep-12	2457037	LK GLOBAL REALTY & DEVELOPMENT CORP.	11,515.62	18-Feb-13
29-Oct-12	2457806	WORLD NEWS	28,248.75	4-Jan-13
31-Oct-12	2457890	OCTAGON TRAVEL	18,296.10	15-Jan-13
31-Oct-12	2457957	LEXLIBRES IMMIGRATION & BUSINESS CONSULTING AGENCY	18,172.12	20-Mar-13
5-Nov-12	2458023	LK GLOBAL REALTY & DEVELOPMENT CORP.	17,748.00	18-Feb-13
6-Nov-12	2458044	ASIA DRAGON TRAVEL & TOURS	18,022.05	1-Feb-13
7-Nov-12	2458058	OCTAGON TRAVEL	18,296.10	15-Jan-13
7-Nov-12	2458062	MEGAWORLD CORPORATION	17,839.37	22-Jan-13
8-Nov-12	2458090	OCTAGON TRAVEL	18,039.45	15-Jan-13
8-Nov-12	2458097	LEXLIBRES IMMIGRATION & BUSINESS CONSULTING AGENCY	18,022.05	20-Mar-13
8-Nov-12	2458100	CHANG MING ENTERPRISES LTD. CO	17,189.15	22-Jan-13
12-Nov-12	2458155	ASIA DRAGON TRAVEL & TOURS	18,035.10	16-Jan-13
12-Nov-12	2458164	OCTAGON TRAVEL	18,039.45	15-Jan-13
12-Nov-12	2458165	OCTAGON TRAVEL	18,039.45	15-Jan-13
20-Nov-12	2458340	MADANGBAL, INC.	16,473.99	7-Jan-13
26-Nov-12	2458421	UNION-ASIA DOCUMENTATION SERVICES LTD. CO.	16,473.99	17-Jan-13
26-Nov-12	2458422	UNION-ASIA DOCUMENTATION SERVICES LTD. CO.	16,556.00	17-Jan-13
26-Nov-12	2458423	OCTAGON TRAVEL	18,004.65	29-Jan-13
26-Nov-12	2458424	OCTAGON TRAVEL	18,004.65	29-Jan-13
26-Nov-12	2458425	OCTAGON TRAVEL	17,972.02	29-Jan-13
26-Nov-12	2458431	LINK WORLD TRAVEL AND TOURS INC.	17,510.00	21-Mar-13
26-Nov-12	2458436	MEGAWORLD CORPORATION	17,503.62	22-Jan-13
26-Nov-12	2458451	DHL EXPRESS (PHILIPPINES) CORP.	7,171.87	18-Jan-13
28-Nov-12	2474506	DHL EXPRESS (PHILIPPINES) CORP.	8,154.37	18-Jan-13
28-Nov-12	2474516	WORLD NEWS	13,950.00	4-Jan-13
28-Nov-12	2474517	WORLD NEWS	13,950.00	4-Jan-13
28-Nov-12	2474518	WORLD NEWS	13,950.00	4-Jan-13
28-Nov-12	2474519	WORLD NEWS	13,950.00	4-Jan-13
3-Dec-12	2474603	MRL DOCUMENT PROCESSING SERVICES	16,705.99	7-Jan-13
3-Dec-12	2474604	U-HUAT INTERNATIONAL TRAVEL, INC.	17,748.00	31-Jan-13
3-Dec-12	2474605	FASTPASS TOURS	17,915.47	24-Jan-13
3-Dec-12	2474608	GOTERA MARKETING AND ALLIED SERVICES	17,514.25	20-Feb-13
3-Dec-12	2474613	UNION-ASIA DOCUMENTATION SERVICES LTD. CO.	16,509.99	17-Jan-13
3-Dec-12	2474614	OCTAGON TRAVEL	17,926.35	29-Jan-13
3-Dec-12	2474615	OCTAGON TRAVEL	17,991.60	29-Jan-13
3-Dec-12	2474616	MEGAWORLD CORPORATION	17,558.87	22-Jan-13
3-Dec-12	2474618	LEAPFAST 888 TRAVEL & TOURS, INC.	17,558.87	8-Jan-13
3-Dec-12	2474619	MANILA VISA AND IMMIGRATION CONSULTANTS INT'L, INC.	17,590.75	28-Jan-13
5-Dec-12	2474665	STATE SERVICE AGENCY	17,754.37	2-Jan-13
5-Dec-12	2474673	AMERICAN TECHNOLOGIES INC.	56,250.00	1-Feb-13
6-Dec-12	2474683	OFFICE CLUB.COM	525.26	18-Jan-13
10-Dec-12	2474699	OCTAGON TRAVEL	18,161.25	29-Jan-13
10-Dec-12	2474700	LINFAIR DEVELOPMENT CORPORATION	5,709.15	29-Jan-13
10-Dec-12	2474704	QUICKPAK RECORDS MANAGEMENT, INC.	5,605.92	17-Jan-13
10-Dec-12	2474717	UNION-ASIA DOCUMENTATION SERVICES LTD. CO.	16,480.00	17-Jan-13
10-Dec-12	2474718	UNION-ASIA DOCUMENTATION SERVICES LTD. CO.	16,509.99	17-Jan-13
10-Dec-12	2474719	OCTAGON TRAVEL	17,922.00	29-Jan-13
10-Dec-12	2474720	OCTAGON TRAVEL	17,922.00	29-Jan-13
10-Dec-12	2474721	MADANGBAL, INC.	16,556.00	7-Jan-13
10-Dec-12	2474726	LINK WORLD TRAVEL AND TOURS INC.	17,501.50	8-Mar-13
10-Dec-12	2474729	EASYWAY MANAGEMENT & CONSULTANCY INC.	17,939.40	4-Jan-13
		Sub total - 1	864,984.90	

<u>Date of Check</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Date Received</u>
13-Dec-12	2474773	THE AMERICAN CHAMBER OF COMMERCE OF THE PHILIPPINES	8,755.85	15-Mar-13
14-Dec-12	2474796	UNION-ASIA DOCUMENTATION SERVICES LTD. CO.	16,420.00	17-Jan-13
14-Dec-12	2474801	U-HUAT INTERNATIONAL TRAVEL, INC.	50,620.11	9-Jan-13
14-Dec-12	2474812	LRA DOCUMENTATION AND PROCESSING SERVICES	17,514.25	4-Mar-13
14-Dec-12	2474815	UNI-ORIENT TRAVEL, INCORPORATED	17,820.25	3-Jan-13
17-Dec-12	2474881	BERNADETTE CADATAL	2,041.55	26-Feb-13
18-Dec-12	2474893	AICI, INC.	5,670.00	4-Jan-13
18-Dec-12	2474894	FOOKIEN TIMES YEAR BOOK PUBLISHING CO., INC.	99,750.00	9-Jan-13
18-Dec-12	2474895	FAME, INC.	126,000.00	4-Jan-13
18-Dec-12	2474896	MANILA BULLETIN	32,148.90	11-Jan-13
18-Dec-12	2474897	CHINESE JOURNAL TODAY PUBLICATION, INC.	15,196.88	22-Jan-13
18-Dec-12	2474900	DHL EXPRESS (PHILIPPINES) CORP.	3,875.63	18-Jan-13
18-Dec-12	2474901	CHINESE JOURNAL TODAY PUBLICATION, INC.	17,812.50	22-Jan-13
18-Dec-12	2474903	GMAP DESIGN INNOVATION COMPANY	53,350.00	23-Jan-13
19-Dec-12	2474920	MANILA BULLETIN	35,721.00	11-Jan-13
19-Dec-12	2474921	MANILA BULLETIN	255,583.75	11-Jan-13
19-Dec-12	2474931	UNION-ASIA DOCUMENTATION SERVICES LTD. CO.	16,445.99	17-Jan-13
19-Dec-12	2474932	OCTAGON TRAVEL	17,856.75	29-Jan-13
19-Dec-12	2474933	OCTAGON TRAVEL	17,856.75	29-Jan-13
19-Dec-12	2474934	MADANGBAL, INC.	16,509.99	16-Jan-13
19-Dec-12	2474936	EMPIRE INTERNATIONAL TRAVEL & TOURS	16,420.00	4-Jan-13
20-Dec-12	2474947	EMPIRE INTERNATIONAL TRAVEL & TOURS	16,448.00	4-Jan-13
20-Dec-12	2474953	XENTRIX SOLUTIONS, INC.	32,742.99	29-Jan-13
20-Dec-12	2474954	JAPI PRINTZONE CORPORATION	19,828.63	4-Jan-13
20-Dec-12	2474959	CENTURIAN INTERNATIONAL CORPORATION	8,991.07	4-Jan-13
20-Dec-12	2474961	LEAPFAST 888 TRAVEL & TOURS, INC.	17,450.50	5-Feb-13
20-Dec-12	2474963	SMARTT TOURS, TRAVEL & CONSULTANCY INC.	5,567.40	9-Jan-13
20-Dec-12	2474964	YUSAN TRAVEL DOCUMENTATION SERVICES	17,913.30	21-Jan-13
20-Dec-12	2474965	NOBEROSE DOCUMENTATION AND TRAVEL CONSULTANCY SERVICES	18,085.12	15-Jan-13
20-Dec-12	2474969	AMJ DOCUMENTATION SERVICES	11,962.87	15-Jan-13
20-Dec-12	2474972	ASIA DRAGON TRAVEL & TOURS	17,885.02	1-Feb-13
21-Dec-12	2474979	EASTGATE PUBLISHING CORPORATION	131,250.00	18-Jan-13
21-Dec-12	2474980	ASIAN JOURNAL PUBLICATIONS PHILIPPINES, INC.	199,218.75	8-Jan-13
21-Dec-12	2474981	DORNIER MEDIA INTERNATIONAL CORPORATION	105,000.00	4-Jan-13
21-Dec-12	2474982	ILYOSHINMUN, INC.	5,625.00	3-Jan-13
21-Dec-12	2474983	FOREIGN POST, INC.	34,453.12	3-Jan-13
21-Dec-12	2474985	AICI, INC.	5,040.00	8-Jan-13
28-Dec-12	2475066	MA. CLARICE PALOMO	4,788.50	3-Jan-13
28-Dec-12	2475069	JOEY MHAR ABIERA	3,600.61	3-Jan-13
28-Dec-12	2475073	GSIS	400,011.28	10-Jan-13
28-Dec-12	2475074	LBP ATRIUM BRANCH BIR	318,335.28	10-Jan-13
28-Dec-12	2475075	LBP ATRIUM BRANCH BIR	292,909.05	10-Jan-13
28-Dec-12	2475076	PHILHEALTH	21,562.50	10-Jan-13
28-Dec-12	2475077	LBP ATRIUM BRANCH BIR	294,424.63	10-Jan-13
28-Dec-12	2475078	HDMF	18,149.01	24-Jan-13
28-Dec-12	2475079	HDMF	7,100.00	24-Jan-13
28-Dec-12	2475080	PRAEC	47,731.79	18-Jan-13
28-Dec-12	2475081	PRAEC	28,950.38	18-Jan-13
		Sub total - 2	2,928,394.95	
		Grand Total	3,793,379.85	

**Philippine Retirement Authority
Analysis of Expenditures
CY 2012**

	2012 Actual	Per approved COB	Variance
PERSONAL SERVICES			
Salaries and wages-regular	16,510,391	16,626,530	116,139
Other Compensation:			
Year-end bonus	1,424,701	1,448,730	24,029
Personnel economic relief allowance (PERA)	901,782	912,000	10,218
Representation allowance (RA)	772,833	810,000	37,167
Transportation allowance (TA)	543,799	466,000	(77,799)
Other bonuses and allowances	744,580	74,000	(670,580)
Cash gift	187,500	190,000	2,500
Clothing/uniform allowance	176,260	190,000	13,740
Personnel Benefit Contributions:			
Life and retirement insurance contributions	1,976,890	1,995,840	18,950
PHILHEALTH contributions	143,542	136,500	(7,042)
PAG-IBIG contributions	45,392	46,200	808
ECC contributions	45,392	46,200	808
Other Personnel Benefits:			
Monetization of leave credits	1,808,557	0	(1,808,557)
Total personal services	25,281,619	22,942,000	(2,339,619)
MAINTENANCE AND OTHER OPERATING EXPENSES			
Other MOOE - Marketers Fee	28,216,707	25,586,000	(2,630,707)
Other MOOE-Bureau of Immigration fees	18,692,693	17,409,600	(1,283,093)
Advertising Expenses	17,232,913	20,324,000	3,091,087
General services	8,231,336	12,000,000	3,768,664
Rent Expenses	6,994,934	9,884,000	2,889,066
Travelling expense - foreign	3,469,409	5,000,000	1,530,591
Representation expenses	1,930,997	5,200,680	3,269,683
Auditing services	1,793,312	2,022,472	229,160
Other MOOE-medical	1,593,399	1,740,000	146,601
Office supplies expense	1,523,653	5,127,180	3,603,527
Depreciation - office building	1,463,994	0	(1,463,994)
Depreciation - motor vehicles	1,281,281	0	(1,281,281)
Membership dues and contributions to org	1,161,715	2,645,137	1,483,422
Depreciation - IT equipment	1,117,080	0	(1,117,080)
Internet expenses	848,809	1,930,906	1,082,097
Postage and delivery expenses	696,461	1,784,680	1,088,219
Promotional supplies expenses	762,105	5,000,000	4,237,895
Telephone expenses-landline	598,123	1,153,977	555,854
Electricity expenses	550,107	1,252,447	702,340
Travelling expense - local	450,695	1,500,700	1,050,005
Gasoline, oil and lubricants expense	418,178	510,000	91,822

Bad debts expense	413,355	0	(413,355)
Telephone expenses-mobile	367,321	500,000	132,679
Repairs and maint.-leasehold improvements, bldg.	347,982	649,345	301,363
Depreciation - furniture & fixtures	301,488	0	(301,488)
Insurance expense	263,559	432,371	168,812
Depreciation - other PPE	245,817	0	(245,817)
Security services	239,983	503,755	263,772
Legal services	229,415	342,192	112,777
Other MOOE - Persistency Bonus	220,529	0	(220,529)
Repairs and maintenance - motor vehicles	217,415	1,452,562	1,235,147
Transportation and delivery expenses	175,860	311,200	135,340
Depreciation - office equipment	158,456	0	(158,456)
Training expenses	158,143	300,000	141,857
Repairs and maintenance - office equipment	127,987	240,000	112,013
Fidelity bond premiums	104,109	136,836	32,727
Cultural and athletic expenses	78,047	120,000	41,953
Extraordinary expenses	61,815	110,000	48,185
Subscription expenses	60,666	128,000	67,334
Depreciation - other equipment	52,406	0	(52,406)
Depreciation - Leasehold Improvement	34,800	0	(34,800)
Taxes, duties and licenses	17,647	24,000	6,353
Printing and binding expenses	15,063	57,668	42,605
Cable, satellite, telegraph and radio expenses	13,200	50,000	36,800
Depreciation - Other Structure	4,152	0	(4,152)
Repairs and maintenance - IT equipment	1,760	362,533	360,773
Donations	0	50,000	50,000
Repairs and maintenance - Furnitures and Fixtures	0	40,000	40,000
<hr/>			
Total maintenance and other operating expenses	102,938,876	125,882,240	22,943,364
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Financial expenses:			
Bank charges	11,433	41,760	30,327
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TOTAL OPERATING EXPENSES	128,231,928	125,924,000	(2,307,928)
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