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

ANNUAL AUDIT REPORT

on the

PHILIPPINE RETIREMENT AUTHORITY

For the Years Ended December 31, 2023 and 2022

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine Retirement Authority (PRA) was created under Executive Order (EO) No. 1037 dated July 4, 1985 as a corporate body tasked primarily to develop and promote the Philippines as a retirement haven by providing the best quality of life for targeted retirees. The EO also aims to accelerate the social economic development of the country and at the same time strengthen its Foreign Exchange (Forex) position.

The PRA recommends to the Bureau of Immigration (BI) the issuance of Special Resident Retirees Visa (SRRV), a special non-immigrant visa with multiple/indefinite entry privileges, to qualified foreigners and former Filipino citizens who wish to make the Philippines their second home.

Mandated to attract foreign nationals and former Filipinos to retire, invest and reside in the Philippines and with a vision to make our country a leading and significant destination for the world's retirees, the PRA offers various retirement products with required visa deposits (VDs) that can be withdrawn when the retiree leaves/withdraws from the program or in case of end-of-term obligations. Qualified retiree-applicants make inward remittance of their requisite VDs to the Philippines through the Development Bank of the Philippines (DBP). Existing members under the old product offerings maintain their VDs with private banks. Accredited marketers provide enrolment services to applicants.

For purposes of bringing the PRA closer to its member-retirees as well as encouraging active involvement of local governments and the private sector in the retirement industry, the Authority established satellite offices in some cities, such as Baguio, Angeles, Cebu and Davao.

With the passage of Tourism Act of 2009, also known as Republic Act (RA) No. 9593 on May 12, 2009, the supervision of the PRA was transferred from the Department of Trade and Industry to the Department of Tourism (DOT).

The PRA administration is composed of the following principal officers and Board of Trustees as at December 31, 2023:

Position / Designation	Name
1. General Manager and Chief Executive Officer	Cynthia Lagdameo Carrion
2. Deputy General Manager	Ma. Milagros R. Lisaca
3. Chairperson, Board of Trustees	Ma. Esperanza Christina Garcia Frasco Secretary, DOT
4. Member, Board of Trustees	Felipe M. Medalla Governor, Bangko Sentral ng Pilipinas
5. Member, Board of Trustees	Norman G. Tansingco Commissioner, BI
6. Member, Board of Trustees	Verna Emeralda C. Buensuceso Assistant Secretary, DOT

As at December 31, 2023, the PRA had a total of 180 manpower complement consisting of 100 regular employees and 80 job orders.

FINANCIAL HIGHLIGHTS (In Philippine Peso)

I. Comparative Financial Position

	2023	2022	Increase/ (Decrease)
Assets	23,533,390,957	23,668,500,377	(135,109,420)
Liabilities	20,994,159,735	21,336,401,430	(342,241,695)
Equity	2,539,231,222	2,332,098,947	207,132,275

II. Comparative Comprehensive Income

	2023	2022	Increase/ (Decrease)
Income	1,072,410,269	2,622,051,651	(1,549,641,382)
Personnel services	89,668,384	93,077,185	(3,408,801)
Maintenance and other operating expenses	137,523,729	100,716,510	36,807,219
Financial expenses	1,306,267	2,417,017	(1,110,750)
Direct costs	56,707,598	51,597,759	5,109,839
Unrealized loss on Forex	223,788,863	1,755,229,289	(1,531,440,426)
Non-cash expenses	34,858,340	13,330,836	21,527,504
Total expenses	543,853,181	2,016,368,596	(1,472,515,415)
Profit before tax	528,557,088	605,683,055	(77,125,967)
Income tax expense	89,408,233	184,950,778	(95,542,545)
Net income	439,148,855	420,732,277	18,416,578
Other comprehensive income/(loss) for the period	-	-	-
Comprehensive income	**439,148,855**	**420,732,277**	**18,416,578**

III. Comparison of 2023 Budget and Actual Amounts

	Approved COB	Actual	Variance
Personnel services	106,361,661	83,884,404	22,477,257
Maintenance and other operating expenses	356,381,708	245,976,880	110,404,828
Capital outlays	5,550,000	854,960	4,695,040
Total	**468,293,369**	**330,716,244**	**137,577,125**

SCOPE OF AUDIT

The audit covered the examination, on a test basis, of the accounts, transactions and operations of the PRA to enable us to express an opinion on the financial statements (FSs) for the years ended December 31, 2023 and 2022 in accordance with International Standards of Supreme Audit Institutions. It was also conducted at determining the PRA's compliance with pertinent laws, rules and regulations and adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered a Qualified opinion on the fairness of the presentation of the FSs in view of the following:

1. The faithful representation in the FSs of the balances of the Trust Liabilities (TL) – VDs and Interest on VDs accounts totaling P20.099 billion as at December 31, 2023, was not established due to: (a) unaccounted net discrepancy of P159.325 million, between their contra-accounts totaling P19.940 billion; and (b) non-maintenance of complete subsidiary ledgers (SLs) for various retiree-members to support the General Ledger (GL) balances of TL accounts, contrary to Paragraph 15 of the Philippine Accounting Standard (PAS) 1 and Qualitative Characteristics (QC) 26 of Conceptual Framework for Financial Reporting (CFFR). Moreover, the interest earned from the VDs of the retiree-members totaling P129.681 million was recognized as interest income instead of TL-interest on VDs despite the absence of approved authority rendering the validity of the recognized revenue and the accuracy of the reported balance of the TL-Interest on VDs account doubtful.

2. The Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL), along with the Retained Earnings, accounts were understated by P38.601 million, P4.686 million, and P43.287 million, respectively, due to the improper adjustments made by the Finance and Management Division (FMD) in Calendar Year (CY) 2023 to reconcile balances as at December 31, 2022, which are not in consonance with Paragraph 15 of PAS 1 and Paragraphs 47 and 51 of PAS 12. Likewise, the prescribed individual SLs for the DTA and DTL accounts were not maintained, which could have facilitated the adjustment of any re-measurement or de-recognition of deferred taxes and avoided errors in the recording of transactions.

3. The accuracy and reliability of the balance of the Cash-in-Bank account in the amount of P308.344 million as at December 31, 2023, was not established due to the net discrepancy of P69.906 million between the balances per books and confirmed bank balances consisting of various book reconciling items (BRIs) such as errors of P20.362 million on revaluation of foreign currency account; and stale checks of P2.407 million, which remained unadjusted as at year-end, contrary to Paragraph 15 of PAS 1. The mandatory preparation of monthly Bank Reconciliation Statements (BRS) was not performed, particularly on dollar accounts, contrary to Sections 4, 6, and 7 of the Government Accounting Manual resulting in the non-adjustment of BRIs in substantial amounts.

4. The erroneous recording of accruals and adjustments of the Annual PRA Fee (APF), and non-recognition of change in Forex rates at year-end, resulted in the understatements of the Service Income (SI) – APF, Accounts Receivable (AR) – APF, and Unrealized Loss on Forex accounts by P17.952 million, P17.565 million, and P386,729, respectively, contrary to QC 12 of the CFFR and Paragraphs 3.2.3 and 15 of PAS 1.

5. The Prepayments - Withholding Tax at Source (WTS) and Due to Bureau of Internal Revenue (BIR) – Income Tax Payable (ITP) accounts with balances of P28.048 million and P109.803 million as at year-end were overstated by the net amounts of P15.927 million and P17.193 million, respectively, while the Other Prepayments and Retained Earnings accounts were understated by P7.964 million and P9.229

million, respectively, due to errors in the recorded adjustments as well as non-recording by the FMD of transactions on recognition and utilization of creditable tax withheld (CTW). These conditions are not in consonance with QC 12 of the CFFR and Section 2.1 of COA Circular No. 2020-002.

6. The accuracy and reliability of the valuation of the AR account with a net carrying amount of P162.232 million as at December 31, 2023, could not be ascertained due to non-compliance with the requirements on the measurement of Expected Credit Losses (ECL) for the provision of impairment as outlined in Paragraphs 5.5.15(a) and 5.5.17 of the Philippine Financial Reporting Standard (PFRS) 9, which resulted in significant adjustment of P123.274 million in the Allowance for Impairment account, as well as inadequate disclosure of relevant information in the FSs.

7. The Accounts Payable (AP) account with a year-end balance of P51.484 million and other affected accounts were overstated by P7.523 million, and P1.264 million, respectively, while the Lease Payable account was understated by P7.382 million, due to: (a) erroneous accruals for lease payments, incomplete delivery of website project, and unreplenished vouchers for Petty Cash Fund (PCF) at year-end; and (b) misclassification of accounts, contrary to QC12 of the CFFR. Likewise, the validity of recorded payables of P20.556 million (net) could not be ascertained due to: (a) long outstanding obligations of P24.385 million consisting of stale checks and obligated accounts; (b) accounts with negative balances of P3.829 million which reduced the AP balance; and (c) inadequate/inappropriate SL for creditors/suppliers, which is inconsistent with QC26 of the CFFR, COA Circular No. 99-004, and Department of Budget and Management (DBM) and COA Joint Circular (JC) No. 1 series of 2021.

For the foregoing observations which caused the issuance of a Qualified opinion, we recommended that the PRA Management:

1.1. Direct the FMD to:

a. Expedite and exert all efforts to reconcile the balances of the TL-VDs and Interest on VDs with their contra-accounts, Other Non-Current Asset (ONCA)-Restricted Funds (RFs)-VDs, Interest Receivable-VDs, Investment in TDs-Foreign Currency (FC)-RF and Cash in Bank-FC-Savings accounts to determine the causes of the material discrepancy of P159.325 million. Thereafter, effect the necessary adjusting entries so that their balances shall reflect a faithful representation of the effects of transactions;

b. Assign the handling and reconciliation of the TL-VDs and Interest on VDs and ONCA-RF-VDs accounts to permanent and capable employees, and ensure proper supervision and monitoring of their outputs to generate reliable financial information and reports; and

c. Formulate written accounting guidelines to guide the FMD personnel in the recording of transactions relating to TL and ONCA-RF-VDs to promote uniformity, accuracy, and consistency in the keeping of PRA's accounts;

1.2. Instruct the FMD, in collaboration with the Resident Retiree Servicing Department and Information and Communication Technology Division (ICTD), to create a complete SL for each retiree-member's account to support the GL balances and facilitate the monitoring and reconciliation of the TL and ONCA-RF accounts;

1.3. Institute or formalize the sharing agreement with the retiree-members relative to the interest earned from VD for approval by the Board and disclose it in the guidelines for VDs disseminated to retiree-members to promote transparency and accountability of the PRA to its stakeholders, otherwise, discontinue the practice of recognizing interest income without authority and sufficient legal basis;

2.1 Direct the FMD to:

a. Effect the necessary adjustments to correct the overstatement of the DTA, the DTL and Retained Earnings accounts in the amounts of P38.601 million, P4.686 million, and P43.287 million, respectively, to fairly present the said accounts in the FSs as at year-end;

b. Set up accounting guidelines in the recognition, measurement, and disclosure of the DTA and the DTL transactions to ensure correct, consistent, and reliable financial reporting; and

c. Establish a monitoring system of the DTA and the DTL accounts by assigning personnel to maintain SLs for these accounts including SL for PRA's Forex transactions relating to deferred taxes;

3.1 Require the FMD to:

a. Verify thoroughly the BRIs for each of the affected bank accounts and thereafter, immediately effect the necessary adjusting entries to fairly present the balance of the Cash and Cash Equivalents account in the FSs as at year-end;

b. Expedite the reconciliation of accounts by assigning specific personnel to focus on the validation of collections through bank deposits as well as regular preparation of BRSs, and by implementing strict supervision thereof, to ensure prompt submission of BRSs and adjustment of BRIs; and

c. Continuously make representation to the concerned officials of the Land Bank of the Philippines (LBP) and the DBP - Head Office to facilitate the correction of errors in the accounts of the PRA as well as the provision of pertinent documents by the LBP/DBP branches such as Debit Memos, Credit Memos, etc. so that the necessary adjustments can be effected by both the PRA and the banks;

4.1 Direct the concerned FMD personnel to:

a. Effect the necessary adjustments to correct the understatement of SI-APF, AR-APF and Unrealized Forex Loss accounts in the amounts of P17.952 million, P17.565 million and P386,729, respectively, in compliance with Paragraph 29 of PAS 21 and Paragraph 15 of PAS 1;

b. Formulate accounting guidelines on the recording of accruals of income, changes in foreign currency, and other related transactions as a reference to ensure the accuracy and consistency of financial reports. Likewise, exercise extra care in the recording of transactions; and

c. Exercise extra care in the recording of transactions, and implement strict supervision on personnel whose tasks, outputs and deliverables are crucial in the preparation and presentation of PRA's FSs to avoid errors and deficiencies;

5.1 Require the FMD to:

a. Effect the necessary adjustment to correct the overstatement of the Prepayments – WTS and Due to BIR - ITP accounts by P15.927 million and P17.193 million, respectively, and the understatement of the Other Prepayments and Retained Earnings accounts by P7.964 million and P9.229 million, respectively;

b. Conduct reconciliation between the unapplied CTWs as reflected in the Prepayment - WTS account of the PRA and applied CTWs per Income Tax Return covering CYs 2020 and below to determine whether all related adjustments to it were recorded in the books in compliance with Section 2.58.3.A of Revenue Regulation No. 02-98, and thereafter, effect additional adjustments if warranted; and

c. Exercise due diligence in the preparation and recording of adjustments in the books to avoid errors in the FS;

6.1 Create a committee, with the FMD as the Team Lead, to fast-track the formulation of an accounting policy that would establish the measurement of the ECL aligned with the relevant requirements of PFRS 9 to establish a more realistic, truthful, and reflective basis for the provision of impairment loss ensuring the proper valuation of the AR as at reporting date;

6.2 Ensure that the accounting policy shall be approved by the Board as the basis for the adoption of the ECL measurement and other requirements of PFRS 9 while the FMD ensure the full disclosure of relevant information pertaining thereof in compliance with Paragraph 15 of PAS 1;

6.3. Consider capacitating the concerned FMD personnel, through attendance to training on PFRS 9 and other relevant accounting standards and updates, for the enhancement of the PRA’s financial reporting system; and

7.1 Direct the FMD to:

a. Effect the necessary adjustments to correct the overstatement on the AP and other affected accounts by P7.523 million, and P1.264 million, respectively, and the understatement on the Lease Payable AP account by P7.382 million;

b. Strictly follow the procedures on proper recording of lease payments in compliance with Item b of Paragraph 36 of PFRS 16, and closing of the unreplenished vouchers at year-end to PCF account instead of AP account;

c. Reconcile and evaluate to identify the payees of the dormant/long outstanding accounts totaling P24.385 million, and consider its reversion to Retained Earnings pursuant to DBM and COA JC No. 99-6 in view of the absence of possible valid claims;

d. Reconcile and make the necessary adjustments to eliminate negative balances of P3.829 million to reflect the correct amount of AP at year-end;

e. Immediately prepare and maintain individual SL for each creditor/supplier, and thereafter, submit copies to the Audit Team for verification; and

f. Moving forward, discontinue the practice of adjustments by bulk and ensure that all recorded accruals at year-end pertain only to delivered goods or services with complete documentation.

The other significant audit observations and recommendations that need immediate action are as follows:

8. The reasonableness and effectiveness of the marketing and advertising activities that led to PRA's advertising, promotional, and marketing expenses of P65.649 million could not be established and measured while the Marketing Department (MD) was not provided with clear goals and direction, proper guidance in the selection and implementation of coherent, efficient and effective marketing strategies, and reliable references for more informed marketing decisions due to the absence of comprehensive and Board-Approved Strategic Marketing Plan (MP), which resulted in the inefficient use of government resources and non-attainment of the PRA's target number of enrolled retirees of 3,850 for CY 2023, contrary to PRA's Performance Scorecard (PS), Quality Manual System, and Section 2 of Presidential Decree (PD) No. 1445.

8.1 We recommended that Management:

a. Direct the MD to immediately prepare a comprehensive MP for CY 2024 to be reviewed and evaluated for additional inputs by the Management Services Department and Servicing Division, and approved by the Agency Head and PRA Board which shall be the basis for the implementation of marketing activities and utilization of resources. It shall contain considerations such as but not limited to (i) goals/objectives aligned with PRA's vision and annual target of enrolees; (ii) comprehensive analysis of the selection of target markets, and appropriate marketing strategies and activities for target market segments including allocated resources; (iii) specific implementation period of marketing strategies and the personnel involved; and (iv) well-defined key metrics and performance indicators to track progress, efficiency, and effectiveness of marketing activities at the end of the operating period;

b. Discontinue conduct of marketing activities such as sponsorships, and out-of-home advertising in international or local settings that are not aligned with

PRA's marketing objective/plans to avoid inefficient use of government resources or incurrence of unnecessary marketing expense;

c. Intensify the promotional campaigns in key markets of the SRRV Program to ensure that the target number of enrollees stated in PRA's PS for CY 2024 is obtained, and focus on the use of digital advertising platforms considering their advantages in terms of costs, accessibility to potential market global wide, and monitoring of progress;

d. Review current marketing strategies such as ad placements through taxis, paraws, and others by checking their performance metrics and other pertinent data to determine the success of the campaign, and identify areas for improvements;

e. Revisit the potential participation of the Marketers by requiring them to be involved in the advertising and promotional campaign of PRA's SRRV program by using their platforms but at no expense of the PRA;

f. Create a Team to conduct an assessment of the PRA Marketing Performance at the end of the year to monitor whether the marketing goals were achieved, and identify areas for possible improvement; and

g. Fast-track the completion of the website development project with Avinnovz to maximize the use of the PRA website in marketing its SRRV Program.

9. The PRA renewed its agreement with the Service Provider for Internet Services (IS) in the Head Office and various Satellite Offices for CY 2023 without conducting a cost-benefit analysis (CBA) as required by Appendix 21 of the Implementing Rules and Regulations (IRR) of RA No. 9184, thereby, casting doubts on the validity and propriety of the total expenditures of P3.116 million on Internet subscription. Moreover, the procurement procedures such as recommendation by the Bids and Awards Committee (BAC) to the Head of Procuring Entity (HOPE) of the procurement modality, and other requirements were not performed due to the practice of the ICTD in directly endorsing the request for continuous services by the Service Provider to the HOPE, thereby, disregarding the necessary controls prescribed under Sections 12.1 and Section IV. (L) of Annex H of IRR of RA No. 9184 during the procurement process.

9.1 We recommended that Management:

a. Direct the end users to strictly conduct an annual CBA to assess the quality of services provided by the existing Internet Service Provider (ISP) to support the appropriate mode of procurement to be undertaken in the procurement of such, in compliance with Sections 3.3.1.2, 3.3.1.3, and 3.3.2 of Appendix 21 of the Updated 2016 revised IRR of RA No. 9184;

b. Require the submission of incident reports on any network or internet issues encountered for validation of concerned offices and reference in evaluation of the ISPs delivery of service as well as justification/explanation on the approval of the renewal of the ISP in CY 2023 despite the non-conduct of CBA; and

c. Instruct the BAC to submit a written explanation as to the non-conduct of the required review and recommendation for procurements using alternative methods such as the renewal of the IS in view of its functions clearly stated under Section 12 of the revised IRR of RA No. 9184.

10. The PRA's Website Development Project (Phase II) with a contract price of P2.400 million and awarded to the Contractor on December 23, 2021, intended to enhance and improve operations, specifically in marketing the SRRV Program and providing services for both existing and prospective clients, remained non-operational despite lapse of time due to incomplete and unperformed deliverables, thereby, defeating the purposes for which it was envisioned/planned for and is inconsistent with Section 2 of PD No. 1445.

10.1 We recommended that Management:

a. Direct the ICTD to expedite the completion of the Web Development Project by (i) submitting immediately the requirements to the LBP; (ii) constant and strict monitoring of the progress of the Project with the ICTD personnel and contractor; and (iii) setting a time frame for the contractor to complete and turn over the project for approval by authorized personnel, to avoid further delay;

b. Direct all concerned Departments/Divisions and personnel to cooperate and extend assistance in providing pertinent information to the ICTD and Project Team to hasten the completion of the Project;

c. Instruct all Departments and Divisions to ensure that all deliverables in a specific stage meet the required standards before processing any payment. Make accountable any concerned personnel who fail to meet the requirements, cause the delay of the project completion, and remiss his duties; and

d. Moving forward, ensure that the Term of Reference prepared by the end-user and approved by the BAC is comprehensive, realistic, and reliable to avoid any delays in the execution and completion of the project.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The unsettled audit disallowances and suspensions as at December 31, 2023 amounted to P2.371 million and P175,132 respectively. There was no unsettled audit charge at year-end. The details and status of the unsettled disallowances and suspensions are presented in Part IV, Annex A of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 67 audit recommendations embodied in the prior year's Annual Audit Report, 43 were fully implemented while 24 were not implemented.

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES
Philippine Retirement Authority
29th Floor, BDO Towers Valero
8741 Paseo de Roxas, Makati City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the **Philippine Retirement Authority (PRA**), which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the PRA as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

The faithful representation in the financial statements of the balances of the Trust Liabilities (TL) – Visa Deposits (VDs) and Interest on VDs accounts totaling P20.099 billion as at December 31, 2023, was not established due to: (a) unaccounted net discrepancy of P159.325 million, between their contra-accounts totaling P19.940 billion; and (b) non-maintenance of complete subsidiary ledgers (SLs) for various retiree-members to support the General Ledger balances of TL accounts, contrary to Paragraph 15 of Philippine Accounting Standard (PAS) 1 and Qualitative Characteristics (QC) 26 of Conceptual Framework for Financial Reporting (CFFR). Moreover, the interest earned from the VDs of the retiree-members totaling P129.681 million was recognized as interest income instead of TL-interest on VDs despite the absence of approved authority rendering the validity of the recognized revenue and the accuracy of the reported balance of the TL-Interest on VDs account doubtful.

The Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL), along with the Retained Earnings, accounts were understated by P38.601 million, P4.686 million, and P43.287 million, respectively, due to the improper adjustments made by the Finance and Management Division (FMD) in Calendar Year (CY) 2023 to reconcile balances as at December 31, 2022, which are not in consonance with Paragraph 15 of PAS 1 and Paragraphs 47 and 51 of PAS 12. Likewise, the prescribed individual SLs for the DTA

and DTL accounts were not maintained, which could have facilitated the adjustment of any re-measurement or de-recognition of deferred taxes and avoided errors in the recording of transactions.

Also, the accuracy and reliability of the balance of the Cash-in-Bank account in the amount of P308.344 million as at December 31, 2023, was not established due to the net discrepancy of P69.906 million between the balances per books and confirmed bank balances consisting of various book reconciling items (BRIs) such as errors of P20.362 million on revaluation of foreign currency account; and stale checks of P2.407 million, which remained unadjusted as at year-end, contrary to Paragraph 15 of PAS 1. The mandatory preparation of monthly Bank Reconciliation Statements was not performed, particularly on dollar accounts, contrary to Sections 4, 6, and 7 of the Government Accounting Manual resulting in the non-adjustment of BRIs in substantial amounts.

Likewise, the erroneous recording of accruals and adjustments of the Annual PRA Fee (APF), and non-recognition of change in Foreign Exchange (Forex) rates at year-end, resulted in the understatements of the Service Income – APF, Accounts Receivable (AR) – APF, and Unrealized Loss on Forex accounts by P17.952 million, P17.565 million, and P386,729, respectively, contrary to QC 12 of the CFFR and Paragraphs 3.2.3 and 15 of PAS 1.

Moreover, the Prepayments - Withholding Tax at Source and Due to Bureau of Internal Revenue – Income Tax Payable accounts with balances of P28.048 million and P109.803 million as at year-end were overstated by the net amounts of P15.927 million and P17.193 million, respectively, while the Other Prepayments and Retained Earnings accounts were understated by P7.964 million and P9.229 million, respectively, due to errors in the recorded adjustments as well as non-recording by the FMD of transactions on recognition and utilization of creditable tax withheld. These conditions are not in consonance with QC 12 of the CFFR and Section 2.1 of COA Circular No. 2020-002.

Further, the accuracy and reliability of the valuation of the AR account with a net carrying amount of P162.232 million as at December 31, 2023, could not be ascertained due to non-compliance with the requirements on the measurement of Expected Credit Losses (ECL) for the provision of impairment as outlined in Paragraphs 5.5.15(a) and 5.5.17 of PFRS 9, which resulted in significant adjustment of P123.274 million in the Allowance for Impairment account, as well as inadequate disclosure of relevant information in the financial statements.

Furthermore, the Accounts Payable (AP) account with a year-end balance of P51.484 million and other affected accounts were overstated by P7.523 million, and P1.264 million, respectively, while the Lease Payable account was understated by P7.382 million, due to: (a) erroneous accruals for lease payments, incomplete delivery of website project, and unreplenished vouchers for Petty Cash Fund at year-end; and (b) misclassification of accounts, contrary to QC12 of the CFFR. Likewise, the validity of recorded payables of P20.556 million (net) could not be ascertained due to: (a) long outstanding obligations of P24.385 million consisting of stale checks and obligated accounts; (b) accounts with negative balances of P3.829 million which reduced the AP balance; and (c) inadequate appropriate SL for creditors/suppliers, which is inconsistent with QC26 of the CFFR, COA Circular No. 99-004, and COA-Department of Budget and Management Joint Circular No. 1 series of 2021.

We conducted our audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the PRA in accordance with the Revised Code of Conduct and Ethical Standards for the COA Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Matter

In our report dated May 23, 2023, we expressed an adverse opinion on CYs 2022 financial statements because of the following, among others, (a) the Receivable – AR account was net understated by P5.389 million due to: (i) erroneous recording of accruals on APF and non-revaluation of several accruals on the change in Forex rates which also understated the Gain on Forex and Unrealized Loss on Forex accounts by P4.938 million and P0.810 million, respectively, and overstated the Service Income - APF account by P28.758 million; and (ii) non-accrual of Management Fee (MF) income which understated the Service Income – MFs account by P30.019 million; (b) understatement of both the Impairment Loss and Retained Earnings accounts by P49.094 million due to erroneous prior period adjustments; (c) non-recognition in the books of realized gain (loss) on Forex for withdrawn/paid VDs of retirees with cancelled PRA membership and non-adjustment of the prior years' misapplication of corporate income tax rate which resulted in the overstatement of the DTA, DTL and Retained Earnings account by P58.672 million; P45.270 million, and P13.402 million, respectively; (d) non-restatement of the comparative financial statements for CYs 2022 and 2021 due to the absence of details or breakdown of prior period adjustments of P16.756 million reflected or disclosed under the Retained Earnings account; and (e) absence of SLs to support General Ledger balances of three asset and three liability accounts which affected the reliability of year-end balances.

In CY 2023, the PRA made the necessary adjustments in the books to correct the misstatements on the AR and Service Income-APF/MFs as well as other affected accounts in the financial statements caused by erroneous/non-accruals of APFs and MFs and the failure to revalue dollar-denominated transactions and accounts for changes in Forex. Relative to the erroneous prior period adjustments on the provision for impairment loss, reconciliation was made by the FMD covering prior years and effected several journal entries to recognize changes in the application of the ECL wherein, the adjustment of P49.094 million was deemed incorporated. As to the misstatements on deferred taxes due to non-adjustments, there were efforts made by the Management in reconciling the accounts covering several years and effected adjustment/s to correct and restate the balances of the affected accounts. However, there were some elements of the DTA and DTL in various years that remained for reconciliation due to noted inconsistencies. Similarly, the PRA was able to identify the prior period errors of P16.756 million and disclosed their nature whereas restatement to the financial statements was made to the earliest period presented. Also, the Management exerted efforts to start maintaining the required SLs for the individual accounts of retiree-members on VDs and AR-APF – APF whereas SLs for private banks relating to AR-MFs and for several suppliers for Payables were already established.

Accordingly, our present opinion on the restated 2022 financial statements, as presented herein, is qualified concerning these matters.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, 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.

In preparing the financial statements, management is responsible for assessing the PRA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PRA or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material mistatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 PRA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PRA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up

to the date of our auditor's report. However, future events or conditions may cause the PRA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2023, required by the Bureau of Internal Revenue as disclosed in Note 34 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRSs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT

JINKY B. ROCAL
Supervising Auditor
Audit Group D – PRA/VFP/BSoP
Corporate Government Audit Sector – Cluster 6

May 24, 2024

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the PHILIPPINE RETIREMENT AUTHORITY (PRA) is responsible for the preparation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of the financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the PRA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the PRA or to cease operations, or has no realistic alternative but to do so.

The Board of Trustees is responsible for overseeing the PRA's financial reporting process.

The Board of Trustees reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

The Commission on Audit has audited the financial statements of the PRA in accordance with the International Standards of Supreme Audit Institutions, and in its report to the Board of Trustees, has expressed its opinion on the fairness of presentation upon completion of such audit.

PHILIP JOHN B. MORENO
Head, Admin and Finance Services Department
01 APRIL 2024
Date Signed

HON. ROBERTO Z. ZOZOBRADO
General Manager and CEO
01 APRIL 2024
Date Signed

MA. ESPERANZA CHRISTINA GARCIA FRASCO
Secretary - Department of Tourism
Chairperson of the Board of Trustees
01 APRIL 2024
Date Signed

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PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 (Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	5	313,093,470	313,381,172
Investment in time deposits	6	3,095,044,451	2,695,506,752
Receivables - net	7	274,949,894	231,264,004
Inventories	8	3,824,377	3,658,098
Other current assets	9	23,821,450	23,477,907
Total Current Assets		**3,710,733,642**	**3,267,287,933**
Non-Current Assets			
Investment in stocks	10	3,500,000	3,500,000
Other receivables	11	7,087,258	7,095,488
Property, plant and equipment	12	45,539,255	72,678,002
Intangible assets	13	3,008,100	3,235,965
Deferred tax assets	31.3	172,703,073	979,453,459
Other non-current assets	14	19,590,819,629	19,335,249,530
Total Non-Current Assets		**19,822,657,315**	**20,401,212,444**
Total Assets		**23,533,390,957**	**23,668,500,377**
LIABILITIES			
Current Liabilities			
Financial liabilities	15	54,960,152	60,496,486
Inter-agency payables	16	127,338,692	38,422,794
Other payables	18	10,246,334	491,095
Total Current Liabilities		**192,545,178**	**99,410,375**
Non-Current Liabilities			
Trust liabilities	17	20,110,064,362	19,858,191,209
Deferred credits/unearned income	19	617,862,080	411,220,009
Provisions	20	14,249,057	13,864,327
Deferred tax liabilities	31.4	36,139,753	908,074,293
Lease payable	21	23,299,305	45,641,216
Total Non-Current Liabilities		**20,801,614,557**	**21,236,991,054**
Total Liabilities		**20,994,159,735**	**21,336,401,429**
EQUITY			
Government equity	22	63,217,089	63,217,089
Retained earnings	23	2,473,114,133	2,265,981,859
Other comprehensive income	10	2,900,000	2,900,000
Total Equity		**2,539,231,222**	**2,332,098,948**
Total Liabilities and Equity		**23,533,390,957**	**23,668,500,377**

The notes on pages 11 to 62 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 (Restated)
Income			
Service income	24.1	706,432,936	640,750,225
Business income	24.2	169,034,475	62,365,777
Gains on forex	24.3	196,003,179	1,918,229,929
Other non-operating income	24.4	939,679	705,720
Total Income		**1,072,410,269**	**2,622,051,651**
Expenses			
Personnel services	26	89,668,384	93,077,185
Maintenance and other operating expenses	27	137,523,729	100,716,510
Financial expenses	29	1,306,267	2,417,017
Direct costs	25	56,707,598	51,597,759
Loss on forex	30	223,788,863	1,755,229,289
Non-cash expenses	28	34,858,340	13,330,836
Total Expenses		**543,853,181**	**2,016,368,596**
Profit before tax		528,557,088	605,683,055
Income tax expense	31.2	89,408,233	184,950,778
Profit after tax		439,148,855	420,732,277
Net assistance/subsidy(financial assistance/subsidy/contribution)		-	-
Net income		439,148,855	420,732,277
Other comprehensive income(loss) for the period	10	-	-
Total Comprehensive Income		**439,148,855**	**420,732,277**

The notes on pages 11 to 62 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	Retained Earnings (Restated)	Other Comprehensive Income	Government Equity	Total
		23	10	22	
BALANCE AT JANUARY 1, 2022		**2,012,940,170**	**2,900,000**	**63,217,089**	**2,079,057,259**
CHANGES IN EQUITY FOR 2022					
Add/(deduct):					
Comprehensive income		420,732,277	-	-	420,732,277
Dividends	23	(167,690,588)	-	-	(167,690,588)
BALANCE AT DECEMBER 31, 2022		**2,265,981,859**	**2,900,000**	**63,217,089**	**2,332,098,948**
CHANGES IN EQUITY FOR 2023					
Add/(deduct):					
Comprehensive income		439,148,855	-	-	439,148,855
Dividends	23	(227,892,690)	-	-	(227,892,690)
Other adjustments		(4,123,891)	-	-	(4,123,891)
BALANCE AT DECEMBER 31, 2023		**2,473,114,133**	**2,900,000**	**63,217,089**	**2,539,231,222**

The notes on pages 11 to 62 form part of these statements.

PHILIPPINE RETIREMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the years ended December 31, 2023 and 2022
(In Philippine Peso)

		2023	2022 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/revenue		192,540,460	345,358,112
Collection of receivables		553,798,879	446,028,201
Trust receipts		26,435,569	9,529,901
Other receipts		178,391,609	1,115,831
Total cash inflows		**951,166,517**	**802,032,045**
Adjustments		3,417,477	-
Adjusted cash inflows		**954,583,994**	**802,032,045**
Cash outflows			
Payment of expenses		237,134,829	120,046,722
Purchase of inventories		3,948,331	4,184,961
Grant of cash advances		5,403,537	859,784
Prepayments		4,980,615	277,465
Refund of deposits		214,940	73,635
Payments of accounts payable		9,115,398	24,238,282
Remittance of personnel benefit contributions		36,735,515	22,823,613
Other disbursements		71,445,010	8,713,625
Total cash outflows		**368,978,175**	**181,218,087**
Adjustments		6,100,399	10,822,213
Adjusted cash outflows		**375,078,574**	**192,040,300**
Net cash provided by (used in) operating activities		**579,505,420**	**609,991,745**
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		69,524,687	48,963,676
Proceeds from matured investments		405,824,000	17,909,051
Total cash inflows		**475,348,687**	**66,872,727**
Adjustments		-	-
Adjusted cash inflows		**475,348,687**	**66,872,727**
Cash outflows			
Purchase of property, plant and equipment		182,813	2,400,000
Purchase of investments		782,340,000	182,094,799
Total cash outflows		**782,522,813**	**184,494,799**
Net cash provided by (used in) investing activities		**(307,174,126)**	**(117,622,072)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Interest expenses (Right of use)		819,224	1,933
Repayment of borrowings and leasing liabilities (Right of use)		14,681,297	18,634,750
Payment of cash dividends		227,892,690	417,690,588
Total cash outflows		**243,393,211**	**436,327,271**
Net cash provided by (used in) financing activities		**(243,393,211)**	**(436,327,271)**
Net increase (decrease) in cash and cash equivalents		**28,938,083**	**56,042,402**
Effects of exchange rate changes on cash and cash equivalents		(29,225,785)	6,781,996
CASH AND CASH EQUIVALENTS, JANUARY 1	5	**313,381,172**	**250,556,774**
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	**313,093,470**	**313,381,172**

The notes on pages 11 to 62 form part of these statements.

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

1. GENERAL INFORMATION

The financial statements of **PHILIPPINE RETIREMENT AUTHORITY** (PRA) were authorized for issue on April 1, 2024 as shown in the Statement of Managements Responsibility for Financial Statements signed by Ms. Ma. Esperanza Christina Garcia Frasco – Department of Tourism (DOT) Secretary/Chairman of the Board of Trustees.

PRA is a Government Owned and/or Controlled Corporation (GOCC) created on July 4, 1985 pursuant to Executive Order (EO) No. 1037 and operates under the supervision of the DOT as an attached agency through Republic Act (RA) No. 9593, also known as the Tourism Act of 2009. PRA is mandated by law to develop and promote the Philippines as a retirement haven as a means of accelerating the social and economic development of the country, strengthening its foreign exchange (forex) position at the same time providing further the best quality of life to the targeted retirees in a most attractive package. The purposes and objectives of the Authority are as follows:

a. To develop and promote the country as a retirement haven;

b. To adopt the integrated approach in the development or establishment of retirement communities in the country considering the 11 basic needs of man;

c. To provide the organizational framework to encourage foreign investment in its development projects;

d. To provide effective supervision, regulation and control in the development and establishment of retirement communities in the country and in the organization, management and ownership of its projects; and

e. To make optimum use of existing facilities and/or assets of the government and the private sector without sacrificing their competitiveness in the international and local markets.

PRA recommends to the Bureau of Immigration (BI), the issuance of Special Resident Retirees Visa (SRRV), a special non-immigrant visa with multiple/indefinite entry privileges, to qualified foreigners and former Filipino citizens who wish to make the Philippines their second home.

With the passage of Tourism Act of 2009, also known as RA No. 9593 on May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry to the DOT.

As at December 31, 2023, PRA is headed by General Manager and Chief Executive Officer, Cynthia Lagdameo Carreon, assisted by a Deputy General Manager and four Department Managers. The Authority has a total of 180 workforce consisting of 100 regular employees and 80 job order contracts.

PRA's registered office address is at the 29th Floor, BDO Tower Valero, 8741 Paseo de Roxas, Makati City, 1200 Philippines. PRA has four satellite offices operating in major cities, i.e., Angeles (Subic/Clark), Baguio, Cebu and Davao. It can be reached through its website at www.pra.gov.ph.

2. BASIS OF PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

2.1 Statement of Compliance

The financial statements of PRA have been prepared in accordance with the Philippine Financial Reporting Standards (PFRSs), which includes all applicable PFRSs, Philippine Accounting Standards (PASs), and interpretations issued by the Philippine Interpretations Committee and Standing Interpretations Committee as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy and adopted by the Securities and Exchange Commission.

2.2 Basis of Preparation

The financial statements of PRA have been prepared on a historical cost basis unless otherwise indicated.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

2.3 Presentation and Functional Currency

The financial statements are presented in Philippine Peso, which is also the currency of the primary economic environment in which PRA operates. All amounts are rounded off to the nearest peso, unless otherwise stated.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Presentation of Financial Statements

The financial statements have been prepared in compliance with the PFRSs prescribed by the Commission on Audit (COA) through COA Circular No. 2017-004 dated December 13, 2017 and PAS 1, *Presentation of Financial Statements.*

3.2 Changes in accounting policies and disclosures

a. New standards and amendments effective in 2023 that are relevant to PRA

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following new and amended PFRS which the Authority adopted effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements, Classification of Liabilities as Current or Non-Current* – The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the "right" to defer settlement by at least 12 months and make explicit that only rights in place "at the end of the reporting period" should affect the classification of liability, (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure Initiative – Accounting Policies* – The amendments aim to help entities provide accounting policy disclosures that are more useful by: (i) replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8*, Definition of Accounting Estimates* – The amendments introduced a definition of accounting estimates are, "monetary amounts in financial statements that are subject to measurement uncertainty" and to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

- Amendments to PAS 12*, Income Taxes, Deferred Tax related to Assets and Liabilities from a Single Transaction* – The main change is an exemption from the initial recognition exemption provided in PAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

The foregoing amendments do not have any material effect on the financial statements of PRA. Additional disclosures have been included in the notes to the financial statements, as applicable.

b. New Standards effective in 2023 that are not relevant or not applicable to PRA

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards, Subsidiary as a first-time adopter* – The amendment permits a subsidiary that applies Paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to the PFRSs.

- Amendments to PFRS 3, *Business Combinations, Reference to the Conceptual Framework* – The amendment updates PFRS 3 so that it refers to the 2018 Conceptual Framework instead of the 1989 Framework; add to PFRS 3 a requirement that, for transactions and other events within the scope of PAS

37 or International Financial Reporting Interpretations Committee (IFRIC) 21, an acquirer applies PAS 37 or IFRIC 21 (instead of the Conceptual Framework) to identify the liabilities it has assumed in a business combination; and add to PFRS 3 an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements* – The amendment removes the requirement in Paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

c. New and amended standards and interpretations issued but not yet effective

The new and amended PFRSs which are not yet effective for the year ended December 31, 2023 and have not been applied in preparing the financial statements are summarized below:

Effective for annual periods beginning on or after January 1, 2025:

- Amendments to PFRS 17, *Insurance Contracts* – On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 202062 issued by the Insurance Commission which deferred the implementation of International Financial Reporting Standards 17 by two (2) years after its effective date as decided by the International Accounting Standards Board.

  The main changes resulting from Amendments to PFRS 17 are:

  - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2025 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2025.
  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.
  - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
  - Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.
  - Clarification of the application of contractual service margin attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.
  - Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
  - Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.

- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
- Several small amendments regarding minor application issues.

- Amendment to PFRS 17, *Initial Application of PFRS 17 and PFRS 9 – Comparative Information* – The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of PFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of PFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of PFRS 9. The overlay can be applied by entities that have already applied PFRS 9 or will apply it when they apply PFRS 17.

Under prevailing circumstances, the adoption of the foregoing amendments to Standards is expected to have little to no material impact on the disclosures and amounts recognized in PRA's financial statements.

d. Issued standards with deferred effectivity

- Amendments to PFRS 10*, Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures,* Sale or Contribution of Assets Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

- Amendments to PFRS 4, *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts* - The amendments respond to industry concerns about the impact of differing effective dates. The amendments to PFRS 4 provide two optional solutions to reduce the impact of the differing effective dates of PFRSs 9 and 17. The two optional solutions are the temporary exemption from PFRS 19 and the overlay approach. Under the temporary approach, rather than having to implement PFRS 19, some companies are permitted to continue to apply PFRS 30, Financial Instruments. The overlay approach to presentation alleviates temporary accounting mismatches and volatility. For designated financial assets, a company is permitted to reclassify between profit or loss and other comprehensive income (OCI), the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39.

The new amendment to the Standard will not have an impact on the disclosures and amounts recognized in PRA's financial statements.

3.3 Financial Instruments

PRA recognizes a financial asset or a financial liability in its Statement of Financial Position when, and only when, it becomes a party to the contractual provision of the instruments. In the case of a regular way of purchase or sale of financial assets, recognition and derecognition, as applicable, is done using settlement date accounting. For purposes of presenting financial instruments as liabilities or equity and for offsetting financial assets and financial liabilities, PAS 32*, Financial Instruments: Presentation* is applied to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends, losses and gains; and the circumstances in which financial assets and liabilities should be offset.

Financial Assets

Financial assets are recognized initially at fair value, which is the fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of PRA's financial instruments, except for those designated at fair value through profit and loss (FVTPL), includes transaction cost.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, PRA takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

Classification and Subsequent Measurement

PRA classifies its financial assets at initial recognition under the following categories: (a) financial assets at the FVTPL; (b) financial assets at amortized cost; and (c) financial assets at fair value through other comprehensive income (FVOCI). The classification of a financial instrument largely depends on PRA's business model and its contractual cash flow characteristics.

Financial Assets at Amortized Cost

Financial assets shall be measured at amortized cost if the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial recognition, the financial assets are subsequently measured at amortized cost using the effective interest method, less allowance for impairment, if any. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are derecognized and through an amortization process. Financial assets at amortized cost are included under current assets if their realization or collectability is within 12 months after the reporting period. Otherwise, these are classified as noncurrent assets.

As at December 31, 2023 and 2022, PRA's receivables, short term investments and long term investments are classified under this category.

Financial Assets at FVOCI – debt instruments

For debt instruments that meet the contractual cash flow characteristic and are not designated at the FVTPL under the fair value option, the financial assets shall be measured at the FVOCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, PRA may irrevocably designate the financial asset to be measured at the FVOCI in case the above conditions are not met.

Financial assets at the FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses and impairment losses of debt instruments measured at the FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in the OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at the FVOCI are recognized in profit or loss when the right to receive payment is established, unless the dividend clearly represents a recovery of part of the cost of the investment. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in the OCI and presented in the equity section of the Statements of Financial Position. These fair value

changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

As at December 31, 2023 and 2022, PRA has no externally managed funds, hence, no financial assets have been classified under this category.

Below is PRA's accounting policy on the classification and subsequent measurement of financial assets applicable before January 1, 2019:

a. Cash and cash equivalents

Cash includes cash on hand and cash in banks. Cash equivalents are short term investments with an original maturity period of three months or less from dates of placements and that are subject to insignificant risk of changes in value (*Note 5*).

b. Accounts receivable

Trade receivables are recognized at their face value less allowance for doubtful accounts. The allowance for doubtful accounts is provided for identified potentially uncollectible accounts using the following estimates:

Accounts aged three years and above = 100%

PRA's aging of receivable is presented below:

Age	**2023**	**2022 (as restated)**
Less than 90 days	48,522,174	41,482,475
91-365 days	20,199,020	120,416,692
Over one year	95,789,148	22,334,957
Over three years	60,759,920	64,845,820
Total	**225,270,262**	**249,079,944**

c. Investments in time deposits

Surplus peso and dollar cash funds of PRA are placed in time deposits, and high yield (HY) deposits in government banks, i.e. Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP), to generate additional interest income. The US dollar investments are revalued and recorded using the US dollar rates conversion at the end of the year of P55.370 per US$1.

Investments classified as current are those items with original maturities of over 90 days and less than one year. Those with original maturities of only 90 days or less are classified as marketable securities.

Investments classified as non-current are those with original maturities of more than one year and are not maturing within the next 12 months.

d. Investments in stocks

Equity instruments of another entity are considered as financial assets of the investor/holder in accordance with PAS 32.11. Furthermore, PAS 32.11 defines an equity instrument as any contract that evidences a residual interest in the assets after deducting its liabilities.

A proprietary club share entitles the shareholder to a residual interest in the net assets upon liquidation which justifies that such instrument is an equity instrument and thereby qualifies as a financial asset to be classified and accounted for as equity instruments.

A non-proprietary club share, though an equity instrument in its legal form, is not an equity instrument in the context of PAS 32. Furthermore, it does not entitle the holder to a contractual right to receive cash or another financial asset from the issuing corporation. The holder of the share, in substance, only paid for the privilege to enjoy the club facilities and services but not for ownership of the club. In such a case, the holder must account for the share as an intangible asset under PAS 38.

Investments in stocks held by PRA are proprietary club shares. These shares were accounted for as investment at the FVOCI under PFRS 9.

Impairment of Financial Assets

Below is PRA's accounting policy on impairment of financial assets applicable starting January 1, 2018:

PRA applies an Expected Credit Loss (ECL) model to its financial assets measured at amortized cost but not to investment in equity instruments.

Loss allowances are measured on either of the following bases:

- *12-month ECLs.* These are the ECLs that result from possible default events within the 12 months after the reporting date; or

- *Lifetime ECLs*. These are the ECLs that result from all possible default events over the expected life of a financial instrument.

PRA measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and

- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

PRA has elected to measure loss allowances for receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating the ECLs, PRA considers reasonable and supportable information that is relevant and available without undue cost or effort.

This includes both quantitative and qualitative information and analysis, based on PRA's historical experience, informed credit assessment including current conditions and forecast of future economic conditions.

Furthermore, PRA assumes that the credit risk on a financial asset has increased significantly if it is more than three years past due.

It considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to PRA in full, without recourse by PRA to actions such as realizing security (if any is held); or

- The financial asset is more than three years past due.

The maximum period considered when estimating the ECLs is the maximum contractual period over which PRA is exposed to credit risk.

Measurement of the ECLs

The ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that PRA expects to receive). The ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, PRA assesses whether financial assets carried at amortized cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Below is PRA's accounting policy on the impairment of financial assets applicable before January 1, 2018:

Retirees who had been delinquent in paying dues for the past three years were sent collection/demand letters or notices. After three notices and the accounts are still unpaid, the retirees were placed on a watch list and published in three leading newspapers of general circulation. If after publication, the retirees still fail to update their accounts, their SRRVs shall be recommended to the BI for cancellation and the receivables shall be recommended to be written off from the books of accounts subject to the approval by PRA Board of Trustees. Thereafter, PRA will request authority from COA for the write-off of receivable balance (and any related allowances for impairment losses) when it has determined that the receivables are finally uncollectible after exhausting its efforts to collect and legal action.

Derecognition of Financial Assets

PRA derecognizes financial assets when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If PRA neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, PRA recognizes its retained interest in the asset and an associated liability for the amount it may have to pay. If PRA retains substantially all the risks and rewards of ownership of a transferred financial asset, PRA continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On derecognition of financial assets other than in its entirety, PRA allocates the previous carrying amount of the financial assets between the part it continues to recognize under continuing involvement, and the part it no longer recognizes on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in the OCI is recognized in profit or loss. A cumulative gain or loss that had been in the OCI is allocated between the part that continues to be recognized and the part that is no longer recognized on the basis of the relative fair values of those parts.

Financial Liabilities and Equity Instruments

Debt and equity instruments issued by PRA are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial Liabilities - Initial recognition

Financial liabilities are recognized in PRA's financial statements when it becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of PRA's financial liabilities except for debt instruments classified at the FVTPL. In a regular way purchase or sale, financial liabilities are recognized and unrecognized, as applicable, using settlement date accounting.

Financial liabilities include accounts payable and due to officers and employees.

Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities at the FVTPL or other financial liabilities.

Financial liabilities at the FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

A financial liability is classified as held for trading if:

- It has been acquired principally for the purpose of repurchasing it in the near term; or
- On initial recognition it is part of a portfolio of identified financial instruments that PRA manages together and has a recent actual pattern of short-term profit-taking; or
- It is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at the FVTPL upon initial recognition if:

- Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- The financial liability forms part of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with PRA's documented risk management or investment strategy, and information about PRA is provided internally on that basis; or
- It forms part of a contract containing one or more embedded derivatives that sufficiently modify the cash flows of the liability and are not closely related, and PFRS 9, *Financial Instruments*, permits the entire combined contract (asset or liability) to be designated as the FVTPL.

Financial liabilities at the FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the other gains and losses line item in the Statement of Comprehensive Income. Fair value is determined in the manner described in notes.

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method. Accounts payable, due to officers and employees, inter/intra-agency payables, and trust liabilities are classified as other financial liabilities.

Derecognition of Financial Liabilities

PRA derecognizes financial liabilities when, and only when PRA's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Authority are recognized at the proceeds received, net of direct issue costs.

3.4 Inventories

Inventories are assets in the form of materials or supplies to be consumed in the production process or in the rendering of services. The cost of inventories shall comprise all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their location and condition as the Authority is already practicing in its recording. In addition, pursuant to COA Circular No. 2022-004, tangible assets with acquisition cost of P50,000 and below are classified as inventories specifically as semi-expendable assets before issuance to the end-user.

3.5 Property, Plant and Equipment (PPE)

PRA's depreciable properties are stated at cost less accumulated depreciation and amortization. The initial cost of property and equipment consists of its purchase price, including taxes and any directly attributable costs of bringing the asset to its working condition and intended use. Expenditures incurred after the items of property and equipment have been put into operation, such as repairs and maintenance are charged against operations in the year in which the costs are incurred, however, when significant parts of the PPE are required to be replaced at intervals, PRA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

Depreciation is computed using the straight-line method over the estimated useful lives of the respective assets based on acquisition cost less residual value of 10 percent of the acquisition cost.

PRA uses the life span of the PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

Asset	**Estimated Useful Life**
Office building	30 years
Leasehold improvements	5 years
Office equipment	5 years
Furniture and fixtures	10 years
ICT equipment	5 years
Library books	7 years
Other equipment	10 years
Transport vehicles	7 years
Other PPEs	5 years

Considered machinery and equipment are office equipment, information and communication technology (ICT) equipment, and other equipment *(Note 12)*.

A PPE's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

PRA derecognizes items of the PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing

use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is de-recognized.

In addition, pursuant to COA Circular No. 2022-004, tangible assets with acquisition cost P50,000.00 and below are classified as semi-expendable assets or inventories before issuance to the end-user.

Leasehold improvements are generally charged over a useful period of five years or the term of the lease. Generally, the lease of PRA at its main office in BDO Towers Valero can be renewed every five years.

3.6 Intangible Assets

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PAS 23, *Borrowing Costs*.

Subsequent expenditure on an in-process research or development project acquired separately and recognized as an intangible asset is:

i. Recognized as an expense when incurred if it is research expenditures;
ii. Recognized as an expense when incurred if it is a development expenditure that does not satisfy the criteria for recognition as an intangible asset; and
iii. Added to the carrying amount of the acquired in-process research or development project if it is a development expenditure that satisfies the recognition criteria for intangible assets.

Intangible assets acquired through non-exchange transactions

The cost of intangible assets acquired in a non-exchange transaction is their fair value at the date these are acquired.

Internally generated intangible assets

Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in surplus or deficit in the period in which the expenditure is incurred.

Recognition of an expense

Expenditure on an intangible item is recognized as expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an asset.

Subsequent measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over their useful lives.

The straight line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful life is not to be amortized.

Intangible assets with indefinite useful lives or an intangible asset not yet available for use are assessed for impairment annually and whenever there is an indication that the assets may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

Research and development costs

PRA recognizes as expense the research costs incurred. Development costs on an individual project are recognized as intangible assets when PRA can demonstrate:

i. The technical feasibility of completing the asset so that the asset will be available for use or sale;
ii. Its intention to complete and its ability to use or sell the asset;
iii. How the asset will generate future economic benefits or service potential;
iv. The availability of resources to complete the asset;
v. The ability to measure reliably the expenditure during development;
vi. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses;
vii. Amortization of the asset begins when development is complete and the asset is available for use;
viii. It is amortized over the period of expected future benefit; and
ix. During the period of development, the asset is tested for impairment annually with any impairment losses recognized immediately in surplus or deficit.

Web Site Costs

PRA concludes that a web site developed using internal expenditures, whether for internal or external access, is an internally generated intangible asset that is subject to and accounted for in accordance with PAS 38 – *Intangible Assets.*

Internally generated intangible assets development costs are accounted for according to the stages of development as follows:

a. Planning – accounted for similar research and development costs and charged the expense of the period on which it is incurred.
b. Application development – capitalized and amortized over estimated useful life *(see Note 13*) to the extent that content is developed for purposes other than to advertise and promote the products and services of PRA.
c. Content developments are charged to expense.
d. Operating the web site or application is also charged to expense.

The estimated useful life used by PRA in amortizing the intangible assets is as follows:

Asset	**Estimated Useful Life**
Computer software	5 years
Website cost	5 years

3.7 Income Taxes

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Statements of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. PRA's current tax liability is calculated using 25 percent regular corporate income tax rate or two percent minimum corporate income tax rate, whichever is higher. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that have been enacted or substantively enacted as of the reporting date.

Deferred Tax

Deferred tax is provided using the balance sheet liability method on temporary differences, with certain exceptions, at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognized for all taxable temporary differences, including asset revaluations. Deferred tax assets are recognized for all deductible temporary differences. Deferred tax, however, is not recognized on temporary differences that arise from the initial recognition of an asset or liability in a transaction that is not a business combination

and, at the time of the transaction, affects neither the accounting income nor taxable income.

The carrying amount of deferred tax assets are reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Current and Deferred Tax for the Year

Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in the OCI or directly in equity, in which case, the current and deferred tax are also recognized in the OCI or directly in equity respectively.

3.8 Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. In case the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit or loss.

If an impairment loss is subsequently reversed, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial assets

Non-financial assets are derecognized when the assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and the net proceeds from derecognition is recognized in profit or loss.

3.9 Leases

PRA as a lessee

PRA assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Lease in which a significant portion of the risks and rewards of ownership are retained by the lessor is classified as operating lease. Payments made under operating lease (net of any incentives received from the lessor) are charged to the pre-operating expenses on a straight-line basis over the period of the lease.

Lease that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration are assessed by PRA whether the contract meets three key evaluations, whether:

a. The contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to PRA.

b. PRA has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract.

c. PRA has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of Right of Use and Lease Liabilities

At lease commencement date, PRA recognizes a right-of-use asset and a lease liability on the statement of financial position. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by PRA, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

PRA depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. PRA also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, PRA measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily determinable, or PRA's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in substance fixed payments.

When the lease liability is remeasured, corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use is already reduced to zero.

Short-term leases and leases of low-value assets

PRA applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

PRA has elected to account for short-term leases and leases of low-value assets using practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit and loss on a straight-line basis over the lease term.

PRA has benefited from the use of hindsight for determining the lease term when considering options to extend and terminate leases.

The right-of-use assets and lease liabilities are recorded in the PPE, Right-of-use assets, Building and other structures and Lease payable accounts and are presented under the PPE and Non-current liabilities, respectively in the statement of financial position. *(See Notes 12, 18 and 33)*

3.10 Retained Earnings

Retained earnings represent accumulated profit attributable to equity holders of PRA after deducting dividends declared. Retained earnings may also include the effect of changes in accounting policy and prior period adjustments.

3.11 Revenue

Revenue is the gross inflow of economic benefits during the period arising in the course of the ordinary activities of an entity when those inflows result in increases in equity, other than increases relating to contributions from equity participants. The main revenue of PRA arises from various fees received from foreign retiree-members or applicants to the retirement program pursuant to EO No. 1037 dated July 4, 1985. PRA recommends to the BI the issuance of the SRRV, a special non-immigrant visa with multiple/indefinite entry privileges to qualified foreigners and former Filipino citizens who wish to make the Philippines their second home. The fees are discussed below – *Service Income.*

Service Income

Income is measured at the fair value of the consideration received or receivable. PRA recognizes income from various fees and services during the period to which it relates.

Income from operations pertains mainly to the following fees *(see Note 24.1)*:

Annual PRA Fee (APF) pertains to the annual fee collected from active members at US$360 for the principal retiree and two qualified dependents and US$100 for every additional dependent. Qualified dependents include the legal spouse and children below 21 years old.

Passport and Visa/Application Fees are one-time processing/service fees paid by retiree-applicants as an initial requirement for their SRRV applications in the program at US$1,400 for the principal applicant and US$300 for each qualified dependent applicant.

Management Fees (MF) are collected from private banks where retiree-members maintain their visa deposits computed at agreed rates based on the outstanding amount of deposits. Presently there are seven accredited banks and 16 formerly accredited banks maintaining visa deposits of retiree-members.

Visitorial Fees (VF) represent the annual fees due from retirees who have converted their requisite visa deposits into active investments, at the rates ranging from 0.5 percent (1/2%) to 1.5 percent (1 and ½%) of the total amount of visa deposit invested.

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

Minimum Qualifying Deposit:

Age	Original Visa Deposit	Reduced to
35 to 49 years old	US$ 75,000.00	US$ 50,000.00
50 years old and above	US$ 50,000.00	US$ 20,000.00

However, the minimum qualifying age has been raised to at least 50 years old starting April 30, 2021 per Board Resolution No. 4, series of 2021.

VFs:

Amount of Visa Deposit Converted	Annual Visitorial Fees
US$ 20,000.00	US$ 500 or its peso equivalent
US$ 50,000.00	US$ 750 or its peso equivalent

Retirees who had been delinquent in paying the 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 and published in three leading newspapers of general circulation. If after publication, the retirees remain delinquent, their SRRVs shall be recommended to the BI for cancellation and the receivables shall be recommended to be written off from the books of accounts subject to the approval by PRA Board of Trustees and COA Circular No. 2016-005 dated December 19, 2016.

Harmonization Fees (HF) 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 percent (1 and ½%) per annum is levied by PRA on the retiree in consideration for the release of the amounts in excess of the required visa deposit under the modified SRD scheme.

Registration/Identification (ID) Fees represent the annual fees of US$10 collected from active retiree-member (principal plus dependents) for the issuance of PRA membership ID card of members not subjected to the APF (old members prior to the introduction of the visa options the Courtesy option).

Processing Fees such as cancellation, accreditation (including marketer and merchant partners), re-stamping, visa downgrading, clearances and other PRA services to retiree-members, are as follows:

Services	PRA	BI
Cancellation (plus BI fee)	US$10.00	₱500
Visa downgrade	US$10.00	₱3,520
Re-stamping (plus BI fee)	US$10.00	₱1,010
Accreditation – New Marketer	US$300.00	
Accreditation – Renewal – Marketer	US$150.00	
ID Issuance – Marketer (for each additional representative in excess of two	₱300.00	
Courier fee (retiree is in the Philippines)	₱150.00 **	
Courier fee (retiree is abroad)	US$20.00 **	
Membership certification	US$10.00	
Others service fees	US$10.00	

***Minimum charge, otherwise actual.*

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine the interest income for each period.

Dividends or similar distributions are recognized when PRA's right to receive payments are established.

However, PRA has not received any dividends from its investment of one proprietary membership share of the Baguio Country Club Corporation.

3.12 Employee Benefits

The employees of PRA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

PRA recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowances, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.13 Foreign Currency Transactions and Advance Consideration

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;

b. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

Advance payments in foreign currencies received by PRA from retiree-members are now recognized as deferred credits/unearned income and translated to Philippine peso (PRA's functional currency) using the exchange rate at the initial recognition or the date such advance payments are received.

3.14 The Effects of Changes in Forex Rates

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;
b. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
c. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

PRA translated its transactions in calendar year (CY) 2023 and monetary items as at December 31, 2023 in foreign currencies as required by the standard.

3.15 Related Party Disclosures

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among the reporting enterprises and its key management personnel, trustees, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

PRA related parties' transaction pertains to the remuneration of the Key Management Personnel as discussed in *Note 32.2*.

3.16 Provisions

Provisions are recognized when PRA has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When PRA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of Financial Performance net of any reimbursement.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

3.17 Accounting Policies, Changes in Accounting Estimates and Errors

PRA conforms to this applicable standard and changes in accounting policies and correction of errors are generally accounted for retrospectively while changes in estimates are accounted for prospectively. Pursuant to COA Circular No. 2022-004, tangible assets with acquisition cost of P50,000 and below are classified as inventories before issuance to the end-user.

Prior period errors are omissions from, and misstatements in, PRA's financial statements for one or more prior periods arising from a failure to use, or misuse of reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements.

Changes in accounting policies and correction of errors are generally retrospectively accounted for, whereas changes in accounting estimates are generally accounted for on a prospective basis.

3.18 Events after the Reporting Period

PRA determines events after its reporting period whether it needs to adjust the financial statements along with the required disclosures or may only require disclosures.

No reportable events after the reporting period require adjustments or disclosures.

3.19 Use of Judgments and Estimates

The preparation of financial statements requires the use of judgement and accounting estimates or assumptions that affect the amounts reported in the financial statements and accompanying notes.

Judgments are made by Management in the development, selection and disclosure of significant accounting policies and estimates and the application of these policies and estimates.

The estimates and assumptions are reviewed on an ongoing basis. These are based on Management's evaluation of relevant facts and circumstances as of the reporting date. Actual results could differ from such estimates.
Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been consistently applied throughout the year presented.

4. RISK MANAGEMENT OBJECTIVES AND POLICIES

4.1 Risk Management Framework

The Board of Trustees has overall responsibility for the establishment and oversight of PRA's risk management framework. The Board has established PRA's credit, finance, operational risk and executive committees, which are responsible for developing and monitoring PRA's risk management policies in their specific areas.

All board committees have executive and non-executive Members and report regularly to the Board of Trustees on their activities.

PRA's risk management policies are established to identify and analyze the risks they faced, to set appropriate risk limits and control, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes to market conditions, products and services offered. PRA, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

PRA's Audit Committee is responsible for monitoring compliance with its risk management policies and procedures and for reviewing the adequacy of the risk management framework in relation to the risk faced by the Authority and it is regularly discussed in the Board meeting.

Generally, the maximum risk exposure of financial assets and financial liabilities is the carrying amount of the financial assets and financial liabilities as shown in the Statements of Financial Position, as summarized in the following tables:

	Note	2023	2022 (as restated)
Financial Assets:			
Cash and cash equivalents	5	313,093,470	313,381,172
Investment in time deposits	6	3,095,044,451	2,695,506,752
Receivables, net	7	274,949,894	231,264,004
Investment in stocks	10	3,500,000	3,500,000
Other receivables	11	7,087,258	7,095,488
Restricted fund	14	19,590,819,629	19,335,249,530
		23,284,494,702	**22,585,996,946**

	Note	2023	2022 (as restated)
Financial Liabilities:			
Financial liabilities-current	15	54,960,152	60,496,486
Inter-agency payables	16	127,338,692	38,422,794
Trust liabilities	17	20,110,064,362	19,858,191,209
Lease payables	21	23,299,305	45,641,216
Other payables	18	10,246,344	491,095
		20,325,908,855	**20,003,242,800**

4.2 Credit Risk

a. Credit Risk Exposure

Credit risk refers to the risk that the client will default on its contractual obligation resulting in financial loss to the corporation. PRA has adopted a policy of dealing only with creditworthy clients and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults.

Also, PRA manages its credit risk by depositing its cash with high credit quality banking institutions.

The carrying amount of the financial assets recognized in the financial statements represents PRA's maximum exposure to credit risk.

The table below shows the gross maximum exposure to credit risk of PRA as at the years ended December 31, 2023 and 2022, without considering the effects of credit risk mitigation techniques.

	Note	2023	2022 (as restated)
Financial Assets:			
Cash and cash equivalents	5	313,093,470	313,381,172
Investment in time deposits	6	3,095,044,451	2,695,506,752
Receivables	7	274,949,894	231,264,003
Investment in stocks	10	3,500,000	3,500,000
Other receivables	11	7,087,258	7,095,488
		3,693,675,073	3,250,747,415

b. Management of Credit Risk

The Board of Trustees has delegated primary responsibility for the management of credit risk and risk management to its Credit Committee which reports to the Board meeting. The Credit Committee provides advice, guidance, and specialized skills to business units to promote best practices throughout PRA in the management of credit risk.

Also, PRA has currently adopted that for a significant proportion of sales of goods and services, advance payment from clients are received to mitigate the risk.

PRA maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors

that affect the collectability of the accounts. These factors include, the age of the receivables, the length of PRA's relationship with the customer, the customer's payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if PRA made different judgments or utilized different estimates.

PRA will request authority from COA for the write-off of receivable balances (and any related allowances for impairment losses) when the Finance Management Division - Treasury determines that the receivables are finally uncollectible after exhausting all efforts to collect and legal action.

4.3 Liquidity Risk

Liquidity risk is the risk that PRA might encounter difficulty in meeting obligation from its financial liabilities.

a. Management of Liquidity Risk

PRA's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to PRA's reputation.

PRA seeks to manage its liquidity profile to be able to finance capital expenditures as well as its current operations. To cover its financing requirements, PRA intends to use internally generated funds and available short-term credit facilities.

As part of its liquidity risk management, PRA regularly evaluates its projected and actual cash flows. It also continually assesses conditions in the financial markets for opportunities to pursue fund raising activities, in case any requirements arise. Fundraising activities may include bank loans and subsidies from the national government or the GOCCs.

b. Exposure to Liquidity Risk

The liquidity risk is the adverse situation when PRA encounters difficulty in meeting unconditionally the settlement of its obligations at maturity. Prudent liquidity management requires that liquidity risks are identified, measured, monitored and controlled in a comprehensive and timely manner. Liquidity management is a major component of the corporate-wide risk management system. Liquidity planning takes into consideration various possible changes in economic, market, political, regulatory and other external factors that may affect the liquidity position of the Corporation.

4.4 Market Risks

Market risk is the risk that changes in the market prices, such as interest rate, equity prices, forex rates and credit spreads (not relating to changes in the obligor's issuer's credit standing) will affect PRA's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return on risk.

Management of Market Risk

The management of interest rate risk against interest gap limits is supplemented by monitoring the sensitivity of PRA's financial assets and liabilities to various standard and non-standard interest rate scenarios.

4.5 Operational Risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with PRA's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behavior. Operational risks arise from all of PRA's operations and are faced by all business entities.

PRA's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to PRA's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall standards for the management of operational risk in the following areas:

- Requirements for appropriate segregation of duties, including the independent authorization of transaction;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risk faced, and the adequacy of controls and procedures to address the risk identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

Compliance with corporate standards is supported by a program of periodic reviews undertaken by the Executive Committee. The results of periodic reviews are discussed with the Board of Trustees.

5. CASH AND CASH EQUIVALENTS

This account consists the following:

	2023	2022 (as restated)
Cash on hand	4,749,956	1,458,869

	2023	2022 (as restated)
Cash in bank-local currency	74,457,968	97,640,950
Cash in bank-foreign currency	233,885,546	214,281,353
	313,093,470	**313,381,172**

In conformity with PAS No. 8, the Cash and cash equivalents are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	314,975,884
Adjustments/Recording of Cash and cash equivalents:	(1,594,712)
Restated amount as at December 31, 2022 - Cash and Cash Equivalents	**313,381,172**

Cash on hand is composed of various accounts mainly: (a) Cash collecting officer – local currency which amounted to P1,053,336 and P908,821 for the years ended December 31, 2023 and 2022, respectively; (b) Cash collecting officer – foreign currency which amounted to $52,037.14 and $1,270.00 as at December 31, 2023 and 2022 respectively, and translated into peso amounts using the corresponding year-end closing rates of P55.370:$1 and P55.755:$1 to arrive at the year-end balances of P2,881,296 and P70,809; and (c) Petty cash fund amounting to P798,713 and P462,513, as at December 31, 2023 and 2022, respectively; and (d) Change funds of $300 in foreign currency translated at P55.370:$1 and P55.755:$1 to arrive at the year-end balances of P16,611 and P16,727 for CYs 2023 and 2022, respectively.

Cash in bank – local currency consists of checking and savings accounts with the LBP and the DBP.

Cash in bank – foreign currency consists of savings account with the LBP and the DBP which amounted to $4,231,269.77 and $3,843,263.70 for the years ended December 31, 2023 and 2022, respectively, and translated into peso amounts using the corresponding year-end closing rates of P55.370:$1 and P55.755:$1.

Regular deposits accounts with the LBP and the DBP earn interest at rates ranging from 0.005 percent to 0.011 percent and 0.015 percent to 0.205 percent in 2023 and 2022, respectively.

6. INVESTMENTS IN TIME DEPOSITS

This account consists the following:

	2023	2022
Foreign currency time deposits	2,037,217,729	1,645,506,752
Investment in HY deposits	1,057,826,722	1,050,000,000
	3,095,044,451	**2,695,506,752**

Investment in time deposits refers only to current investments or those investments that have maturities beyond 90 days but within the next 12 months.

Current foreign currency time deposits with the LBP and the DBP amounted to US$36,792,807.09 and US$ 29,513,169.25 as at December 31, 2023 and 2022 and were converted to peso at year-end using the closing rates of P55.370:US$1 and P55.755:US$1, respectively.

Investments in the HY deposits with the LBP yield interest rates of 1.60 to 4.00 percent in CY 2023 and one percent in CY 2022. Current Investments in US$ time deposits with the LBP and the DBP yield interest rates of 0.15 percent to two percent in CY 2023 and CY 2022.

Included in the foreign currency time deposits is the Investments in time deposits – Restricted account amounting to US$28,226.19 and US$18,832.40 as at December 31, 2023 and 2022, respectively. The Investment in time deposits - Restricted pertains to the portion of the accumulated interest earned on Visa Deposits (VDs) that are payable to retirees under Note 14 – Restricted fund. This account including the Restricted fund - Interest on VD are contra accounts of the interest on VDs payable to retiree, as disclosed in Note 17.

7. RECEIVABLES

This account consists the following:

	2023	2022 (as restated)
Accounts receivable	162,231,591	192,325,506
Interest receivable	112,718,303	38,938,497
	274,949,894	**231,264,003**

7.1 Accounts receivable consist

	2023	2022 (as restated)
VF	67,801,532	67,949,215
Allowance for impairment-VF	(45,593,147)	(41,508,474)
VF – net	22,208,385	26,440,741
MF	58,639,187	54,234,340
Allowance for impairment-MF	(2,642,890)	(2,642,890)
MF – net	55,996,297	51,591,450
HF	6,834,332	10,899,234
Allowance for impairment-HF	(4,256,972)	(3,717,513)
HF – net	2,577,360	7,181,721
APF	91,995,211	115,997,155
Allowance for impairment-APF	(11,032,744)	(9,299,477)
APF – net	80,962,467	106,697,678
Other receivable	487,082	413,916
	162,231,591	**192,325,507**

In conformity with PAS No. 8, Receivables are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	105,530,902
Adjustments/Recording of Receivables:	
Adjusting entries for cancelled/withdrawn members as at December 31, 2022	(23,122,186)
Unrecorded receivables as at December 31, 2022 (includes AR-MF from previously accredited banks)	25,713,393
Overstatement of Allowance for Impairment of Receivables as at December 31, 2022	123,236,465
Overstatement of accrued Interest Receivables for DBP visa deposits	(94,571)
Restated amount as at December 31, 2022 - Receivables	**231,264,003**

a. The **VF** represent annual fees due from retirees who have converted their requisite visa deposits into active investments.

   For the old membership scheme (up to SRRV#M-002161), the VF rate is half (1/2) or 0.5 percent of the VD amount converted into active investment of Section 16 of Rule VIII-A of the Implementing Rules and Regulations of EO No. 1037. From SRRV Nos. M-002162 up to M-006392, the VF is one percent of the VD amount converted to investment.

   Effective May 28, 2006 per approved PRA Circular No. 01, series of 2006 and approved Board Resolution No. 24, series of 2006 dated May 2, 2006 and affirmed further by Resolution No. 38, s. 2007, PRA implemented the SRD scheme wherein the VD requirement was reduced to US$50,000 from US$75,000 for applicants aged 35 to 49 and US$20,000 from US$50,000 for those 50 years old and above. The VF rates were also amended as follows:

Amount of VD converted	Annual VF collected
US$20,000	US$500 or its peso equivalent
US$50,000	US$750 or its peso equivalent

b. The **MF** represent fees due from PRA accredited banks equivalent to one and half (1.5) percent of the outstanding daily balance of the retirees' VDs.

   This excludes receivable from Bankwise, Inc. of P3,273,327.11 as at December 31, 2008 (*see Note 11*), the collection of which had already been endorsed to the Office of the Government Corporate Counsel (OGCC) for legal actions considering that the bank is now under receivership by the Philippine Deposit Insurance Corporation (PDIC). Moreover, receivable from de-accredited banks with corresponding demand letters and notices that were already sent by the OGCC were included in this account.

c. The **HF** are amounts collected for the harmonization of the old and new schemes of deposit. A management fee of 1.5 percent 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.

d. The **APF** pertain to the amount collected from active members (who have not converted their requisite VD into active investment), other than those under the SRRV "Courtesy" scheme, at US$360 for principal retiree and two qualified dependents and

US$100 for every additional dependent. Qualified dependents include the legal spouse and children below 21 years old.

8. INVENTORIES

This account consists the following:

	2023	2022
Information material inventory	1,974,854	1,974,854
Accountable forms, plates and stickers	1,097,396	1,097,396
Office supplies inventory	253,769	253,769
Medical, dental and laboratory supplies inventory	46,983	46,983
Drugs and medicine inventory	43,200	43,200
Other supplies and materials inventory	241,896	241,896
Semi-expendable assets	166,279	-
	3,824,377	**3,658,098**

The information material inventory account pertains to the cost of promotional materials while the Office supplies inventory account pertains to cost of regular office supplies such as bond papers, pens and pencils, etc.

The drugs and medicine and other medical supplies are Coronavirus disease related materials and supplies purchased and/or received for use in operations.

Other inventory held for consumption pertains to Visa stickers, accountable forms and plates while the Other supplies inventory pertains to information technology consumables such as inks and cartridges.

Semi-expendable assets consist the purchased Digital Voice Recorder and other furnitures with a cost of below P50,000.00 per unit.

9. OTHER CURRENT ASSETS

This account consists the following:

	2023	2022
Creditable withholding tax at source	28,047,550	21,530,711
Advances	16,609	29,007
Prepaid insurance	285,754	194,468
Other prepayments	(4,528,463)	1,723,721
	23,821,450	**23,477,907**

Creditable withholding tax at source pertains to the creditable withholding taxes from the receipt of management fees collected from accredited private banks.

Advances pertain to cash advances granted to various disbursing officers which remained unliquidated as at year-end.

Other prepaid expenses include purchases of supplies from Procurement Service which were already paid but not yet delivered as at year-end. However, adjustment pertaining to Creditable Withholding Tax at source amounting to P7,963,660 was deducted from this, hence understating the other prepayments' balances.

10. INVESTMENT IN STOCKS

The investment in stocks account pertains to investment in proprietary shares of stock of the Baguio Country Club. The proprietary shares were purchased on July 23, 2015 in the amount of P600,000. The fair value of the club shares still amounted P3.500 million as at December 31, 2023 and 2022.

11. OTHER RECEIVABLES

This account consists the following:

	2023	2022
COA disallowances	5,247,634	5,247,634
Due from officers and employees	1,335,719	1,335,719
Marketers accreditation	677,331	677,331
Other receivables	4,355,931	4,364,161
	11,616,615	**11,624,845**
Allowance for impairment	(4,529,357)	(4,529,357)
	7,087,258	**7,095,488**

COA disallowances pertain to disallowed payment of allowances and expenses which were issued with COA Order of Execution/Notice of Disallowance or Suspension.

Due from officers and employees represents unliquidated cash advances of active and retired/resigned PRA officers and employees.

Marketers accreditation fees are accruals for renewal of marketers' accreditation in CYs 1996 to 2001. The total amount is provided with allowance for impairment.

Other receivables include the receivable from Bankwise, Inc. of P3,273,327.11 as at December 31, 2008 for MF (*see Note 7.1b*), the collection of which had already been endorsed to the OGCC for legal actions considering that the bank is now under receivership by the PDIC.

12. PROPERTY, PLANT AND EQUIPMENT

The details of the account are shown below:

	Building and other structures	Machineries and equipment	Motor vehicles	Furniture and fixtures	Total
Cost:					
Balance, January 1, 2023 (*as restated)*	168,547,000	37,442,788	18,529,724	5,890,683	230,410,195
Additions	-	901,980	-	-	901,980
(Disposals/adjustments)	-	(584,352)	-	(2,838,059)	(3,422,411)
Balance, December 31, 2023	168,547,000	37,760,416	18,529,724	3,052,624	227,889,764
Accumulated depreciation:					
Balance, January 1, 2023 (*as restated)*	111,134,616	27,121,318	14,194,681	5,281,579	157,732,194
Additions	24,140,744	3,005,431	827,357	67,195	28,040,727
(Disposals/adjustments)	-	(584,352)	-	(2,838,059)	(3,422,411)
Balance, December 31, 2023	135,275,360	29,542,397	15,022,038	2,510,715	182,350,510
Net book value, Dec. 31, 2023	**33,271,640**	**8,218,019**	**3,507,686**	**541,909**	**45,539,254**

In conformity with PAS No. 8, the PPEs are restated as follows:

	Amount
Unrestated amount as at December 31, 2022 (net book value)	72,742,930
Adjustments/Recording of the PPEs:	
Reclasssification of ICTE (below Php 50,000.00) to SE-ICTE	(64,928)
Restated amount as at December 31, 2022 - PPEs (net book value)	**72,678,002**

Building and other structures account pertains to the condominium unit at the BDO Tower Valero, Makati City which is owned by PRA with a total area of 598.20 square meters including four parking slots.

Included under the PPE are right-of-use assets over the following:

	2023	2022
Office building	100,199,115	100,199,115
Accumulated depreciation	(80,485,820)	(60,319,014)
Net book value	**19,713,295**	**39,880,101**

13. INTANGIBLE ASSETS

The details of the account are as follows:

	Computer software	Website	Development in progress	Total
Cost:				
Balance, January 1, 2023	2,796,000	1,335,000	2,400,000	6,531,000
Additions	-	-	195,000	195,000
(Disposals/adjustments)	-	-	-	-
Balance, December 31, 2023	**2,796,000**	**1,335,000**	**2,595,000**	**6,726,000**
Accumulated depreciation:				
Balance, January 1, 2023	2,273,760	1,021,275	-	3,295,035
Additions	242,640	180,225	-	422,865

	Computer software	Website	Development in progress	Total
(Disposals/adjustments)	-	-	-	-
Balance, December 31, 2023	**2,516,400**	**1,201,500**	**-**	**3,717,900**
Net book value, Dec. 31, 20223	**279,600**	**133,500**	**2,595,000**	**3,008,100**

This account consists of computer software and website acquired during CY 2018 and amortized over five years using the straight-line method.

14. OTHER NON-CURRENT ASSETS

This account consists the following:

	2023	2022
Restricted funds (RF)	19,585,038,579	19,329,713,680
Guaranty deposits	5,781,050	5,535,850
	19,590,819,629	**19,335,249,530**

	2023		2022	
	Amount (in USD)	Amount (In Peso)	Amount (In USD)	Amount (In Peso)
RF-VD-Receiving	349,850,517	19,371,223,138	343,377,022	19,144,985,853
RF-VD-Disbursing	3,425,661	189,678,863	2,880,302	160,591,249
RF-Interest on VD	432,904	24,136,578	432,904	24,136,578
Total Restricted Fund	**353,700,082**	**19,585,038,579**	**346,690,228**	**19,329,713,680**

RF-VD-receiving account pertains to VD remittances to PRA by active members which are placed in time deposits (TDs) whereas the RF-VD-disbursing account pertains to the unreleased VD of members who withdrew from PRA program and had pre-terminated the corresponding TDs. The RF-VD-disbursing is funds exclusive and readily available for payment to the retirees.

The RF-VD-receiving and disbursing accounts are the contra-accounts of VD of retiree-members account under Note 17 – Trust Liabilities.

RF-interest on VD account pertains to the accumulated interests earned from the RFs still not placed in TDs. Part of the previous years' interest earned was placed to other short term TDs under the investments in time deposits-foreign currency-restricted account in Note 6 – Investments in time deposits. The RF-interest on VD, including those placed in TDs and part of cash in bank-foreign currency with the DBP Saving Account 0405-018674-530 (Restricted), is the contra-account of the interest on VD under Note 17 – Trust Liabilities.

Guaranty deposits pertain mainly to the security deposits paid to Metrobank-Trust Banking Group for the lease by PRA of office space at the BDO Towers Valero and other service providers such as Philippine Long Distance Telephone Company.

15. FINANCIAL LIABILITIES

This account consists the following:

	2023	2022 (as restated)
Accounts payable	51,483,962	56,861,901
Due to officers and employees	3,476,190	3,634,585
	54,960,152	**60,496,486**

In conformity with PAS No. 8, Financial Liabilities are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	59,937,612
Adjustments/Recording of Financial Liabilities:	
Prior year's expenses paid duing the year 2023	558,874
Restated amount as at December 31, 2022 - Financial Liabilities	**60,496,486**

Accounts payable pertains mainly to certified and outstanding obligations of PRA to its suppliers and contractors.

Due to officers and employees include payroll related certified obligations of PRA to its employees.

16. INTER-AGENCY PAYABLES

This account consists the following:

	2023	2022 (as restated)
Due to BIR	119,016,726	30,886,140
Due to GSIS	4,387,512	4,057,197
Due to Pag-IBIG fund	190,694	193,943
Due to PhilHealth	438,475	260,566
Due to NGAs (BI)	1,950,908	1,670,571
Due to LBP	1,354,377	1,354,377
	127,338,692	**38,422,794**

In conformity with PAS No. 8, Inter-Agency Payables are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	175,069,742
Adjustments/Recording of Inter-agency payables	(136,646,948)
Restated amount as at December 31, 2022 - Inter-agency payables	**38,422,794**

Due to Bureau of Internal Revenue (BIR) represents the last quarter income tax and withholding taxes on compensation, Value-Added Tax (VAT) and Expanded Withholding Tax for the month of December.

Due to GSIS, Philippine Health Insurance Corporation (PhilHealth), and Pagtutulungan sa Kinabukasan: Ikaw, Bangko, Industriya at Gobyerno (Pag-IBIG) accounts are payroll items for membership contributions and loan payments by PRA regular employees.

Due to National Government Agencies (NGAs) account pertains to liability to the BI for the processing of applications for the SRRV.

17. TRUST LIABILITIES

This account consists the following:

	2023	2022
Visa deposits of retiree-members	19,866,392,508	19,612,003,137
Interest on VDs	233,001,191	239,576,352
Customers' deposit payable	10,929,973	7,030,947
Guaranty/security deposits payable	(457,919)	(419,227)
Interest payable	198,609	-
	20,110,064,362	**19,858,191,209**

The VDs of retiree-members account pertains to the outstanding VD that shall be payable to the Members/SRRV holders upon their withdrawal/early termination due to cancellation of membership from PRA Program, or conversion of deposit into active investment.

This account is the counter liability account of the RF-VD-receiving and RF-VD-disbursing under Note 14 – RF. This account amounted to US$ 358,793,435 and US$ 351,753,262 for the years ended December 31, 2023 and 2022, respectively, and was translated into peso amounts using the corresponding year-end closing rates of P55.370:US$1 and P55.755:US$1.

Interest on VD pertains to the liability of PRA to Members/SRRV holders for their accumulated interest share on the interest income earned from their VD with the DBP.

Interest on VD is the contra account of the investments in TD-foreign currency-restricted and RF-interest on VD accounts under Note 6 – Investment in TD and Note 14 – RF, respectively. The account with balance of US$4,208,076 and US$4,296,948 as at December 31, 2023 and 2022, respectively, was translated to peso amounts using the corresponding year-end closing rates of P55.370:US$1 and P55.755:US$1.

Interest payable refers to the corresponding interest expense of the lease agreements with PRA that were recognized as right-of-use assets in compliance with PFRS 16 (Note 33).

18. OTHER PAYABLES

This account consists the following:

	2023	2022
Other payables	489,415	491,095
Undistributed collections	9,756,919	-
	10,246,334	**491,095**

Other payables pertain to unclaimed refunds by clients and employees prior to CY 2014.

Undistributed collections account is used to recognize temporary pool of collections from clients/retirees that were directly deposited to PRA's depository accounts wherein corresponding copy of deposit slips were not yet received as of the close of the transaction date for identification and issuance of official receipts.

19. DEFERRED CREDITS/UNEARNED INCOME

This account consists of collections of the following fees that are applicable to future periods:

	2022	2022 (as restated)
Annual PRA fee	588,821,745	396,344,306
Visitorial fee	23,106,719	10,617,746
Registration/ID fee	2,895,915	2,895,915
Harmonization fee	2,974,591	1,298,932
Accreditation fee	63,110	63,110
	617,862,080	**411,220,009**

In conformity with PAS No. 8, Unearned Income are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	401,093,793
Adjustments/Recording of Unearned Income	10,126,216
Restated amount as at December 31, 2022 - Unearned Income	**411,220,009**

Some retiree-members opt to pay the required fees in advance for a maximum of three years as allowed to avoid hassle of yearly SRRV ID renewal.

20. PROVISIONS

This account pertains mainly to the money value of unused leave benefits of regular employees amounting to P14.249 million and P13.864 million as at December 31, 2023 and 2022, respectively.

21. LEASE PAYABLE

Lease liabilities pertain to lease agreements with PRA that were recognized as right-of-use assets in compliance with PFRS 16 *(Note 33)*.

This account consists of the following of the recorded lease liabilities net of the accumulated lease payments as of the report dates, as follows:

Lessor	Location	Lease Term	2023	2022 (as restated)
BDO Unibank, Inc. - Trust & Investment Group	Head Office, 29F, Unit 29C, BDO Towers Valero, 8741 Paseo de Roxas Avenue, Makati City, Philippines	March 1, 2020 to February 28, 2025	34,977,555	34,977,555
Metropolitan Bank & Trust Company (MBTC)- Trust Banking Group	Head Office, 29F, Unit 29A & D, BDO Towers, 8741 Paseo de Roxas Avenue, Makati City, Philippines	January 1, 2020 to December 31, 2024	63,588,917	63,588,917
J.A.D. Savers Development Co., Inc.	4th Floor, Saver's Mall, Balibago, Angeles City, Philippines	October 29, 2020 to October 28, 2023	1,632,643	1,632,643
Total			100,199,115	100,199,115
Less: Accumulated lease payment			76,899,810	56,955,398
Add: Adjustment: Recognition of interest expenses			-	2,397,499
Outstanding Balance			**23,299,305**	**45,641,216**

In conformity with PAS No. 8, balance of lease liabilities for CY 2022 was restated due to adjusting entries pertaining to the corresponding interest expenses amounting to P2,397,499 for the lease agreements with the above-listed lessor. However, for CY 2023, interest expense amounting to P303,992 was likewise deducted from lease payable account and will be adjusted in the next accounting period.

22. GOVERNMENT EQUITY

This account pertains to the amounts released by the National Government from 1985 until 1994 for the capitalization requirements of PRA for a total of P63,217,089. There were no additions nor reductions of the amount during CY 2023.

23. RETAINED EARNINGS

	2023	2022 (as retated)
Retained Earnings, January 1	2,265,981,859	2,012,940,169
Dividend paid during the year	(227,892,690)	(167,690,588)
Net income for the year	439,148,855	455,785,379
Other adjustments, net	(4,123,891)	(35,053,101)
Retained earnings, December 31	**2,473,114,133**	**2,265,981,859**

In conformity with PAS No. 8, Retained Earnings are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	2,208,848,364
Adjustment for prior period errors	57,133,495
Restated amount as at December 31, 2022 - Retained Earnings	**2,265,981,859**

24. INCOME

This account consists the following:

	2023	2022 (as restated)
Service income	706,432,936	640,750,225
Business income	169,034,475	62,365,777
Gains on forex	196,003,179	1,918,229,929
Other non-operating income	939,679	705,720
	1,072,410,269	**2,622,051,651**

24.1 Service Income

This account consists the following:

	2023	2022 (as restated)
Annual PRA fee	330,948,867	257,406,595
Visa application fee	162,754,120	151,649,147
Management fee	192,107,833	180,934,709
Visitorial fee	2,192,563	30,192,821
Registration/ID fee	8,587,090	5,555,737
Processing & other fees	5,535,518	4,768,193
Harmonization fee	4,306,945	10,243,023
	706,432,936	**640,750,225**

In conformity with PAS No. 8, Service Income are restated as follows:

	Unrestated amount as at December 31, 2022	Adjustments	Restated Amount as at December 31, 2022
Annual PRA fee	282,415,960	(25,009,365)	257,406,595
Visa application fee	144,829,182	(31,829,330)	151,649,147
Management fee	149,140,108	(59,803,966)	180,934,709
Visitorial fee	30,776,718	(24,425,468)	30,192,821
Registration/ID fee	5,555,737	(25,009,365)	5,555,737
Processing & other fees	23,289,732	(6,487,826)	4,768,193
Harmonization fee	10,333,609	(24,918,779)	10,243,023
	646,341,046	**(5,590,821)**	**640,750,225**

The APF pertains to the annual fee collected from active members at US$360 for the principal retiree and two qualified dependents and US$100 for every additional dependent (in excess of two).Visa Application fee is a one-time processing/service fee paid by retiree-applicants for their application in the program at US$1,400 for principal applicant and inclusion fee of US$300 for each dependent of the principal applicants.

The MF are collected from private banks where retiree-members maintain their VD computed at agreed rates based on the outstanding amount of deposits. Presently there are six accredited private banks and one government bank maintaining the VD of retiree-members and 16 previously accredited private banks that still have some retirees' VD remaining with them and not yet transferred including that of Bankwise Inc. (*see Note 11*).

The VF represents the annual fee due from retirees who have converted their requisite VD into active investments, at the rates ranging from 0.5 percent to 1.5 percent of the visa amount converted into active investment.

Processing fees are collected for other services rendered by PRA such as cancellation, accreditation (including marketer and merchant partners), re-stamping, visa downgrading, clearances and other PRA services to retiree-members.

24.2 Business Income

This account consists the following:

	2023	2022 (as restated)
Interest income	168,605,322	62,339,806
Other business income	429,153	25,971
	169,034,475	**62,365,777**

Interest income pertains to interest earned on PRA investments in time deposits and VDs maintained at its various accredited banks.

In conformity with PAS No. 8, interest income was restated due to the overstatement of the recorded accruals on CY 2022 as compared to the actual interest earned from the VDs that were preterminated during the year 2023.

24.3 Gains on Forex

This account consists the following:

	2023	2022 (as restated)
Realized gains on forex	46,428,608	255,074,109
Unrealized gains on forex	149,574,571	1,663,155,820
	196,003,179	**1,918,229,929**

In conformity with PAS No. 8, Gains on Forex are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	1,913,214,370
Adjustments/Recording of Gains on Forex	5,015,559
Restated amount as at December 31, 2022 - Retained Earnings	**1,918,229,929**

24.4 Other Non-operating Income

Other non-operating income account pertains to miscellaneous income amounting to P939,679 and P705,720 in CYs 2023 and 2022, respectively.

25. DIRECT COST

This account consists of expenses that are directly associated with the Service Income:

	2023	2022
Marketers' fee	38,367,603	34,964,089
Bureau of Immigration (BI) fee	17,315,180	14,792,240
Visa stickers and IDs and membership kits	1,024,815	1,841,430
	56,707,598	**51,597,759**

Marketers' fee refers to payments made by PRA to its accredited marketers for enrolment services rendered to retiree-applicants at US$500 per applicant. PRA has 171 and 168 accredited marketers in CYs 2023 and 2022, respectively, that were able to enrol a total of 1,378 principal retiree-applicants in CY 2023 and 1,900 principal retiree-applicants in 2022.

The BI fee pertains to amounts paid to the BI on the processing of the retiree-applicants' visa at P5,080 for every principal applicant or spouse and P4,080 for dependents aged 15 years old and below. This also includes the express lane fee at the BI of P500 per application.

Medical examination fee pertains to payment by PRA to its accredited merchant partners for providing medical services to retiree-applicants in relation to their application to the SRRV Program of PRA. This has been discontinued since 2021 as applicants are being required to shoulder the cost of medical examination.

26. PERSONNEL SERVICES

This account consists the following:

	2023	2022 (as restated)
Salaries and wages	55,211,798	57,528,543
Other compensation	19,522,276	18,914,054
Benefits contribution	8,014,451	7,988,701
Other benefits	6,919,859	8,645,887
	89,668,384	**93,077,185**

In conformity with PAS No. 8, Personnel Services are restated as follows:

	Unrestated amount as at December 31, 2022	Adjustments	Restated amount as at December 31, 2022
Salaries and wages	57,484,845	43,698	57,528,543
Other compensation	18,918,449	(4,395)	18,914,054
Benefits contribution	7,975,590	13,111	7,988,701
Other benefits	8,645,887	-	8,645,887
	93,024,771	**52,414**	**93,077,185**

26.1 Other Compensation

	2023	2022 (as restated)
Year-end bonus	5,169,417	5,454,282
Mid-year bonus	4,599,123	4,711,445
Personnel economic relief allowance	2,065,443	2,001,620
Service recognition incentive	1,690,000	1,644,000
Overtime pay	2,466,163	1,552,637
Representation allowance	1,141,000	1,163,875
Transportation allowance	852,530	1,012,530
Clothing/uniform allowance	516,000	498,000
Cash gift	444,000	414,000
Productivity incentive allowance	424,000	411,500
Longevity pay	154,600	44,665
Hazard pay	-	5,500
	19,522,276	**18,914,054**

26.2 Benefits Contribution

This account pertains to PRA share of the following premiums:

	2023	2022 (as restated)
Retirement and life insurance premium	6,739,830	6,764,055
PhilHealth contribution	1,068,821	1,028,346
Pag-IBIG fund contribution	102,900	98,150
Employees compensation insurance premium	102,900	98,150
	8,014,451	**7,988,701**

26.3 Other Benefits

Other benefits account pertains to earned leave benefits of regular employees including terminal leaves paid to retired/resigned employees.

27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists the following:

	2023	2022 (as restated)
Professional services	7,817,387	10,722,654
Repairs and maintenance	3,151,169	5,840,127
Traveling expenses	3,647,827	3,478,879
Communication expenses	5,637,370	5,879,089
Supplies and materials	5,037,043	5,641,487
Utility expenses	1,000,293	1,243,293
Training and scholarship expenses	1,737,970	829,866
Taxes, insurance premiums and other fees	415,534	305,524
General services	22,741,178	21,763,958
Confidential, intelligence and extraordinary expenses	176,198	93,258
Other maintenance and operating expenses	86,161,760	44,918,375
	137,523,729	**100,716,510**

In conformity with PAS No. 8, Maintenance and Other Operating Expenses are restated as follows:

	Unrestated amount as at December 31, 2022	Adjustments	Restated amount as at December 31, 2022
Professional services	10,722,654	-	10,722,654
Repairs and maintenance	5,865,919	(25,792)	5,840,127
Traveling expenses	3,478,879	-	3,478,879
Communication expenses	5,536,236	342,853	5,879,089
Supplies and materials	5,641,487	-	5,641,487
Utility expenses	1,243,293	-	1,243,293
Training and scholarship expenses	829,866	-	829,866
Taxes, insurance premiums and other fees	305,524	-	305,524
General services	21,763,958	-	21,763,958
Confidential, intelligence and extraordinary expenses	93,258	-	93,258
Other maintenance and operating expenses	44,914,180	4,195	44,918,375
	100,395,254	**321,256**	**100,716,510**

27.1 Professional Services

	2023	2022
Auditing services	2,854,583	5,197,340
Consultancy services	3,703,300	4,271,100
Legal services	1,259,504	1,254,214
	7,817,387	**10,722,654**

27.2 Repairs and Maintenance

	2023	2022 (as restated)
Machinery and equipment	1,996,490	5,049,967
Buildings and other structures	748,827	254,774
Furniture and fixtures	-	55,800
Transportation equipment	405,852	479,586
Leasehold improvement	-	-
	3,151,169	**5,840,127**

27.3 Traveling Expenses

	2023	2022
Traveling expenses – local	1,653,814	1,172,258
Traveling expenses – foreign	1,994,013	2,306,621
	3,647,827	**3,478,879**

27.4 Communication expenses

	2023	2022 (as restated)
Internet subscription expenses	4,154,400	4,098,716
Telephone expenses	843,142	1,044,686
Postage and courier services	638,856	735,687
Cable, satellite, telegraph and radio expenses	972	-
	5,637,370	**5,879,089**

27.5 Supplies and Materials

	2023	2022
Office supplies expenses	3,125,102	2,232,754
Fuel, oil and lubricants expenses	777,388	1,439,544
Accountable forms expenses	94,000	64,368
Drugs and medicines expenses	67,409	131,135
Semi-expendable machinery and equipment expense	973,144	1,773,686
	5,037,043	**5,641,487**

27.6 Utility Expenses

Utility expenses represent those incurred by PRA for electric consumption during CYs 2023 and 2022 totaling to P1,000,293 and P1,243,293, respectively.

27.7 Training and Scholarship Expenses

Training and scholarship expenses pertain to various seminars and conferences attended by employees amounting to P1,737,970 and P829,866 for CYs 2023 and 2022, respectively.

27.8 Taxes, Insurance Premiums and Other Fees

	2023	2022
Fidelity bond premiums	328,589	256,336
Taxes, duties and licenses	17,040	37,802
Insurance expenses	69,905	11,386
	415,534	**305,524**

27.9 General Services

	2023	2022
Security services	503,090	538,931
Other general services	22,238,088	21,225,027
	22,741,178	**21,763,958**

Other general services pertain to the salaries and wages including overtime pay of temporary workers under “job order” contracts.

27.10 Confidential, Intelligence and Extraordinary Expenses

Confidential, intelligence and extraordinary expenses consist of extraordinary and miscellaneous expenses incurred by PRA in CYs 2023 and 2022 amounting to P176,198 and P93,258, respectively.

27.11 Other Maintenance and Operating Expenses

	2023	2022 (as restated)
Advertising, promotional and marketing expenses	65,940,106	28,932,709
Rent/lease expenses	902,255	896,238

	2023	2022 (as restated)
Representation expenses	2,852,966	4,171,027
Membership dues and contributions to organizations	4,963,769	4,944,855
Major events and convention expenses	6,056,261	5,228,579
Transportation and delivery expenses	107,988	389,744
Printing and publication expenses	32,590	13,000
Subscription expenses	5,112,208	43,720
Other maintenance and operating expenses	193,617	298,503
	86,161,760	**44,918,375**

28. NON-CASH EXPENSES

	2023	2022 (as restated)
Depreciation		
Machinery and equipment	2,641,609	4,268,947
Building and other structures	4,053,067	4,047,516
Furniture and fixtures	67,196	105,665
Transportation equipment	827,357	827,357
Right of use (ROU)	20,166,806	20,257,509
	27,756,035	**29,506,994**
Amortization-intangible assets	707,558	743,580
Impairment loss-loans and receivables (as restated)	6,394,747	(16,919,738)
	34,858,340	**13,330,836**

In conformity with PAS No. 8, Impairment loss-Loans and Receivables are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	6,218,997
Adjustments/Recording of Impairment loss-loans and receivables	(23,138,735)
Restated amount as at December 31, 2022 - Impairment Loss-Loans and Receivables	**(16,919,738)**

29. FINANCIAL EXPENSES

This account consists the following:

	2023	2022 (as restated)
Bank charges	62,460	17,585
Interest expense for leasing arrangements	1,243,807	2,399,432
	1,306,267	**2,417,017**

Finance costs for the reporting periods consist the following:

	2023	2022 (as restated)
Interest expense for leasing arrangements	1,243,807	2,399,432
	1243,807	**2,399,432**

In conformity with PAS No. 8, Financial Expenses are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	19,468
Adjustments/Recording of interest expenses and bank charges	2,397,549
Restated amount as at December 31, 2022 - Financial Expenses	**2,417,017**

Interest expense as at December 31, 2022 was restated due to adjusting entries pertaining to the corresponding interest expenses amounting to P2,397,499 for the lease agreements with MBTC, BDO and J.A.D. Savers (Note 21). Moreover, CY 2023 interest expense amounting to P303,992 will be adjusted in the next accounting period as this is currently deducted from the balances of the Lease Payable account.

30. LOSS ON FOREX

This account consists the following:

	2023	2022 (as restated)
Realized loss on forex	40,701,916	2,624,712
Unrealized loss on forex	183,086,947	1,752,604,577
	223,788,863	**1,755,229,289**

In conformity with PAS No. 8, Loss on Forex are restated as follows:

	Amount
Unrestated amount as at December 31, 2022	1,754,312,282
Adjustments/Recording of loss on forex	917,007
Restated amount as at December 31, 2022 - Loss on Forex	**1,755,229,289**

Unrealized loss on forex amounting to P0.183 billion and P1.753 billion as at December 31, 2023 and 2022, resulted in the translation of monetary assets and liabilities denominated in US dollars using the year-end closing rates of P55.370:US$1 and P55.755:US$1, respectively.

31. TAXES

31.1 Payment of Taxes and Exemption from VAT

Section 12 of EO No. 1037, s. 1985, states the following:

> *Section 12. Exemption from Fees, Duties and Taxes. The SYSTEM is hereby declared exempt from all income and other internal revenue taxes, tariff and customs duties and all other kinds of taxes, fees, charges and assessments levied by the government and its political subdivisions, agencies and instrumentalities. The President of the Philippines, upon recommendation of the Minister of Finance, may partially or entirely lift the exemptions herein granted, if he shall find that the SYSTEM is already self-sustaining and finally capable of paying such taxes, customs duties, and fees, charges and other assessments, after providing for the debt service*

requirements and the projected capital and operating expenditures of the SYSTEM.

Accordingly, after reaching self-sustainability, PRA religiously remits quarterly and yearly with the BIR the income tax as required under the Corporate Income Tax Law, and monthly all taxes withheld by PRA from its suppliers/stakeholders in compliance with the existing Revenue Regulations (RR) on the taxes withheld on Government Money Payments.

The VAT law stated in the provisions of RA No. 8424, imposition of VAT payable to Government bodies may not qualify with the provisions stated thereat as it is not expressly stated for the GOCCs and other government bodies on the imposition of remitting VAT with the BIR. As compared with the provisions stated in Section 12 of RA No. 9337, amending Section 114 of the National Internal Revenue Code of 1997, with subsection (C), the code expressly and specifically mandates the GOCCs to which PRA belongs, to just withhold the final VAT of five percent and remit the same to the BIR, to wit:

(C) Withholding of Value-Added Tax. – The Government or any of its political subdivisions, instrumentalities or agencies, including GOCCs shall, before making payment on account of each purchase of goods and services which are subject to the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold a final value-added tax at the rate of five (5%) percent of the gross payment thereof….

31.2 Income Tax Expense

This account consists of provisions for income taxes for:

	2023	2022 (as restated)
Income tax expense – current	154,592,387	44,003,118
Income tax expense – deferred	(65,184,154)	140,947,660
Total	**89,408,233**	**184,950,778**

In conformity with PAS No. 8, Income Tax Expense is restated as follows:

	Amount
Unrestated amount as at December 31, 2022	131,117,000
Adjustments/Recording of income tax expense	53,833,778
Restated amount as at December 31, 2022 - Income Tax Expense	**184,950,778**

31.3 Deferred Tax Assets

This account consists the following:

	2023	2022 (as restated)
Unrealized loss on Forex	45,542,485	908,074,293
Unearned income	117,048,402	62,856,330
Allowance for impairment	10,112,186	8,522,836
Total	**172,703,073**	**979,453,459**

In conformity with PAS No. 8, Deferred Tax Assets are restated as follows:

	Unrestated amount as at December 31, 2022	Adjustments	Restated amount as at December 31, 2022
Unrealized loss on Forex	1,421,921,004	(513,846,711)	908,074,293
Unearned income	120,227,068	(57,370,738)	62,856,330
Allowance for impairment	42,344,778	(33,821,942)	8,522,836
Total	**1,584,492,850**	**(605,039,391)**	**979,453,459**

31.4 Deferred Tax Liabilities

This account consists the following:

	2023	2022 (as restated)
Unrealized gain on Forex	36,139,753	908,074,293
Total	**36,139,753**	**908,074,293**

In conformity with PAS No. 8, Deferred Tax Liabilities are restated as follows:

	Unrestated amount as at December 31, 2022	Adjustment	Restated amount as at December 31, 2022
Unrealized gain on forex	1,322,609,359	(414,535,066)	908,074,293
Total	**1,322,609,359**	**(414,535,066)**	**908,074,293**

32. RELATED PARTY TRANSACTIONS

32.1 Key Management's Personnel

The senior management group consists of the General Manager, the Chief Executive Officer, his deputy, and four department heads of administration and finance, marketing, servicing, and management services. The Governing Board consists of Members appointed by the President of the Philippines.

32.2 Key Management Personnel Compensation

The aggregate remuneration of the key management personnel determined on a full time equivalent basis receiving remuneration within this category, follows:

	2023	2022
Salaries and wages	10,287,488	9,646,793
Other compensation	2,986,613	4,631,608
Other personnel benefits	-	36,000
	13,274,101	**14,314,401**

The Chairman of the Board and all members of the Board are not currently remunerated by PRA.

There is no reportable compensation provided to close family members of key management personnel during the period.

33. LEASES

PRA entered into lease agreements for its Main Office at the 29 Floor, Citibank Tower Quadrants A, C, and D and for its four local satellite offices in Davao, Baguio, Subic, and Cebu. With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability. Variable lease payments which do not depend on an index or a rate (such as lease payments based on a percentage of sales) are excluded from the initial measurement of the lease liability and asset. PRA classifies its right-of-use assets in a consistent manner to its PPE (see *Note 3.9*).

Leases for satellite offices are generally of low-value or short term for a maximum period of 12 months. PRA has no lease that is tied up with its revenue or index.

Each lease generally imposes a restriction that, unless there is a contractual right for PRA to sublet the asset to another party, the right-of-use asset can only be used by PRA. Leases are either non-cancellable or maybe terminated with substantial fee. PRA has no leases that contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term without complying with the lease renewal notification required by the lessor.

PRA is prohibited from selling or pledging the underlying leased assets as a security. For leases of office buildings, PRA must keep these properties in a good state of repair and return the properties in their original condition at the end of the lease term. Further, PRA must insure items of the PPE and incur maintenance fees on such items in accordance with the lease contracts.

The table below describes the nature of PRA's leasing activities by type of right-of-use asset recognized on the Statement of Financial Position:

Right-of-Use	Office Building
No. of right-of-use assets leased	3
Range of remaining term	2 – 4 years
Average remaining lease term	4 years
No. of leases with extension options	3
No. of leases with options to purchase	-
No. of leases with variable payments linked to an index	-
No. of leases with termination option	3

Right-of-use

Additional information on the right-of-use assets by class of assets is presented below:

	No of Assets	Carrying Amount	Additions	Depreciation	Impairment
Office building	3	P 100,199,115	-	P 80,485,820	-

The right-of-use assets are included in the same line item as where the corresponding underlying assets would be presented if they were owned.

Lease Liabilities

The roll forward analysis of finance lease liability is as follows:

	Amount
At January 1, as previously reported	100,199,155
Adjustments	-
As at January 1,	**100,199,115**
New lease liabilities	-
Interest expense	-
Payments	(76,897,470)
As at December 31, 2023	**P23,301,645**

Payments for the year 2023 includes the corresponding interest expense for the lease payments to J.A.D. Savers and BDO during the 1st quarter of CY 2023 amounting to P303,992 *(Note 21).* This will be adjusted in the next accounting period.

The following are the amounts recognized in the Statement of Comprehensive Income:

	2023	2022 (as restated)
Depreciation expense of leased assets, building and other structures	20,166,806	20,257,509
Interest expense on finance lease liability	1,243,807	2,599,432
Total amount recognized in Statement of Comprehensive income	**21,410,613**	**22,856,941**

The use of extension and termination options gives PRA added flexibility in the event it has identified more suitable premises in terms of cost and/or location or determined that it is advantageous to remain in a location beyond the original lease term. An option is only exercised when consistent with PRA's regional markets strategy and the economic benefits of exercising the option exceeds the expected overall cost.

The validity of lease contracts with MBTC and BDO is up to December 31, 2024 and February 28, 2025, respectively and as at December 31, 2023, PRA had no committed leases which had not commenced.

The lease liabilities are secured by the related underlying assets. The undiscounted schedule of minimum lease payable of the Authority related to its lease agreements is shown below:

	2023	2022 (as restated)
Rent payable within:		
One year	24,153,837	23,518,631
More than one year up to five years	1,427,459	25,581,296
Beyond five years	-	-
Total	**25,581,296**	**49,099,927**

Lease payments not recognized as a liability

PRA has elected not to recognize a lease liability for short term leases (leases of expected term of 12 months or less) or for leases of low value assets. Payments made under such leases are expensed on a straight-line basis. In addition, certain variable lease payments are not permitted to be recognized as lease liabilities and are expensed as incurred. Short-term lease consists of the renewal of contracts for Davao and Baguio Satellite Offices and extension of contacts for Clark / Subic and Cebu Satellite Offices.

The expenses relating to payments not included in the measurement of the lease liability are as follows:

	2023	2022
Short-term lease	751,724	553,828
Leases of low value assets	141,031	169,440
Total	**892,755**	**723,268**

For interest expense in relation to leasing liabilities, refer to finance costs (*Note 29*).

34. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) NO. 15-2010

In compliance with the requirements set forth by RR No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year:

a. Withholding Taxes:

The details of total withholding taxes for the years ended December 31, 2023 and 2022 are as follows:

	2023	2022
Creditable (Expanded)	7,542,720	3,184,198
Compensation and benefits	7,214,073	7,294,400
Creditable (VAT and Other Percentage tax)	5,190,771	3,877,999
Total	**19,947,564**	**14,356,597**

b. Other Taxes & Licenses:

	2023	2022
Local		
Community tax	11,130	37,802

	2023	2022
National		
BIR annual registration (Exempted)	-	-

35. LEGAL CASES

PRA has a pending case which is Civil Case No. R-MKT-17-01543-CV vs. former employees for the cause of action to Recover Sum of Money. As at December 31, 2023, parties entered into compromise agreements and the one employee whose case was parked pending re-entry from Canada has already started to have a voluntary settlement.

In addition, Civil Case No. 22-15763 – Perla Tortogo through her Attorney-in Fact Cecilia T. Doromal against Peter Alexander Chidgzey – an SRRV holder and PRA as co-defendant for rescission of a long-term lease contract with damages docketed at the Regional Trial Court Branch 49, Bacolod City was dismissed on November 23, 2023 with motion for reconsideration received on December 7, 2023 in which the same was received also by the OGCC on January 9, 2024.

PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The faithful representation in the financial statements of the balances of the Trust Liabilities (TL) – Visa Deposits (VDs) and Interest on VDs accounts totaling P20.099 billion as at December 31, 2023, was not established due to: (a) unaccounted net discrepancy of P159.325 million, between their contra-accounts totaling P19.940 billion; and (b) non-maintenance of complete subsidiary ledgers for various retiree-members to support the General Ledger balances of TL accounts, contrary to Paragraph 15 of the Philippine Accounting Standard 1 and Qualitative Characteristics 26 of Conceptual Framework for Financial Reporting. Moreover, the interest earned from the VDs of the retiree-members totaling P129.681 million was recognized as interest income instead of TL-interest on VDs despite the absence of approved authority rendering the validity of the recognized revenue and the accuracy of the reported balance of the TL-Interest on VDs account doubtful.

1.1 Paragraph 15 of the Philippine Accounting Standard (PAS) 1 - Presentation of Financial Statements provides that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. xxx*

1.2 Paragraph 26 of the Qualitative Characteristics (QC) of the Conceptual Framework for Financial Reporting (CFFR) states, viz:

> *Verifiability helps assure users that information faithfully represents economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete, that a particular depiction is a faithful representation. Xxx*

1.3 VDs are funds held in trust by the PRA on behalf of its retiree-members. When the PRA receives VDs from newly enrolled retiree members, the transaction is recorded by crediting the TL accounts and debiting the Other Non-Current Assets (ONCA)-Restricted Fund (RF)–Receiving account for the funds deposited in the Development Bank of the Philippines (DBP).

1.4 The RF accounts of PRA consist of two Other Non-Current asset accounts in the books, namely: (a) ONCA - RF-VD-Receiving account representing the Time Deposits (TDs) of the active members; and (b) ONCA-RF-VD-Disbursing account which pertains to the unreleased VDs of members who have withdrawn from the PRA program and their TDs are about to be terminated or pre-terminated for transfer to their personal bank accounts.

1.5 The VDs of the active members are placed to TDs to earn interests, and these are accounted for under the RF-Interest on VDs, Investments in TDs-Foreign Currency (FC) - Restricted, Interests Receivable-VD-Retiree Share, and Cash in Bank-FC, Savings Account (SA)-DBP accounts. The corresponding reciprocal account TL-Interest on VDs consists of the Interest Payable (IP)-Retiree Share and Interest Income for the interest unallocated to the retirees.

Unaccounted net discrepancy of P159.325 million, and non-maintenance of complete subsidiary ledgers for various retiree-members to support the General Ledger balances on the TL and ONCA-RF accounts

1.6 Basic accounting principle dictates that the balances of TL accounts and its corresponding contra-accounts must be equal. However, audit disclosed that the year-end balances of the TL accounts and its contra-accounts differed by total net amount of P159.325 million, which is inconsistent with the above-cited provisions and requirements, details are presented in Table 1.

Table 1 – Differences between TL-VDs/IPs and Contra Asset-Accounts

Particulars	Visa Deposits	Interest	Total
Trust liabilities			
Trust liabilities – Visa deposits	P19,866,392,508	P -	P19,866,392,508
Trust liabilities-Interest on VDs	-	233,001,191	233,001,191
Total Trust Liabilities	**19,866,392,508**	**233,001,191**	**20,099,393,699**
Less: Contra-accounts			
ONCA – RF-VDs - Receiving	19,371,223,138	-	19,371,223,138
ONCA – RF-VDs-Disbursing	189,678,862	-	189,678,862
ONCA - RF - Interest on VDs	-	24,136,578	24,136,578
Investments in TD-FC	-	260,251,705	260,251,705
ONCA-IR-VD-Retiree share	-	2,197,218	2,197,218
Cash in bank-Foreign currency, SA DBP	-	92,581,612	92,581,612
Total Contra-asset accounts	**19,560,902,000**	**379,167,113**	**19,940,069,113**
Discrepancy (net)	**P 305,490,508**	**P(146,165,922)**	**P159,324,586**

1.7 While there was a noted decrease in the net discrepancy between the said accounts in CY 2023 compared to the previous year, the variance between the TL-Interest on VDs and its contra-accounts has almost doubled. The discrepancy between the TL-VDs and ONCA-RF-VDs accounts has no significant change.

1.8 The discrepancies between the TL and contra accounts have been recurring over the years but remained unresolved by the Financial Management Division (FMD). This issue has been communicated to the Management through audit observation memoranda and recommended the need for regular analysis, validation, and reconciliation, as well as the implementation of written accounting guidelines to prevent errors in recording transactions. These unattended discrepancies raise concerns about the agency's commitment in resolving the same.

1.9 Inquiry disclosed that reconciliation of accounts is currently assigned to a Job Order (JO) worker as the FMD has yet to hire qualified personnel to handle it.

While the JO's outputs are being reviewed and supervised, the JO personnel are not PRA's regular employees, hence, the probability of frequent turnover of tasks. Also, it leads to gaps in knowledge as the JO personnel may take time to learn the systems and processes, which makes the work delayed or keeps piling up as well as it requires constant supervision from the FMD Head. The tasks of recording and reconciliation have to be performed by permanent and skilled PRA employees to ensure accountability, continuity of tasks, reliable outputs, and strict monitoring considering the significance of the affected accounts.

1.10 Moreover, the absence of a Subsidiary Ledger (SL) for the account of each retiree-member - Special Resident Retiree's Visa (SRRV) holder to support the GL balances of the TL and its contra-accounts, remained unaddressed despite the previous audit recommendations to the Management. This is one of the reasons for the difficult monitoring and reconciliation of the accounts. As noted in the prior years' audits, the discrepancies were often caused by erroneous recording of transactions, computation of amounts debited or credited, and misclassification of accounts. The individual SL expedites the reconciliation as tracing recorded transactions and adjustments is easier and faster.

1.11 It is emphasized that the preparation and maintenance of the books of final entry, such as the GLs and SLs, are indispensable components of the accounting process. The SL contains the details or breakdown of the balance of the controlling account appearing in the GL and is used as the basis for preparing schedules that will support the said GL balance.

1.12 The foregoing condition precluded the Audit Team from performing audit procedures to obtain reasonable assurance that all transactions were duly and properly recorded and accounted for, from source documents. The FMD claimed it maintains GLs for said accounts, however, was not able to provide the complete SL specifically for a certain SRRV holder/retiree-member which is inconsistent with Paragraph QC26 of the CFFR.

Interest earned from the VDs of the retiree-members totaling P129.681 million was recognized as interest income instead of TL-interest on VDs despite the absence of approved authority rendering the validity of the recognized revenue and the accuracy of the reported balance of the TL - Interest on VDs account doubtful

1.13 In the CY 2022, the attention of Management was called on the interest earned by the retirees' VDs invested in the DBP which was partly shared with the PRA despite the absence of specific terms of sharing, and lack of proper authority and disclosure for transparency and accountability purposes. This resulted in the the understatements of TL-IP account and the overstatement of the Interest Income account.

1.14 The PRA asserted Section 3, Rule VIII-A of the Implementing Rules and Regulations (IRR) of Executive Order (EO) No. 1037 dated April 24, 1989, which provides that, *"Share of the Authority in the Bank Service Fee — The Authority shall be authorized to negotiate and share with the bank the latter's service fee*

from the earnings of the retiree's account in such proportionate amount and under such terms and conditions as may be mutually agreed upon by both parties." Thus, they insisted on continuing their share from the interest earned by the VDs in the DBP.

1.15 However, it is reiterated that said provision crafted during the creation of the PRA applies specifically to its share in the Bank Service Fee, now Management Fee, from accredited private banks holding VDs of the retiree-members. The investments in the DBP started only in CY 2018. As clearly stated under Section 2 of the IRR of said EO*, "[t]he interest earning of the retiree's US Dollar deposit or account with the bank shall be converted into and paid to the retiree in Philippine Currency."* Nowhere in the said IRR mentions about sharing agreement with the retirees in the interest earned from the VDs unlike in the case of a Bank's Service Fee which is expressly stated in the IRR.

1.16 There must be clear agreement between the PRA and the retiree-members regarding the sharing in the interest earned considering the aforesaid requirements of EO No. 1037. Any share agreement must be approved by the Board and disclosed to the stakeholders in the spirit of equity, accountability, and transparency. On the contrary, the VDs of other retiree members deposited in various accredited private banks such as Banco De Oro (BDO), Rizal Commercial Banking Corporation (RCBC), Bank of Commerce, Union Bank, and Philippine National Bank (PNB), among others, likewise earn interest but the whole amount is deposited to the former's accounts.

1.17 The Management informed that Marketers will be directed to discuss with the retiree applicant or prospective members the interest earned by their VDs from their DBP deposits, and incorporated in the Oath of Affirmation for acknowledgment by the retiree-member and inclusion in the VDs guidelines. However, these remained unimplemented as at December 31, 2023.

1.18 Furthermore, since there was no Board approval, the interest income in the total amount of P129.681 million recognized by the PRA as its share from the interest earned by the retirees' VDs for CY 2023 was not fully authorized. This is the same with the Interest Income of P35.293 million in CY 2022 earned from the VDs of the retiree-members which remained unadjusted, details are presented in Table 2.

Table 2 – List of Interest Earned by the PRA from Retirees' VDs in CYs 2023 and 2022

Particulars	Amount
a. Interest earned on matured TDs (per CY 2023 monthly journal entries)	P43,088,800
b. Accrual of Interest Income for CY 2023	86,137,898
c. Accrued interest on pre-terminated VDs	448,487
d. Other adjustments	5,376
Total	**P129,680,561**
Reported Interest Income in CY 2022	**P35,293,407**

1.19 In view of the substantial discrepancy of P159.325 million between the TL accounts and their contra accounts, coupled with the non-maintenance of SL for each retiree-member's account, the correctness, reliability, and completeness of the balances of the TL-VDs and Interest on VDs accounts in the financial

statements could not be established. Likewise, the recognition of the interest income of P129.681 million in the books instead of TL-interest on VDs notwithstanding the absence of Board approval on the sharing of income and the non-disclosure of the same to the stakeholders, rendered the validity of recorded revenue and accuracy of the reported balance of the TL - Interest on VDs account doubtful.

1.20 We reiterated our recommendations that Management:

a. Direct the FMD to:

a.1 Expedite and exert all efforts to reconcile the balances of the TL-VDs and Interest on VDs with their contra-accounts, ONCA-RFs-VDs, Interest Receivable-VDs, Investment in TDs-FC-RF and Cash in Bank-FC-SA accounts to determine the causes of the material discrepancy of P159.325 million. Thereafter, effect the necessary adjusting entries so that their balances shall reflect a faithful representation of the effects of transactions;

a.2 Assign the handling and reconciliation of the TL-VDs and Interest on VDs and ONCA-RF-VDs accounts to permanent and capable employees, and ensure proper supervision and monitoring of their outputs to generate reliable financial information and reports; and

a.3 Formulate written accounting guidelines to guide the FMD personnel in the recording of transactions relating to TL and ONCA-RF-VDs to promote uniformity, accuracy, and consistency in the keeping of PRA's accounts;

b. Instruct the FMD, in collaboration with the Resident Retiree Servicing Department (RRSD) and Information and Communication Technology Division (ICTD), to create a complete SL for each retiree-member's account to support the GL balances and facilitate the monitoring and reconciliation of the TL and ONCA-RF accounts; and

c. Institute or formalize the sharing agreement with the retiree-members relative to the interest earned from VD for approval by the Board and disclose it in the guidelines for VDs disseminated to retiree-members to promote transparency and accountability of the PRA to its stakeholders, otherwise, discontinue the practice of recognizing interest income without authority and sufficient legal basis.

1.21 The Management commented that the FMD will expedite and assign the reconciliations of the subject accounts to an Accountant III position holder, who will be closely supervised by the Division Chief. Likewise, the FMD will reassess the written accounting policies and procedures relating to the accounts and seek approval from the Board when the responsible Accountant returns to work. This review will also address the handling of interest on retirees' VDs being recognized by the PRA as its income. Thereafter, the PRA will update the application forms

and marketing collaterals to include the terms and conditions of such retirees' VDs for proper disclosure and transparency.

1.22 As a rejoinder, the Audit Team acknowledged the Management's commitment to implement the audit recommendations which shall be monitored in the CY 2024 audit.

2. The Deferred Tax Assets (DTA) and Deferred Tax Liabilities (DTL), along with the Retained Earnings, accounts were understated by P38.601 million, P4.686 million, and P43.287 million, respectively, due to the improper adjustments made by the Financial Management Division in Calendar Year 2023 to reconcile balances as at December 31, 2022, which are not in consonance with Paragraph 15 of Philippine Accounting Standard (PAS) 1 and Paragraphs 47 and 51 of PAS 12. Likewise, the prescribed individual subsidiary ledgers for the DTA and DTL accounts were not maintained, which could have facilitated the adjustment of any re-measurement or de-recognition of deferred taxes and avoided errors in the recording of transactions.

2.1 Paragraph 15 of PAS 1 provides the following:

> *Xxx. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. The application of IFRSs, with additional disclosure when necessary, is presumed to result in the financial statements that achieve a fair presentation.*

2.2 Paragraph 5 of PAS 12 provides that DTA are the amounts of income taxes recoverable in future periods in respect of (a) deductible temporary differences; (b) carryforward of unused tax losses; and (c) the carryforward of unused tax credits, while DTL is the amounts of income taxes payable in future periods in respect of taxable temporary differences.

2.3 Paragraph 47 of PAS 12 further provides that, *"Deferred tax assets and liabilities shall be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period."* Paragraph 51 of the same standard likewise states that *"The measurement of deferred tax liabilities and deferred tax assets shall reflect the tax consequences that would follow from the manner in which the entity expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities."*

2.4 The PRA recognizes the DTA and the DTL every year-end to reflect the temporary differences between the carrying amount of an asset or liability in the statement of financial position and its tax base. The components of the PRA's DTA are (a) Unrealized Loss (UL) on Foreign Exchange (Forex), (b) Allowance for Impairment Loss (AFIL) on Receivables, and (c) Unearned Income (UI), while its DTL is sourced from Unrealized Gain (UG) on Forex. Based on accounting records, the two accounts are adjusted once at year-end to arrive at their

balances being reflected in the Financial Statements (FSs). The net difference between the DTA and the DTL is adjusted to the income tax payable account at year-end.

2.5 Previous audits have revealed that the adjustments to the DTA and the DTL accounts at year-end were computed by determining the net movements of their components during the year. The "*net movements*" pertain to the difference between the beginning and ending balances of the subject accounts without considering the various individual transactions affecting them during the year. As noted in Audit Observation Memorandum (AOM) No. 23-013 dated May 5, 2023, the FMD did not make any adjustments to implement the CY 2021 audit recommendations to adjust the overstatements in the DTA and the DTL accounts caused by the misapplication of tax rates. Thus, the overstatements in CY 2021 were carried over to CY 2022, as mentioned in the same AOM.

2.6 On June 30, 2023, the Audit Team noted the adjustment prepared by the FMD to implement the audit recommendations for the audit of CY 2022 transactions. However, this was later canceled on December 29, 2023, and the FMD effected an adjustment bearing different amounts through Journal Entry Voucher (JEV) No. 202312296, to arrive at balances of the said account as at December 31, 2022, as follows:

JEV No. 202312296			
Dr.	Deferred tax liabilities	P908,074,293	
	Retained earnings	167,117,499	
Cr.	Deferred tax assets		P1,075,191,792

2.7 The adjustment resulted in the restated balances of the DTA and the DTL accounts as at December 31, 2022, amounting to P509.301 million and P414.535 million, respectively. Inquiry revealed that the concerned FMD personnel reconciled both accounts from CY 2018 to CY 2022 and did not take into consideration some of the previous audit recommendations. Review of the JEV's supporting documents showed that the amounts were derived by recomputing the accounts' beginning balances in CY 2018, the reconciliation of which was summarized in Table 3.

Table 3 – Reconciliation of the DTA and DTL Balances as at December 31, 2022

Particulars	DTA			DTL
	UL on Forex	AFIL	UI	UG on Forex
Beginning Balance, CY 2018	P -	P -	P -	P -
Movement in CY 2018	231,984,931	92,229	15,654,457	(206,370,351)
Ending Balance, CY 2018	-	92,229	15,654,457	-
Movement in CY 2019	193,870,977	3,935,766	32,190,284	(175,459,799)
Ending Balance, CY 2019	-	4,027,995	47,844,741	-
Movement in CY 2020*	265,938,222	1,647,635	4,343,373	(216,425,220)
Restatement of UI in CY2023	-	-	9,901,624	-
Ending Balance in CY 2020	-	5,675,630	62,089,738	-
Movement in CY 2021	261,323,059	32,134,085	(10,347,709)	(289.992.999)
Ending Balance, CY 2021	-	37,809,715	51,742,029	-
Movement in CY 2022	437,921,892	1,522,237	8,582,747	(414,535,066)
Restatements made in CY2023	-	(30,809,116)	2,531,554	-
Ending Balance, CY 2022	437,921,892	8,522,836	62,856,330	(414,535,066)
		P 509,301,058		P(414,535,066)

**Used 27.5% Tax Rate, except UI which used 30%.*

2.8 Verification of the said documents, however, disclosed several errors in CY 2023 pertaining to the re-computation of the DTA or the DTL throughout the years, which were discussed thoroughly in the AOM issued to the Management, and summarized hereunder:

a. All recognized DTA and DTL prior to CY 2018 were brought to zero balances as a consequence of settling the Final Assessment Notice (FAN) issued by the Bureau of Internal Revenue (BIR) to the PRA which is not reflective of the real balance of the said accounts as of that reporting date;

b. In CY 2019, the amount recognized was P32.190 million as the DTA from the UI, which came from 30 percent of the ending balance of the DTA-UI account of P107.301 million, instead of the net movement in CY 2019;

c. In CY 2020, the tax rate used was 27.5 percent instead of the 25 percent prevailing tax rate during said period;

d. In CY 2021, the use of improper tax rates also led to the understatement of the DTA;

e. The recommendation in AOM No. 2023-013 to adjust the overstatement of the DTA and the DTL was not implemented, thus, both accounts were overstated by P5.920 million; and

f. The effect on the DTA and the DTL accounts of the recommendation in AOM No. 2023-013 to adjust the understatement in the UG and UL on Forex by P4.938 million and P0.810 million, respectively, were not considered, thus, the DTA and the DTL accounts remained understated by P202,609 and P1.234 million, respectively.

2.9 In sum, the noted errors in the re-computation of the DTA and the DTL each year resulted in the understatement of the DTA, the DTL, and Retained Earnings accounts totaling P38.601 million, P4.686 million, and P43.287 million, respectively. These misstatements which accumulated from CY 2018 to CY 2023 transactions are summarized in Table 4.

Table 4 – Summary of Misstatements in the DTA and the DTL accounts

Particulars	Amount	Accounts Affected		
	Under (Over)	DTA	DTL	RE
CY 2018 (Item a)	P85,937,978	P85,937,978	-	P85,937,978
CY 2019 (Item b)	(17,214,520)	(17,214,520)	-	(17,214,520)
CY 2020 (Item c)	(30,874,670)	(30,874,670)	-	(30,874,670)
CY 2021 (Item d)	9,001,476	9,001,476	-	9,001,476
CY 2022 (Item e-g)	17,874,533	22,560,111	(4,685,579)	27,245,690
CY 2023	(30,809,116)	(30,809,116)	-	(30,809,116)
Total		**P38,601,259**	**P(4,685,579)**	**P43,286,838**

2.10 It was informed by the FMD personnel that the DTA and the DTL balances were reconciled to present more accurate balances of the accounts. This is likewise to adjust the balance of the Income Tax Payable account at year-end to facilitate

the payment and filing of annual income tax returns. Said actions may be attributable to the absence of accounting guidelines on the recognition of deferred taxes in the PRA's books. The FMD simply relies on their practice to recognize the DTA and the DTL by multiplying the net movements of the components by the applicable tax rates at year-end.

2.11 Likewise, it was noted that unlike the other components of the deferred taxes, the balances of the DTA and the DTL from the Unrealized Loss and Gain on Forex were not accumulated, the deferred taxes were supposedly recognized every year. The PRA's Notes to the FSs merely stated that the corresponding DTA and DTL for Unrealized Forex Gains and Losses for (UFGL) CY 2022 were already reversed in full and thus, new balances were recognized based on the outstanding balances of the UFGL for CY 2023. The FMD personnel further explained that said reversion to zero was on the premise that all those recognized as UFGL in a given year would be eventually realized in the succeeding year.

2.12 While such an assumption can happen since the Investment in Time Deposits (ITD), where the UFGL are currently derived from, has a term of one year only, recording an adjusting entry without sufficient explanation on the reversal of said balances, is not in compliance with Paragraph 15 of PAS 1. The FSs are better understood when relevant information is presented in a manner that responds to the knowledge base of the user.

2.13 Further, despite previous audit recommendations, the FMD has not started to maintain SL for the DTA and the DTL accounts (including UG/UL). The practice is still using the net movements of the accounts in the computation of the DTA and the DTL adjustments and year-end balances. This is contrary to QC26 of Conceptual Framework for Financial Reporting (CFFR) which provides that:

> *Verifiability helps assures users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although necessarily complete agreement, that a particular depiction is a faithful representation. Xxx.*

2.14 As a result, one cannot verify the veracity of the net movements, particularly on the unrealized/realized loss or gain on Forex and AFIL due to various transactions without references and no detailed schedules for the DTA and the DTL accounts. Had the SLs been maintained, it would have been easy to account for and/or adjust any remeasurement or derecognition of the deferred taxes. Likewise, it would help FMD compute the correct balances of the DTA and DTL accounts for presentation in the FSs with complete explanation and information as support to the adjustment.

2.15 It was also informed that the FMD employee who was tasked to maintain SLs did not accomplish the same and had resigned from the PRA by the end of the year. Nonetheless, the FMD expressed its intention to start maintaining SLs in CY 2024.

2.16 Due to the noted errors in the reconciliation of the DTA and the DTL accounts, the DTA, the DTL and Retained Earnings accounts were understated by P38.601

million, P4.686 million, and P43.287 million, respectively, which affected the faithful representation of the said accounts in the FSs as at year-end. Likewise, the Audit Team was not able to verify the veracity of the net movements of the DTA and the DTL accounts due to the non-maintenance of their SLs and the FMD was not guided in the preparation of correct adjustments.

2.17 We recommended that Management direct the FMD to:

a. Effect the necessary adjustments to correct the overstatement of the DTA, the DTL and Retained Earnings accounts in the amounts of P38.601 million, P4.686 million, and P43.287 million, respectively, to fairly present the said accounts in the FSs as at year-end;

b. Set up accounting guidelines in the recognition, measurement, and disclosure of the DTA and the DTL transactions to ensure correct, consistent, and reliable financial reporting; and

c. Establish a monitoring system of the DTA and the DTL accounts by assigning personnel to maintain SLs for these accounts including SL for PRA's Forex transactions relating to deferred taxes.

2.18 The Management commented that the FMD will effect the necessary adjusting entries in CY 2024 to correct the errors, as well as, prepare the written guidelines in the recognition of the DTA and the DTL. It also informed that, in compliance with Revenue Memorandum Circular No. 12-2024 and with COA audit recommendations, the FMD will maintain SL for the DTA and the DTL and assign staff to monitor the accounts. The DTA-UG and the DTL-UL accounts will likewise be recognized when recording realized gain/loss.

2.19 As a rejoinder, the Audit Team acknowledged the actions to be undertaken by the PRA. The copies of the JEVs pertaining to the adjustments have to be submitted to the Audit Team for validation. The implementation of the audit recommendations will be monitored in CY 2024 audit.

3. The accuracy and reliability of the balance of the Cash-in-Bank account in the amount of P308.344 million as at December 31, 2023, was not established due to the net discrepancy of P69.906 million between the balances per books and confirmed bank balances consisting of various book reconciling items (BRIs) such as errors of P20.362 million on revaluation of foreign currency account; and stale checks of P2.407 million, which remained unadjusted as at year-end, contrary to Paragraph 15 of the Philippine Accounting Standard 1. The mandatory preparation of monthly Bank Reconciliation Statements was not performed, particularly on dollar accounts, contrary to Sections 4, 6, and 7 of the Government Accounting Manual resulting in the non-adjustment of BRIs in substantial amounts.

3.1 Paragraph 15 of PAS 1 states the following:

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the

faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Framework. Xxxx

3.2 The Cash and Cash Equivalent account of the PRA has a year-end balance of P313.093 million consisting of cash on hand of P4.750 million and cash in bank (CIB) of P308.344 million. Audit of the CIB account revealed the following discrepancies between the balances per books and the confirmed bank balances as at December 31, 2023, details in Table 5, and other noted deficiencies as discussed hereunder.

Net discrepancy of P69.906 million between the balances per books and confirmed bank balances consisting of various book reconciling items (BRIs) such as errors of P20.362 million on revaluation of foreign currency account

Table 5 – Balances per Books vs Confirmed Bank Balances

Account Title	Balance per Books	Confirmed Bank Balances	Difference
CIB-Local Currency, CA LBP Buendia	P61,596,333	P64,684,291	P(3,087,958)
CIB-Local Currency, CA LBP Cebu	12,484,962	12,039,550	445,412
CIB-Local Currency, CA DBP HO	376,673	376,673	-
CIB-FC, SA LBP	131,003,666	196,514,805	(65,511,139)
CIB-FC, SA LBP	10,300,269	10,710,176	(409,907)
CIB-FC, SA DBP	92,581,612	93,924,137	(1,342,525)
Total	**P308,343,515**	**P378,249,632**	**P(69,906,117)**

3.3 Examination of the submitted Bank Reconciliation Statements (BRSs) disclosed that the variance of P69.906 million pertained to bank reconciling items of P2.764 million and book reconciling items (BRIs) having a total net amount of P67.143 million, summary of which are presented in Table 6.

Table 6 – Summary of BRIs as Presented in the BRSs

List of BRIs	CY 2023	CY 2022	CY 2021	CY 2020	CY 2009 - 2019	Total
Unrecorded Credits/Deposits	P9,004,050	P2,835,595	P17,844,400	P16,490,123	P13,006,531	P59,180,699
Unrecorded Debits/ Withdrawals	(1,874,533)	(366,486)	(153,324)	(533,332)	(2,346,654)	(5,274,329)
Errors in current and previous years	16,745,624	(5,472,730)	(4,392,296)	(327,437)	6,683,077	13,236,238
Total	**P23,875,141**	**P(3,003,621)**	**P13,298,780**	**P15,629,354**	**P17,342,954**	**P67,142,608**

3.4 Verification disclosed that the above-cited BRIs were due to the following factors, conditions, and errors, and, hence, remained unadjusted as at year-end:

a. Unrecorded deposits of P59.181 million

These are unrecorded direct deposits for payments of annual PRA fees by the clients/retirees, particularly on PRA's LBP and DBP Buendia accounts because the necessary documents were not furnished to the PRA and has been a perennial problem. The FMD could not make the necessary

adjustment on whether to credit the Accounts Receivable or the Service Income account, which affected the reliability of the said accounts. The FMD informed that the volume of transactions and lack of personnel handling accounts hindered the timely verification and recording. Despite its claim, it was noted that many JO workers are presently assigned thereat.

b. Unrecorded debits/withdrawals of P5.274 million

These primarily cover the payments of interests earned by the retiree-members on pre-terminated Certificate of Time Deposits (CTDs) maintained in the LBP and the DBP. The lack of supporting documents such as debit memos, among others, precluded the recording of said transactions. For the past years, the FMD was not able to obtain from the LBP the required documents, and the unrecorded debits have increased in CY 2023 by three times compared to CY 2022.

c. Errors noted in current and previous years with a net total of P13.236 million which included errors in the revaluation of foreign currency accounts totaling P20.362 million

These include long outstanding BRIs since CY 2013 that remained unadjusted due to difficulty in the retrieval of related documents/records while others pertained to returned checks, double issuance of Official Receipts (ORs) for a single deposit slip of a retiree, or misstatements in the OR amount as well as errors subject to verification. Included in the net total amount were errors in the revaluation of a foreign currency account totaling P20.362 million.

Review of transactions showed that in the revaluation of CIB-FC accounts using the schedule involving all related transactions during the year, a certain transaction was excluded in the translation of its ending balance while several transactions were erroneously reflected in the Schedule resulting in the net overstatement of P20.362 million of the unrealized loss on Forex. This erroneously decreased the balance of the CIB-FC LBP Buendia account by the same amount.

Mandatory preparation of monthly Bank Reconciliation Statements was not performed, particularly on dollar accounts resulting in the non-adjustment of BRIs in substantial amounts

3.5 It was also noticed that other BRIs in material amounts could have been adjusted within CY 2023 had the BRSs for the CIB dollar accounts been monthly prepared and submitted to the Audit Team. The FMD merely prepared the BRSs at year-end and submitted it upon the request of the Audit Team, contrary to Sections 4, 6 and 7 of the Government Accounting Manual (GAM), which provide that:

> *Section 4. Method of Bank Reconciliation. The monthly BRS shall be prepared by the Chief Accountant/designated staff for each of the bank accounts maintained by the agency/entity using the Adjusted Balance Method. Xxx*

Xxx

Section 6. Recognition of Adjustments. The Chief Accountant/Designated Staff shall prepare a JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.

Sec. 7. Reporting. The Chief Accountant shall submit the BRS within twenty days after receipt of the monthly BS to the following: Original – COA Auditor (with all the supporting documents and JEVs) Xxx

3.6 This has been a perennial problem of the FMD which was communicated to the Management through AOMs in the previous years. The advantage of the regular preparation of BRSs is for the agency to be able to timely detect and immediately correct/adjust any errors/discrepancies between its accounting records and that of the bank, notwithstanding those not yet recorded due to timing differences. However, the FMD remained non-compliant, and the PRA is experiencing the same issues on numerous BRIs that remained unadjusted at year-end.

3.7 The bank reconciling items totaling P2.764 million consist of outstanding checks (OCs) of P4.802 million; uncleared checks deposits of P4.481 million representing Management Fees; and erroneous credits/debits to the account of P2.442 million. All these reconciling items were the same subjects of the prior year's audit findings, where a minimal amount was reduced relative to the erroneous credits/debits.

Stale checks of P2.407 million remained unadjusted as at year-end

3.8 As to the OCs, it was verified that 104 checks totaling P2.407 million were already staled as at December 31, 2023. These are no longer accepted/honored by the PRA's depository bank, therefore, the recorded payments should have been reversed by debiting the CIB account and crediting the Accounts Payable (AP) account or the appropriate liability account, pending the request for replacement of checks by the payees. Due to the existence of staled checks, both the CIB and AP accounts were understated by P2.407 million.

3.9 In view of the noted discrepancies, the correctness and reliability of the CIB account with a year-end balance of P308.344 million was not established, thereby, affecting the fair presentation of the balance of the Cash and Cash Equivalent account in the FSs as at December 31, 2023.

3.10 We recommended that Management require the FMD to:

a. Verify thoroughly the BRIs for each of the affected bank accounts, and thereafter, immediately effect the necessary adjusting entries to fairly present the balance of the Cash and Cash Equivalents account in the FSs as at year-end;

b. Expedite the reconciliation of accounts by assigning specific personnel to focus on the validation of collections through bank deposits as well as regular preparation of BRSs, and by implementing strict supervision thereof, to ensure prompt submission of BRSs and adjustment of BRIs; and

c. Continuously make representation to the concerned officials of the LBP and the DBP - Head Office to facilitate the correction of errors in the accounts of the PRA as well as the provision of pertinent documents by the LBP/DBP branches such as Debit Memos, Credit Memos, etc. so that the necessary adjustments can be effected by both the PRA and the banks.

3.11 The Management commented that the FMD will effect the necessary adjustments in CY 2024 and will verify thoroughly all BRIs to effect further necessary adjustments. It was also informed that to address unidentified/undistributed collections, the Management enhanced their process for collections including a partnership with a Landbank payment gateway called Link.BizPortal that addresses Peso payments, aside from assigning specific staff to do the validation and regular bank reconciliations. The Link.BizPortal will also be integrated into their new website, which is expected to be launched in July 2024, in time for the celebration of the 40th anniversary of the PRA. As to the US Dollar collections, the Management will look into engaging other payment gateway providers that may need special approval from the Department of Finance.

3.12 As a rejoinder, the Audit Team appreciated the initiatives of the Management to address the main problems in its Cash and Cash Equivalent account. The implementation of the audit recommendations will be monitored in CY 2024 audit. In the meantime, it is suggested that the journal entries necessary to correct the noted errors be submitted to the Audit Team for validation. Moreover, **we further recommend that Management intensify its information drive to its clients on procedures for online/direct payment to facilitate the recording of deposits/collections and maximize the benefits of its partnership with Landbank.**

4. The erroneous recording of accruals and adjustments of the Annual PRA Fee (APF), and non-recognition of change in Foreign Exchange (Forex) rates at year-end, resulted in the understatements of the Service Income – APF, Accounts Receivable (AR) – APF, and Unrealized Loss on Forex accounts by P17.952 million, P17.565 million, and P386,729, respectively, contrary to Qualitative Characteristics 12 of the Conceptual Framework for Financial Reporting and Paragraphs 3.2.3 and 15 of the Philippine Accounting Standard 1.

4.1 Paragraph 15 of PAS 1 provides that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and*

recognition criteria for assets, liabilities, income and expenses set out in the Framework. Xxx.

4.2 Likewise, QC12 of the CFFR states that:

> *Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Xxx.*

4.3 The APF, being paid by its retiree members is one of the sources of PRA's Service Income (SI). The APF rate as prescribed under the Implementing Guidelines of the Smile Enrollment Program is equivalent to $360 to cover the retiree, his spouse, and his dependent, with an additional amount of $100 for every additional dependent over two.

4.4 The FMD sets up the accruals of the APF in the books by debiting and crediting the AR-APF and SI accounts, respectively, while upon collection, the cash and AR accounts are debited and credited, respectively. By month-end, after review and analysis, the FMD reclassifies the collections by debiting the AR-APF account and crediting either the SI–APF, Retained Earnings, or Unearned APF accounts to recognize the specific income for the year.

Non-accruals of P17.035 million and erroneous credits to various accounts receivables

4.5 Analysis of the accounts, however, showed that in the first few months of CY 2023, the FMD reverted to its old practice of reversing accruals of APFs previously set up at month-end to simplify recording and eliminate the need to reconcile and monitor outstanding AR balances. The accruals of P117.671 million for CY 2022 were reversed per JEV No. 202301249 in January 2023. The accruals for January 2023 were likewise reversed in February 2023, and so on, until April 2023.

4.6 This practice is deemed contrary to Paragraph 3.2.3 of PAS 1 as it derecognizes assets without the prescribed valid ground or circumstance and leads to confusion and errors in the recording of accruals in the subsequent months. It provides that:

> *An entity shall derecognize a financial asset when, and only when:*
> *(a) the contractual rights to the cash flows from the financial asset expire, or*
> *(b) it transfers the financial asset as set out in paragraphs 3.2.4 and 3.2.5 and the transfer qualifies for derecognition in accordance with paragraph 3.2.6.*

4.7 As at December 31, 2023, the balance of the AR-APF account amounted to P96.988 million, however, analysis of the Aging Schedule of AR disclosed that

several accounts/accruals previously recorded and verified as unsettled by retiree-members in CY 2023, were omitted in the Schedule, and did not form part of the AR-APF ending balance. It was further verified that in April 2023, the FMD recorded only the actual accruals of each retiree. However, the receivables of US$307,667 representing CY 2022 and prior year accounts that have not been collected were excluded from the accruals in April 2023, as shown in Table 7.

Table 7 – Summary of Accruals in CY 2022 Omitted in CY 2023

Particulars	USD	Peso Amount (as translated)
Accruals in April 2023	1,787,126	98,953,156
Accruals for January to April 2023	(353,185)	(19,555,847)
Not included in Reversal in Dollar	430,000	23,809,104
TOTAL AR pertaining to 2022 and PYs accounts	**1,863,941**	103,206,413
Less: Recorded adjustments per AOM (JEV202310065)	(2,171,608)	(120,241,909)
Total amount not included in the Accruals in April	**(307,667)**	(17,035,496)

4.8 The unrecorded accruals amounted to P17.035 million upon revaluation or translation using the year-end exchange rate of P55.37 per dollar. Accordingly, both the AR-APF and APF accounts were understated by P17.035 million.

Other accounts were adjusted more than the outstanding AR whereas several accounts were not revalued or translated to the appropriate year-end balances.

4.9 Review showed that JEV Nos. 202301278, 202312288, and 202312289 were made to adjust account balances of retirees due to cancellation, withdrawal, or erroneous recognition for dependent in CY 2023. However, it was noted that the FMD erroneously credited various retirees' accounts higher than what it was supposed to be or what was outstanding at the reporting date, in the total amount of P0.917 million. Said errors decreased the balance of the AR-APF account at year-end.

4.10 It was also verified that the Schedule with 1,262 accounts with an outstanding balance of $1.044 million or a total peso equivalent of P58.193 million, was not revalued as at year-end. Instead, their year-end balances were presented in their actual amounts during accruals (in peso), which implies that no revaluation was made as at December 31, 2023, contrary to Paragraph 29 of PAS 21, which provides that:

> *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 xxx. 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.*

4.11 Due to the non-recognition of the change in Forex rates, a total amount of P386,729 was not recorded in the books as UL on Forex, which overstated the AR-APF account.

4.12 Inquiry disclosed that reversals were done to reflect the actual monthly income intended for the monthly financial statements until April 2023, however, this was assigned to a JO personnel who did not turn over the pertinent working papers containing all financial information for adjustments. At present, the task is assigned to a regular employee including monitoring and reconciliation of the accounts.

4.13 The summary of the misstatements resulting from the noted errors and deficiencies together with the affected accounts are shown in Table 8.

Table 8 - Summary of Misstatements and Affected Accounts

Particulars	SI-APF account	AR-APF account	Unrealized Gain (Loss)
a. Unrecorded accruals	P17,035,495	P 17,035,495	-
b. Erroneous adjustments to AR-APF	916,708	916,708	-
c. Non-revaluation	-	(386,729)	(386,729)
Total /Under/(Over)	**P17,952,203**	**P 17,565,474**	**(P386,729)**

4.14 Consequently, the SI–APF, AR-APF and Unrealized Forex Loss accounts were understated in the amounts of P17.952 million, P17.565 million, and P386,729, respectively, which affected the fair presentation of the said accounts in the FSs as at reporting date.

4.15 **We recommended and Management agreed to direct the concerned FMD personnel to:**

a. Effect the necessary adjustments to correct the understatement of SI-APF, AR-APF and Unrealized Forex Loss accounts in the amounts of P17.952 million, P17.565 million and P386,729, respectively, in compliance with Paragraph 29 of PAS 21 and Paragraph 15 of PAS 1;

b. Formulate accounting guidelines on the recording of accruals of income, changes in foreign currency, and other related transactions as a reference to ensure the accuracy and consistency of financial reports. Likewise, exercise extra care in the recording of transactions; and

c. Exercise extra care in the recording of transactions, and implement strict supervision on personnel whose tasks, outputs and deliverables are crucial in the preparation and presentation of PRA's FSs to avoid errors and deficiencies.

Other Observations

Non-maintenance of prescribed SL with complete details and information thus actual

outstanding receivable from each of them could not be completely verified.

4.16 It was also noted that SLs were still not prepared/updated which contributed to the difficulty in monitoring the actual outstanding receivable from each retiree-member. The FMD claimed that it maintains books that serve as SLs, however, inspection showed that these have incomplete details and information. As such, the year-end outstanding AR balance for each retiree-member was not available which is not the prescribed SL under GAM Volume II and therefore, the General Ledger balance of the AR-APF account was not completely supported. This likewise precluded the Audit Team from performing audit procedures to obtain reasonable assurance that all transactions were recorded and accounted for.

Unreconciled List of Retirees with VDs with the Report of Outstanding VDs from banks due to inadequate records and information resulted in different amounts of computed accruals for Management Fee

4.17 QC26 of the CFGPFR provides verifiability as one of the QC that FSs must have, viz:

> *Verifiability helps assure users that information faithfully represents the economic phenomenon it purports to represent and that different knowledgeable and independent observers could reach consensus that a particular depiction is a faithful representation and as an effective internal control tool.*

4.18 Apart from the DBP, the VDs of the retiree-members are deposited in various private banks accredited by the PRA as depository banks thereof. The PRA entered into a Memorandum of Agreement (MOA) with the private banks having provisions on the system and procedures for opening and maintenance of the retirees' accounts and the fees to be paid by them to the PRA for the management of the retirees' VDs, equivalent to 1.5 percent per annum of the VDs' outstanding monthly balance.

4.19 There are six accredited and 16 formerly accredited banks (ABs) maintaining the VDs of various retiree-members. Under the MOA, upon deposit of the retiree's VD, the private bank keeps the CTDs and will inform the PRA by sending written confirmation or Certification of Retirees Deposit indicating details such as principal amount, quoted rate, and maturity date. These details facilitate the computation of the monthly accrual of MF which are based on the Outstanding VDs at the end of the month, payable on the 25th day of the following month.

4.20 As at December 31, 2023, the AR-MF account with a carrying amount of P58.639 million consists of accruals in December 2023 and previous months for some accredited and de-accredited banks that remained unpaid, and long outstanding accrued MF for other de-accredited banks that the PRA had filed legal cases. The FMD explained that accruals of AR-MF were based on the List of Retirees with VDs in private banks that it maintains.

4.21 Audit of accruals vis-a-viz the payments of MFs by various ABs disclosed that FMD's List of Retirees with VDs, which it used as the basis for computation of MF being accrued and billed to the ABs did not match the actual amounts of VDs maintained by the latter, details are presented in Table 9.

Table 9 – List of Retirees with VDs vs Report of Outstanding VDs from Banks

BANKS	List of Retirees with VDs (PRA Record)		Report of Outstanding VDs (Bank Record)		Difference	
	Dollar	Peso	Dollar	Peso	Dollar	Peso
Currently Accredited Bank						
BDO	90,682,397	38,220,531	91,858,001	38,264,702	(1,175,604)	(44,171)
Bank of Commerce	39,001,761	48,115,650	38,971,312	48,015,734	30,449	99,916
PNB	39,882,644	67,241,355	39,720,076	64,437,457	162,568	2,803,898
KEB Hana Bank	9,680,542	4,617,500	9,462,092	4,617,500	218,450	-
Unionbank of the Philippines	21,814,542	42,143,019	21,753,271	42,182,299	61,271	(39,280)
Shinhan Bank	9,557,931	9,437,716	9,557,931	9,437,716	-	-
SUB-TOTAL	**210,619,817**	**209,775,771**	**211,322,683**	**206,955,408**	**(702,866)**	**2,820,363**
Previously Accredited Bank						-
Bank of China	10,462,614	-	10,462,614	-	-	-
Malayan Bank	194,500	-	164,500	-	30,000	-
Yuanta Savings Bank	808,869	6,981,053	808,869	6,981,053	-	-
China Banking Corporation	519,267	465,196	519,267	465,196	-	-
PS Bank	3,544,455	8,227,121	3,544,455	8,227,121	-	-
Security Bank	45,080	-	45,080	-	-	-
Asia United Bank	618,229	738,911	306,107	739,911	312,122	(1,000)
Chinatrust (Phil.), Inc.	261,782	-	261,782	-	-	-
Eastwest Bank	172,404	937,620	172,404	937,520	-	100
Hongkong & Shanghai Bank	-	1,375,855	-	1,375,855	-	-
Metropolitan Bank	1,237,457	3,044,835	1,598,527	3,044,834	(361,070)	1
PBC of Commerce	16,564	-	16,564	-	-	-
RCBC	1,308,982	1,606,961	1,333,367	1,606,961	(24,385)	-
Robinsons Bank	-	812,413	-	812,413	-	-
Standard Chartered B	17,405	-	17,404	-	1	-
Philippine Business Bank	60,000	1,037,127	60,000	1,037,127	-	-
SUB-TOTAL	**19,267,608**	**25,227,092**	**19,310,940**	**25,227,991**	**(43,332)**	**(899)**
TOTAL	**229,887,425**	**235,002,863**	**230,633,623**	**232,183,399**	**(746,198)**	**2,819,464**
Exchange rate					X P55.37	
Amount of Discrepancy					**P(41,316,983)**	**P2,819,464**

4.22 As noted, the outstanding dollar-denominated VDs under the PRA List are lesser than those presented in the AB/DABs' Report of Outstanding VDs by 10,591 accounts, while outstanding peso-denominated VDs under the PRA List are more than that of the AB/DBs by 208 accounts. In terms of amount, there was a net difference of P41.317 million (US$746,198*P55.37) for the dollar-denominated accounts and P(2.819) million for the peso accounts, or a total of P38.498 million, as shown in Table 9.

4.23 Review revealed that FMD's practice in recording the AR-MF is to initially record the accrual of MF at month-end using the List of Retirees with VDs after deduction of any canceled/withdrawn accounts and addition of new enrollees for the month, and thereafter, reclassify/reverse the said accrual on the following month. The accrual is recorded again based on the actual MF received using the Report of Outstanding VDs submitted by the bank to the PRA. Another journal entry shall be prepared for the actual receipt of MFs.

4.24 Simply stated, though the FMD has been initially accruing MF using their records, the basis of the actual computation of the MF for purposes of receipt and

collection is the report provided by the bank per supporting documents and clarification with the concerned personnel.

4.25 Thus, it can be deduced that the basis of the FMD in the actual computation of MF is the report from banks which implies that they could not rely on their own records. As noted, the two reports are not reconciled or matched in terms of amounts and number of accounts. Inquiry disclosed that the FMD has records of retirees, their VDs, and other pertinent documents for the current year, however, they are still in the process of retrieving and establishing records from prior years which are to be reconciled with the reports from the banks.

4.26 Due to the unreconciled amounts and number of accounts between the List of Retirees with VDs maintained by the FMD and the Report of Outstanding VDs from the AB/DBs, different amounts of accruals were computed by the FMD which further resulted in the preparation of series of journal entries to take up the actual MF received, which is time-consuming and may be prone to errors.

4.27 We recommended and Management agreed to require the concerned FMD personnel to:

a. Update the SL for each retiree-member using the prescribed format to come up with an accurate amount due from each of them to support the GL balance of the AR account reported in the FSs;

b. Immediately reconcile the FMD's List of Retirees with VDs with the Report of Outstanding VDs submitted by the accredited/de-accredited banks to come up with a reliable report as a basis for the computation of accruals;

c. Observe due diligence in the computation of accruals of MFs and reconcile them with the bank payments to identify any discrepancies for potential adjustments, instead of series of journal entries which is time-consuming and prone to errors; and

d. Request from the RRSD - Servicing Division to provide an updated list of retirees with VDs per private bank along with other pertinent information for reference in the reconciliation of records and computation of accruals given the latter's problem on incomplete information about retiree-members from private banks.

5. The Prepayments - Withholding Tax at Source and Due to Bureau of Internal Revenue – Income Tax Payable accounts with balances of P28.048 million and P109.803 million as at year-end were overstated by the net amounts of P15.927 million and P17.193 million, respectively, while the Other Prepayments and Retained Earnings accounts were understated by P7.964 million and P9.229 million, respectively, due to errors in the recorded adjustments as well as non-recording by the Finance Management Division of transactions on recognition and utilization of creditable tax withheld. These conditions are not in consonance with

Qualitative Characteristics 12 of the Conceptual Framework for Financial Reporting and Section 2.1 of COA Circular No. 2020-002.

5.1 QC12 of the CFFR provides that:

> *Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Xxx.*

5.2 Section 2.1 of COA Circular No. 2020-002 dated January 28, 2020, prescribes the appropriate account/s in the recording of creditable withholding taxes in the books including the utilization of such by a Government Corporation, as follows:

> *Withholding Tax at Source (WTS) account is debited to recognize the amount of creditable withholding tax deducted by an entity from payment and settlements of transactions or other services. Subsequently, such account is credited upon application of the excess previous tax payments against income taxes payable to the BIR, and/or adjustments.*
>
> *Income Tax Payable account is credited to recognize the amount of income tax due to the BIR and debited upon payment to the BIR and for any adjustments made to the account.*

5.3 The PRA uses the Creditable Tax Withheld (CTW) as a tax credit to reduce its income tax due to arrive at the income tax payable when filing its Income Tax Returns (ITRs). Its CTW usually arises from taxes on income from MFs withheld by accredited banks. When the FMD recognizes withheld taxes, it debits the Withholding Tax at Source (WTS) account and credits the Revenue – MF account. Subsequently, the former is credited when the CTW is applied as tax credits in the quarterly ITRs.

5.4 If used correctly during the quarter or period/year to which it is applied, the balance of the WTS account at year-end would equal the CTW for the 4th quarter of the current year. As at December 31, 2023, the PRA's WTS account has a balance of P28.048 million, while the remaining CTWs for the 4th quarter as verified from the BIR Form No. 2307 obtained from banks amounted only to P1.598 million.

5.5 Similar cases were also found in prior years, as indicated in previous AOMs. As at December 31, 2022, the WTS account had a balance of P21.531 million while the remaining CTWs for the 4th quarter as verified from CY 2022 Annual ITR amounted only to P3.045 million. For December 31, 2021, the WTS account had a balance of P24.883 million whereas the remaining CTWs for the 4th quarter as verified from CY 2021 Annual ITR amounted only to P2.832 million.

5.6 The audit of CY 2022 disclosed an overstatement of the Prepayments – WTS and Due to BIR - Income Tax Payable (ITP) accounts by P7.964 million and

P17.193 million, respectively, while understatement of the MF account by P9.229 million. These discrepancies resulted from the non-recording of the transactions on the recognition or utilization of the CTW from the collection of MFs and payment of ITPs in CYs 2020 to 2022. The noted misstatements were brought to the attention of the Management through the issuance of AOM No. 23-012 (2022) dated May 4, 2023, details are shown in Table 10.

Table 10 – Details of Misstatements in CTWs

Particulars	Amount	Effects in account:		
		WTS (over) under	MF (over) under	ITP (over)under
a. CTWs utilized in 2nd and 3rd quarters – CY 2022 but not recognized initially in the books	P6,184,339	P6,184,339	P6,184,339	None
b. CTWs not recognized in 4th quarter – CY 2022 but utilized in CY 2022 Annual ITR	**3,044,699**	**3,044,699**	**3,044,699**	**None**
c. Initially recorded but utilization/application of the CTWs in CY 2022 remained unrecorded	2,831,594	(2,831,594)	None	(2,831,594)
d. CTWs initially recognized in CY 2021 but their utilization remained unrecorded	9,723,253	(9,723,253)	None	(9,723,253)
e. CTWs were initially recognized in CY 2020 but their utilization remained unrecorded	4,637,852	(4,637,852)	None	(4,637,852)
Total – Under (Over)		**P(7,963,661)**	**P9,229,038**	**P(17,192,699)**

5.7 On April 28, 2023, the FMD credited the WTS account for P3.045 million per JEV No. 202304216 for the utilization of CTW (item b – obtained in 4th Quarter - CY 2022) in its CY 2022 Annual ITR filed in CY 2023. As reflected in Table 10, the said CTW however, was not recorded in the WTS account in CY 2022.

5.8 Review of the recorded transactions in CY 2023 showed that the FMD implemented the audit recommendation on June 30, 2023, per JEV No. 202306183, as shown below. However, the account adjusted was Other Prepayments (OP) instead of the WTS account which resulted in the understatement of the OP account by P7.964 million. Additionally, the adjustment made for the MF account should have been for the Retained Earnings account since the misstatement pertains to CY 2022 which was effected only in CY 2023.

JEV No. 202306183		JEV No. 202312269	
Income Tax Payable (Dr)	P 17,192,698	WTS (Dr)	P 7,963,660
Management Fees	P 9,229,038	Retained Earnings (Deficit)	9,229,038
Other Prepayments (Cr)	7,963,660	Income Tax Payable(Cr)	P 17,192,698
To take up the adjustment made by COA per AOM No. 2023-012 (2022) related to Prepayments - Withholding Tax at Source.		*To cancel JEV#202306183 on the adjustment made related to Prepayments - Withholding Tax at Source*.	

5.9 The FMD prepared JEV No. 202312269 dated December 31, 2023, to cancel JEV No. 202306183, as shown above, but this resulted in another misstatement. The WTS account was debited instead of the OP account previously credited, leading to an overstatement of the former and an understatement of the latter. In addition, the misstatement on the Retained Earnings account was not corrected due to JEV No. 202309328 dated September 29, 2023, which credited the Retained Earnings account by P9.229 million, resulting in a net effect of zero.

5.10 Considering the series of adjustments, it shows that the initial recommendation in AOM No. 2023-012 (2022) was not implemented in the books. This also led to the misstatement of the OP account while escalating the overstatement in the WTS account. Shown in Table 11 is the summary of the misstatements in CY 2023 and their impact on various accounts including the uncorrected misstatements in the previous years.

Table 11 – Summary of Misstatements in CY 2023

Particulars	Effects in account:				
	WTS	Other Prepayments	MF (2022)/ RE	ITP	MF (2023)
Existing misstatements as noted in AOM No. 2023-012	**P(7,963,660)**	**P -**	**P9,229,038**	**P(17,192,698)**	**P -**
ADJUSTMENTS IN CY 2023:					
a. JEV No. 202306183 – To take up adjustment per AOM No. 2023-012	-	7,963,660		17,192,698	(9,229,038)
b. JEV No. 202309328 – To correct Prior Period Errors to the RE account	-	None	(9,229,038)	None	9,229,038
c. JEV No. 202312269 - To cancel letter an adjustment (JEV No. 202306183)	(7,963,660)	None	9,229,038	(17,192,698)	-
Total – Under (Over)	**P(15,927,320)**	**P7,963,660**	**P9,229,038**	**P(17,192,698)**	**P -**

5.11 The amounts of P17.193 million and P7.964 million should have already been derecognized from the ITP and the WTS accounts, respectively, because the tax credits were already utilized in paying the ITP as shown below, however, the corresponding entries were not recorded in the books, as follows:

Recorded CTWs	JEV No.	Amount	Utilized	JEV No.
3rd Q – CY 2020	202012258	P4,637,852	2020 Annual ITR	No Entry
1st Q – CY 2021	202104118	2,986,690	2021 – 1st Quarter ITR	No Entry
2nd Q – CY 2021	202107191	2,851,220	2021 – 2nd Quarter ITR	No Entry
3rd Q – CY 2021	202110205	3,885,343	2021 - 3rd Quarter ITR	No Entry
4th Q – CY 2021	202104118	2,831,594	2021 Annual ITR	No Entry
	Total	**P17,192,699**		

5.12 In view of the above-cited errors coupled with the non-adjustment of the identified misstatements in the previous years, the year-end balances of the WTS and ITP accounts were overstated by P15.927 million and P17.193 million, respectively, while the Retained Earnings and OPs accounts were understated by P9.229 million and P7.964 million, respectively, which are not in consonance with the QC12 of the CFFR and affected the faithful representation of the balances of said accounts in the FSs as at December 31, 2023.

5.13 It was also noted that the recorded WTS transactions in CY 2019 and below that remained part of the WTS account balance, were not reconciled yet and adjusted in the books as required in the previous year's AOM No. 2023-012 (2022). These may be erroneous considering that all recorded CTWs in the previous years should have been applied in the year of initial recognition as these are subject to expiration. Section 2.58.3 A of Revenue Regulation No. 02-98 provides that, *"The amount of creditable tax withheld shall be allowed as a tax credit against the*

income tax liability of the payee in the quarter of the taxable year in which income was earned or received."

5.14 Therefore, CTWs are to be used/utilized in the period of applicability, otherwise, these could no longer be used as tax credits. As such, the recorded CTWs under the WTS account in CY 2019 and below that remained unadjusted no longer meet the criteria of an asset as there are no more future economic benefits associated with it.

5.15 We recommended that Management require the FMD to:

a. Effect the necessary adjustment to correct the overstatement of the Prepayments - WTS and Due to BIR - ITP accounts by P15.927 million and P17.193 million, respectively, and the understatement of the Other Prepayments and Retained Earnings accounts by P7.964 million and P9.229 million, respectively;

b. Conduct reconciliation between the unapplied CTWs as reflected in the Prepayment - WTS account of the PRA and applied CTWs per ITR covering CYs 2020 and below to determine whether all related adjustments to it were recorded in the books in compliance with Section 2.58.3. A of Revenue Regulation No. 02-98, and thereafter, effect additional adjustments if warranted; and

c. Exercise due diligence in the preparation and recording of adjustments in the books to avoid errors in the FSs.

5.16 The Management commented that the FMD effected the required adjustments through JEV Nos. 202401016 and 202401061 dated January 31, 2024, and that it will prioritize the conduct of reconciliation of the said account for CY 2019 and below, and immediately adjust, if any. Moving forward, the FMD will implement stricter controls and procedures for the recording and monitoring of the WTS account to prevent similar issues in the future and will ensure to exercise due diligence in the preparation and recording of all transactions and adjustments in the books of accounts.

5.17 As a rejoinder, the Audit Team acknowledged the commitment of the PRA Management. The Audit Team will evaluate the JEVs upon submission by the FMD and will monitor the implementation of all recommendations in CY 2024 audit.

6. The accuracy and reliability of the valuation of the Accounts Receivable account with a net carrying amount of P162.232 million as at December 31, 2023, could not be ascertained due to non-compliance with the requirements on the measurement of Expected Credit Losses for the provision of impairment as outlined in Paragraphs 5.5.15(a) and 5.5.17 of the Philippine Financial Reporting Standard 9, which resulted in significant adjustment of P123.274 million in the Allowance for Impairment account, as well as inadequate disclosure of relevant information in the financial statements.

6.1 Accounts Receivable (AR), classified as financial assets (FA), are initially measured at transaction price and subsequently measured at amortized cost as required under Paragraphs 5.1.3, 4.1.2 and 5.2.1, respectively, of Philippine Financial Reporting Standard (PFRS) 9 due to its exposure to credit risk. Paragraph 5.5.1 of the same Reporting Standard provides that an entity shall recognize a loss allowance for expected credit losses (ECL) on a FA measured at amortized cost. Paragraphs 5.5.15 and 5.5.17 further provide the following:

> *5.5.15 Xxx, an entity shall always measure the loss allowance at an amount equal to lifetime expected credit losses for:*
> *(a) Trade receivables or contract assets that result from transactions that are within the scope of IFRS 15, and that: (i) do not contain a significant financing component in accordance with xxx.*
>
> *Xxx*
>
> *5.5.17 An entity shall measure ECL of a financial instrument in a way that reflects:*
> *(a) An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcome;*
> *(b) The time value of money; and*
> *(c) Reasonable and supportable information that is available without undue cost of effort at the reporting date about past events, current conditions and forecast of future economic conditions.*

6.2 Entities are required to measure the impairment of their FAs such as trade receivables (TRs) using the ECL model. Said model considers past events, economic uncertainties, and forward-looking information and approach to estimating impairment losses. Entities with TRs not reported at amortized cost using the ECL model may underestimate the potential credit losses that may lead to understated provisions for impairment/bad debts, which affect the accuracy of the FSs.

6.3 As at December 31, 2023, the PRA reported AR totaling P225.270 million while the Allowance for Impairment (AFI) amounted to P63.526 million, thus, the net realizable value/carrying amount totaled P162.232 million, shown in Table 12.

Table 12 – Schedule of AR and AFI as at December 31, 2023

Account	Annual PRA Fee (APF)	Management Fee (MF)*	Visitorial Fee (VF)	Harmonization Fee (HF)	Total
AR	91,995,211	58,639,188	67,801,532	6,834,332	225,270,263
AFI	(11,032,744)	(2,642,890)	(45,593,147)	(4,256,972)	(63,525,753)
Other Receivables					487,082
Net carrying value	**80,962,467**	**55,996,298**	**22,208,385**	**2,577,360**	**162,231,592**

**MF from PRA's accredited and de-accredited banks*

6.4 Analysis showed a decrease of P123.274 million in the total AFI from its balance of P177.762 million in CY 2022 to its restated balance of P54.488 million on January 1, 2023. Review revealed that the FMD effected at year-end the

adjustments below which increased the Retained Earnings account by P123.236 million. It was disclosed that the major adjustment was due to the change in the PRA's application of PFRS 9 on the measurement and recognition of ECL. Shown below are the adjustments made.

AR Account	JEV No.	AFI, Ending Bal. (Dec. 31, 2022)	Amount of Adjustments	Adjusted Beg. Bal. (Jan. 1, 2023)
APF	202312290 & 202301278	P109,397,208	P100,135,078	P9,262,130
VF	202312272	58,459,209	16,950,736	41,508,473
HF	202312270	9,905,512	6,187,999	3,717,513
Total		**P177,761,929**	**P123,273,813**	**P54,488,116**

6.5 In the past years, the PRA was not able to comply with the requirements of PFRS 9 on the correct formulation and measurement of the ECL on its AR, thus, its correct valuation cannot be ascertained. Said deficiency was brought to the attention of the Management through various AOMs with the recommendation of reassessing their established ECL and incorporating the necessary factors aligned with PFRS 9 requirements to arrive at factual and realistic measurements. It was also recommended that a written accounting policy be established alongside the correct formulation of ECL.

6.6 Verification, however, revealed that in CY 2023, a written policy has yet to be formulated because the person responsible for it was on leave due to health reasons. Instead of reassessing the existing ECL rates as recommended, the FMD reverted to its original practice of recognizing AFI for AR-APF, AR-VF, and AR-HF based on the outstanding AR for three years or more. Said provision was based on Annex A of Board Resolution No. 19 Series of 1996 which states that *"Xxx. The Board unanimously approved that sanctions shall be imposed on PRA members who for three (3) years fail or refuse to pay the annual visitorial fees after written notice and upon expiry if the 30-day grace period stated in the notice. Xxx."* Shown in Table 13 are the outstanding balances of PRA's AR.

Table 13 – Aging Schedule of Accounts Receivable

AR Account	Below 90 days	91-365 days	over 1 year	over 2 years	over 3 years
APF	665,787	8,638,454	8,824,112	65,550,667	11,032,744
MF	50,354,073	2,858,341	5,407,581	-	-
VF	142,478	7,748,609	452,864	13,863,727	45,593,147
HF	59,920	953,615	759,624	930,573	4,256,972
Total	**51,222,258**	**20,199,019**	**15,444,181**	**80,344,967**	**60,882,863**

6.7 Additionally, accounting records show that the year-end balance of the AFI totaled P63.526 million and the provision of impairment loss for CY 2023 amounted to P6.395 million, as follows:

AR Account	APF	VF	HF	MF	Total
AFI, ending bal. 12/31/2023	11,032,744	45,593,147	4,256,972	2,642,890	63,525,753
Beg. Bal. 1/1/2023, adjusted	9,262,130	41,508,473	3,717,513	2,642,890	57,131,006
Impairment Loss in CY 2023	1,770,614	4,084,674	539,459	-	6,394,747

**Difference of P2.643 million between P63.526 million and P60.760 million pertains to AR-MF excluded from the submitted aging report.*

6.8 The FMD derecognized all the recorded impairment losses computed using the ECL in the previous years and charged to the Retained Earnings account. As to the AFI-MF, there was no provision in CY 2023 since the beginning balance of

P2.643 million pertains to receivables from accredited/previously accredited banks subject to pending case/investigation.

6.9 The change in application for ECL measurement does not meet the requirements of PFRS 9 as the three above-cited factors were not considered. The approved Board Resolution does not provide a basis for ECL measurement and only addresses sanctions for PRA members particularly VFs, without specifying whether these should be treated as uncollectible. If the FMD contended that the retiree-members may not be able to pay their fees, therefore, it has adopted the incurred loss model of the old Standard instead of the required ECL model.

6.10 Paragraph 5.5.18 of PFRS 9 further provides that *"When measuring expected credit losses, an entity need not necessarily identify every possible scenario. However, it shall consider the risk or probability that a credit loss occurs by reflecting the possibility that a credit loss occurs and the possibility that no credit loss occurs, even if the possibility of a credit loss occurring is very low."* Therefore, the formulation of ECL must consider factors such as the probability of default; recovery rate; agency's collection efficiency/collection efforts performed by the Management and future actions; current conditions such as the existence of an agreement, historical data on collection; and economic uncertainties, to come up with realistic measurement of ECL.

6.11 Disclosures were made about the measurement of ECLs, however, these were not aligned with the actual measurement made by the FMD in CY 2023, thus, the departure from the said PFRS is not rectified. Likewise, the relevant information about the material adjustments was not completely disclosed in the Notes to the FSs as required. This is inconsistent with Paragraph 15 of PAS 1 which requires that *"Xxx. The application of IFRSs, with additional disclosure, when necessary, is presumed to result in financial statements that achieve a fair presentation."*

6.12 The accounting policy related to the adoption of ECL measurement should be formulated collaboratively by the FMD employees and with the assistance of other relevant divisions/departments that can provide relevant data. Additionally, enhancing the skills of the FMD personnel through attendance of various training on accounting and reporting standards is likely to improve the accuracy and reliability of the prepared FSs.

6.13 Due to the above-mentioned deviations/deficiencies, the accuracy and reliability of the valuation of the AR with a carrying amount of P162.232 million as at December 31, 2023, could not be established.

6.14 We recommended and Management agreed to:

a. Create a committee, with the FMD as the Team Lead, to fast-track the formulation of an accounting policy that would establish the measurement of the ECL aligned with the relevant requirements of PFRS 9 to establish a more realistic, truthful, and reflective basis for the provision of impairment loss ensuring the proper valuation of the AR as at reporting date;

b. Ensure that the accounting policy shall be approved by the Board as the basis for the adoption of the ECL measurement and other requirements of PFRS 9 while the FMD ensure the full disclosure of relevant information pertaining thereof in compliance with Paragraph 15 of PAS 1; and

c. Consider capacitating the concerned FMD personnel, through attendance to training on PFRS 9 and other relevant accounting standards and updates, for the enhancement of PRA's financial reporting system.

7. The Accounts Payable (AP) account with a year-end balance of P51.484 million and other affected accounts were overstated by P7.523 million, and P1.264 million, respectively, while the Lease Payable account was understated by P7.382 million, due to: (a) erroneous accruals for lease payments, incomplete delivery of website project, and unreplenished vouchers for Petty Cash Fund at year-end; and (b) misclassification of accounts, contrary to Qualitative Characteristics (QC) 12 of the Conceptual Framework for Financial Reporting (CFFR). Likewise, the validity of recorded payables of P20.556 million (net) could not be ascertained due to: (a) long outstanding obligations of P24.385 million consisting of stale checks and obligated accounts; (b) accounts with negative balances of P3.829 million which reduced the AP balance; and (c) inadequate/inappropriate subsidiary ledger for creditors/suppliers, which is inconsistent with QC26 of CFFR, COA Circular No. 99-004, and COA-Department of Budget and Management Joint Circular No. 1 series of 2021.

7.1 QC12 of the CFFR provides that:

> *Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Xxx.*

7.2 As at December 31, 2023, the balance of the AP of the PRA amounted to P51.484 million, consisting of various items as indicated in Table 14, P28.316 million of which pertains to accruals of various expenses.

Table 14 – Details of AP as at December 31, 2023

Particulars		Undisclosed Payees	With Payees' Identity	Total
Staled Checks	P	9,914,632	571,956	10,486,588
Obligated liabilities		12,502,493	32,422,418	44,924,911
Negative Balances		(4,910,434)	-	(4,910,434)
Unreleased Checks		-	982,898	982,898
Total	**P**	**17,506,691**	**33,977,272**	**51,483,963**

7.3 Analysis of the recorded accruals disclosed the following errors which were contrary to the above-mentioned requirements, to wit:

Accrual for lease payments of P7.382 million despite being recorded under the Lease Payable at the commencement of the lease

7.4 Review of JEV Nos. 202312199 and 202312295 dated December 29, 2023, showed that the FMD recorded the amortization of unpaid lease expenses as a debit to the Lease Payable (LP) account and credit to the AP account. It was known that as at December 31, 2023, the PRA has to pay the lease rental to its two lessors, the BDO and Metrobank, covering the 3rd and 4th quarters of CY 2023 in the amounts of P3.852 million and P3.529 million, respectively, or a total of P7.382 million, hence, the accrual of rentals of P7.243 million (net of taxes).

7.5 However, it must be noted that these are long-term leases treated as finance leases. PFRS 16 provides that finance leases are recorded in the books as lease liability and Right-of-Use (ROU) assets at the commencement date. Paragraph 36 thereof provides that "*After commencement date, a lessee shall measure the lease liability by (a) Xxxx, (b)reducing the carrying amount to reflect the lease payments made, and (c) Xxx."* This means that lease liability can only be reduced upon paying lease rentals and can never be transferred to the AP account. These were already recognized in the books in the previous years as LP, thus, accrual is no longer required. The erroneous application resulted in the overstatement and understatement of the AP and LP accounts, respectively, by P7.382 million.

7.6 Other immaterial errors were likewise noted such as the lease rental from JAD Lessor which should have been classified as lease liability instead of AP since it qualifies as a finance lease, and non-amortization of corresponding interest upon recording lease payments. These errors affected the AP account which were all discussed during the exit conference.

Accrual for the last payment of the website development project despite non-delivery and/or incomplete deliverables

7.7 The PRA entered a contract with Avinnovz Technologies Inc. (ATI) on December 23, 2021, for the Web Development (Phase II) of the PRA for a contract price (CP) of P2.400 million, with the following schedule of payments, to wit:

d.3.1 25% upon receipt by the Entity of the inception report submitted by the Supplier, subject to the approval of the Entity. (P600,000.00)

d.3.ii 25% upon completion of Project walkthrough, design development, testing and presentation of the developed PRA working website. (P600,000.00)

d.3.iii 20% completion of the required refinement or enhancement, training and documentation. (P480,000.00)

d.3.iv 30% upon full activation and turnover of the website. (P720,000)

7.8 Review disclosed that in CY 2022, the FMD initially recorded the CP of P2.400 million on various dates under Information & Communication Technology Equipment (ICTE) and AP accounts. In CYs 2022 and 2023, the total amount of P1.680 million was paid by the PRA to ATI representing tranches 1, 2, and 3 for the 70 percent completion of the Project leaving an outstanding payable of P0.720 million or P0.675 million (net of taxes) as at year-end. The entire amount recorded under ICTE was reclassified to Intangible Asset - Development-in-Progress (DIP) account on December 29, 2022.

7.9 It was verified, however, that only the deliverables per d.3.i, d.3.ii, and a portion of d.3.iii were completed and delivered by the ATI to the PRA. Inspection of various supporting documents revealed that as at year-end, the contractor was able to deliver their outputs for d.3.1, d.3.ii and d.3.iii, except for the online payment system, and partial enhancement on the other designs.

7.10 It was further verified that the contractor has not yet fulfilled the required deliverables to the PRA under d.3.iv as the project is still in its execution phase. Despite such circumstances, the FMD has already recognized a payable to the ATI which goes against the requirements of Paragraphs 4.15 and 4.16 of the CFFR, as follows:

> *4.15 An essential characteristic of a liability is that the entity has a present obligation. An obligation is a duty or responsibility to act or perform in a certain way. Obligations may be legally enforceable as a consequence of a binding contract or statutory requirement. This is normally the case, for example, with amounts payable for goods and services received. Obligations also arise, however, from normal business practice, custom and a desire to maintain good business relations or act in an equitable manner. Xxx*
>
> *4.16 A distinction needs to be drawn between a present obligation and a future commitment. A decision by the management of an entity to acquire assets in the future does not, in itself, give rise to a present obligation. An obligation normally arises only when the asset is delivered, or the entity enters into an irrevocable arrangement to acquire the asset. Xxx.*

7.11 Therefore, it was not proper for the FMD to record the amount of P0.675 million (net of taxes) as AP and the amount of P0.720 million as Intangible – DIP considering the unperformed services of the ATI to the PRA. Consequently, this overstated the AP, Intangible - DIP, and Due to BIR accounts by P0.675 million, P0.720 million, and P45,000, respectively.

Accrual for petty operating expenses totaling P0.686 million instead of recording in the books as a credit to or deduction from the PCF account balance

7.12 Review showed that the FMD recorded under AP account the unreplenished petty cash vouchers (PCVs) of various PCF Custodians at year-end, totaling P0.686 million instead of crediting the Cash and Cash Equivalent - PCF account.

7.13 This is contrary to the requirements of Section 39 of the GAM Volume 1, which states that all unreplenished PCVs at year-end shall be taken up as adjustment/s in the books by debiting the applicable Petty Expense/s account and crediting the PCF account. The purpose is to update the PCF account to its true balance at year-end while expenses incurred during the reporting period are completely recorded in the books. In the succeeding year, said adjustment is reversed to restore the original PCF while the actual replenishment is recorded in the usual entry.

7.14 Inquiry with concerned FMD personnel revealed that the accrual of unreplenished vouchers was made to obligate the replenishment of expenses due to the PCF custodian. This is erroneous since the expenses were already paid out of the PCF, and the PRA does not have any obligation to its Custodian. As a result, both the AP and the PCF accounts were overstated in the amount of P0.686 million.

Misclassification of accounts

7.15 As shown in Table 15, the AP account includes a negative balance totaling P4.910 million, out of which P1.081 million resulted from erroneous entries. It was verified that remittances of employees' contributions, and loan payments to the Government Service Insurance System (GSIS) for August 2021 totaling P1.081 million were erroneously debited to the AP Account instead of the DOE account.

7.16 During the withholding from salaries in August 2021, the amount for remittance was credited to the DOE account, however, it was the AP account that was debited in the actual remittance to GSIS. As a result, the AP account was understated by P1.081 million while the DOE account was overstated by the same amount. There were other misclassifications in minimal amounts as discussed in the AOM issued to the Management.

7.17 Shown in Table 15 is the summary of the noted errors from recording transactions related to the AP account.

Table 15 – Summary of the Misstatements from Noted Errors

Noted Errors	AP	Lease Liability	PCF	DOE	Intangible-DIP	Due to BIR
Accrual of Lease payments	(P7,243,572)	P7,381,747	-	-	-	(137,175)
Accrual of undelivered services	(675,000)	-	-	-	(720,000)	(45,000)
Accrual of unreplenished PCVs	(685,644)	-	(P685,644)	-	-	-
Misposting of payments	1,080,988	-	-	(P1,080,988)	-	-
Total (Over) Under	**(P7,523,228)**	**P7,381,747**	**(P685,644)**	**(P1,080,988)**	**P(720,000)**	**P(183,175)**

7.18 Accordingly, the AP account was overstated by P7.523 million and the other affected accounts such as DOE, Cash and Cash Equivalent (CCE)-PCF, Intangible-DIP, and Due to BIR accounts were likewise overstated by P1.081

million, P0.686 million, P0.720 million and P183,175, respectively, or a total of P1.264 million, while the Lease Liability account was understated by P7.382 million which affected the fair presentation of the balances of the said accounts in the FSs as at year-end.

*Validity of recorded payables of P20.556 million (net) could not be ascertained due to the existence of dormant/long outstanding obligations of P24.385 million and a negative balance of P*3.829 million

7.19 COA Circular No. 99-004 dated August 17, 1999 provides, among others, that all obligations shall be supported by valid claims and that Payable – Unliquidated Obligations which have been outstanding for two years or more and against which no actual claims, administrative or judicial, has been filed or which is not covered by perfected contracts on record should be reverted to the Cumulative Results of Operations Unappropriated, now known as *Government Equity account* under COA Circular No. 2004-008 dated September 20, 2004. Also, Section 4.2.1 of COA-Department of Budget and Management (DBM) Joint Circular No. 1 s. of 2021 dated March 8, 2021, states that:

> *Those which have remained outstanding for two (2) years after the completion date of the project per loan/grant documents, shall be reverted to the Accumulated Surplus/(Deficit); and Xxx.*

7.20 Review of the Schedule of the AP account as at year-end disclosed a total of P24.385 million or 47.36 percent of the account balance which remained outstanding for two to 10 years. Said amount consists of staled checks and recorded obligations reflected in the Schedule amounting to P10.487 million and P13.899 million, respectively, as shown in Table 16.

Table 16 – Composition of Dormant AP

Period	Age (in Years)	Stale Checks	Obligated Accounts	Total Amount
2013	10 years	P558,747	P403,535	P962,282
2014	9 years	1,017,383	57,097	1,074,480
2015	8 years	1,292,417	736,894	2,029,311
2016	7 years	1,377,247	759,707	2,136,954
2017	6 years	946,565	6,656,949	7,603,514
2018	5 years	605,599	75,361	680,960
2019	4 years	3,869,145	2,441,746	6,310,891
2020	3 years	632,183	1,518,010	2,150,193
2021	2 years	187,302	1,249,471	1,436,773
TOTAL		**P10,486,588**	**P13,898,770**	**P24,385,358**

7.21 Table 16 shows that the stale checks totaling P10.487 million include those issued between 2013 and 2021 of which only P0.572 million can be traced to its payees. These were payables to marketers for the persistency bonus (PB) in CY 2013 and fees; and other government agencies, among others. The PB was discontinued due to a lack of legal basis and the corresponding checks were not released to the concerned but the necessary adjustments were not made.

7.22 For the remaining P9.915 million (P10.487 million - P0.572 million), pertinent information cannot be identified as these payables were recorded only through JEVs which simply indicated “Various Payees” when they became stale. The absence of a comprehensive summary or list was due to a lack of proper turnover of supporting documents over the years by former FMD personnel. Thus, it cannot be determined which among those recorded checks were already replaced and remained unpaid.

7.23 As to the recorded obligations of P13.899 million, only payees for the total amount of P1.396 million were identified while the names of the supplier/creditor for the total obligations of P12.502 million were not identified due to a lack of reliable schedule/summary, and monitoring.

7.24 Despite being dormant or outstanding for more than two years, and not identifiable, these obligations of P22.417 million (P12.502 million +P9.915 million) or 91.93 percent remained in the AP account, which is inconsistent with the above-cited provisions, and cast doubts on whether the PRA has outstanding obligations to them.

Existence of negative (abnormal) balances totaling P3.829 million accounts which reduced the balance of the AP account by the same amount.

7.25 Basic accounting principle dictates that the normal balance of liabilities is credit whereas an abnormal balance or negative balance would mean possible overpayment of obligations or the existence of errors. Review showed that included in the AP account were accounts with negative balances totaling P3.829 million and recorded in CYs 2013, 2014, 2018, 2020 to 2023. These were attributable to misclassifications, and other erroneous entries as presented by the FMD personnel.

7.26 Of the said amount, examination revealed that accounts with balances of P3.673 million cannot be identified which can be attributed to reversals of AP despite the absence of set-up or accrual of the same account in the previous years, and other errors. These are subject to adjustment or reconciliation due to inadequate supporting documents. The negative balances in the AP account have, in effect, reduced its total balance by P3.829 million.

7.27 In view of the existence of dormant/long outstanding obligations of P24.385 million consisting of staled checks and obligated accounts, and (b) accounts with negative balances totaling P3.829 million, the validity of the recorded payables of P20.556 million (net) cannot be ascertained, which affected the fair presentation of the AP account in the FSs.

Incomplete/absence of appropriate individual SL for creditors/suppliers while there was incomplete documentation of transactions

7.28 Paragraph QC26 of the CFFR provides that *"Verifiability helps assure users that information faithfully represents the economic phenomenon it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation."*

7.29 Review of accounting records showed that the submitted Schedule on AP as at year-end consists of a listing of names of suppliers/creditors per procurement/check/claim while others were indicated in groups such as "various payees", "staled checks", "accruals", LBP various transactions, JO employees, among others. Sound accounting practices dictate that the Schedule for AP balance must itemize the specific name of creditors/suppliers and the total amount due to each of them.

7.30 Also, it was verified that as at year-end, the FMD did not prepare and maintain a complete SL for each creditor/supplier of the PRA but a mere listing of payables with the corresponding amount and age of the accounts, which is not in conformity with the above-mentioned provision. The non-maintenance of SLs for PRA's creditors/suppliers was already brought to the attention of the Management in the previous year's AOM but was not completely resolved.

7.31 While SLs for several creditors were submitted, it was noted that these were not consistent with the prescribed format in Appendix 6 of GAM Volume II. The submitted SLs do not contain the complete data and details, hence, the total amount due to creditors at year-end cannot be determined. This hindered the Audit Team from performing audit procedures such as confirmation to several suppliers/creditors, especially for long outstanding accounts. Moreover, had the FMD maintained supplier/creditor's SL, the issues on unidentified entries of obligated accounts and staled checks totaling P22.417 million could have been avoided.

7.32 We recommended that Management direct the FMD to:

a. Effect the necessary adjustments to correct the overstatement on the AP and other affected accounts by P7.523 million, and P1.264 million, respectively, and the understatement on the Lease Payable AP account by P7.382 million;

b. Strictly follow the procedures on proper recording of lease payments in compliance with Item b of Paragraph 36 of PFRS 16, and closing of the unreplenished vouchers at year-end to PCF account instead of AP account;

c. Reconcile and evaluate to identify the payees of the dormant/long outstanding accounts totaling P24.385 million, and consider its reversion to Retained Earnings pursuant to DBM and COA JC No. 99-6 in view of the absence of possible valid claims;

d. Reconcile and make the necessary adjustments to eliminate negative balances of P3.829 million to reflect the correct amount of AP at year-end;

e. Immediately prepare and maintain individual SL for each creditor/supplier, and thereafter, submit copies to the Audit Team for verification; and

f. Moving forward, discontinue the practice of adjustments by bulk and ensure that all recorded accruals at year-end pertain only to delivered goods or services with complete documentation.

7.33 The Management commented that the FMD will effect the necessary adjustments, ensure the actual lease payments are made prior to the reduction of the balance of the Lease Payable account, be wary of any changes to the original lease term of the lease agreement, and exercise due diligence in understanding PFRS 16. Furthermore, the FMD-concerned personnel shall attend training on PFRS 16 this year. Also, the FMD recorded several adjustments in CY 2024.

7.34 As a rejoinder, the Audit Team acknowledged the Management's commitment to effect the adjustments. The Audit Team will review and evaluate the approved adjustments together with its supporting documents upon submission by the FMD whereas the implementation of audit recommendations will be monitored in CY 2024 audit.

8. The faithful representation in the financial statements and the verifiability of the Unearned Income – Annual PRA Fees account with a balance of P588.822 million as at December 31, 2023, could not be ascertained due to: (a) lack of complete and reliable year-end Schedule and Subsidiary Ledger for each retiree member to support the General Ledger account balance on the reported unearned income; (b) inadequate documentation to support the adjustments recorded in the books; and (c) lack of documents to support the beginning balance of P8.337 million previously recorded as Other Unearned Revenue/Income, contrary to Paragraph 15 of the Philippine Accounting Standard 1 and Qualitative Characteristics 26 of the Conceptual Framework for Financial Reporting.

8.1 Paragraph 15 of PAS 1 provides that:

> *Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting.*

8.2 Paragraph QC26 of the CFFR states that:

> *Verifiability helps assure users that information faithfully represents the economic phenomenon it purports to represent and that different knowledgeable and independent observers could reach consensus that a particular depiction is a faithful representation and as an effective internal control tool. Xxx*

8.3 The PRA collects APF of US$360 from retiree members for the principal retiree and two dependents, and with an additional US$100 for every dependent in excess of two. The retirees are usually billed before their anniversary date and receivables from them are recorded accordingly subject to adjustments upon collection. However, they have the option to pay their APF in advance, which is either an advance payment of one year per PRA Circular (PC) No. 001 dated January 26, 2021, or two years starting in CY 2023 per PC No. 002. However, in some cases, there are retiree members who pay in advance for three years.

8.4 When advance payments are accepted, the currencies received from retiree members are translated to Philippine Pesos using the spot rate/exchange rate. The FMD records its collections by simply crediting either AR or Deferred/Unearned Income (D/UI) – APF account, and at month-end, the collections are reclassified to their proper accounts.

8.5 As at December 31, 2023, the balance of the D/UI-APF account amounted to P588.822 million. Audit, however, disclosed that the FMD was not able to provide a coherent, complete, and reliable year-end schedule for this account, contrary to the above-cited accounting requirements. The concerned personnel merely submitted the monthly reports for CY 2023 used to monitor the D/UI-APF and their basis for the monthly journal entries in reclassifying monthly collections. As such, the Audit Team had difficulty validating the information provided because of the voluminous transactions and the absence of a standard template.

8.6 The Audit Team conducted extensive data analysis to determine at least the total unearned revenue recognized in CY 2023 from the collections during the year. Based on consolidated reports, the total unearned revenues from CY 2023 collections amounted to P323.769 million, however, the amount derived from the books of accounts totaled P344.267 million, showing a total difference of P20.499 million, as summarized below:

Per Consolidated CY 2023 Monthly Reports			P 323,768,616
Per FS/General Journal			
Total CY 2023 collections including those for excess dependent	P	370,539,819	
Total amount of CY 2023 collections was reclassified to earned income		(26,272,436)	344,267,383
Difference			**P (20,498,767)**

8.7 It was also noted that the recorded journal entries for various adjustments in the general journal were not completely supported with documents/reports while some details in the submitted monthly reports were inaccurate. For instance, monthly reports for January, June, and July to November 2023 reflected a total of P0.594 million as APF revenue per particulars but were traced as part of D/UI-APF in January 2023 and remained part thereof as at year-end, instead of Service Income. Also, the monthly reports did not include any CY 2022 financial information containing advance payments for CYs 2023 and 2024, which have to be part of the D/UI-APF account as at December 31, 2023.

8.8 Thus, it can be deduced that the submitted monthly reports are not reliable and cannot be a substitute for the required Schedule to support the year-end balance of the D/UI-APF.

8.9 The noted discrepancies were attributable to the lack of strict monitoring by the concerned FMD personnel, and more importantly, the absence of SL for each retiree member where relevant financial information could be verified, contrary to Paragraph QC of the CFFR. An SL contains the details of the transactions of the PRA with a retiree-member and all other pertinent information such as the beginning balance, transactions, amount/balance of advance payment from a specific retiree, account status, and the income that the PRA expects to earn in the future, among others. In short, the SL maintain for each retiree member support the General Ledger balance on the D/UI-APF account.

8.10 Inquiry with the FMD disclosed their difficulty in the preparation of SLs due to the large volume of data, and setting up an SL for every retiree would take time due to the voluminous transactions for APF, especially if done manually. It was noted though that automation of the PRA's accounting system has been planned for several years per the agency's Annual Procurement Plan. However, while automation of the accounting system can contribute to efficiency and accuracy in the financial reporting of the PRA, the FMD must correct and resolve first the various issues in its existing accounting records and the recording, preparation, and presentation of the PRA's FSs. This is to ensure the smooth transition of financial information to the new system.

8.11 The FMD was, likewise, unable to produce the documentation required to support the transactions of P8.337 million, which form part of the beginning balance of the account. As noted, the said amount was reflected under the account Other Unearned Revenue/Income traced in the trial balance. However, this was simply combined with the D/UI-APF account when presented in the statement of financial position without any disclosure or explanation.

8.12 Due to the noted deficiencies as discussed above, the faithful representation and verifiability of the D/UI-APF account with a year-end balance of P588.822 million could not be ascertained. This precluded the Audit Team from performing the audit procedures to obtain reasonable assurance on whether the transactions were properly recorded and accounted for.

8.13 We recommended and Management agreed to require the FMD to:

a. Prepare a complete and coherent Schedule of Unearned Revenues and other reports as well as maintain SL for each retiree for their advance payments to support the GL balance of the D/UI-APF account in the amount of P588.822 million as at December 31, 2023; and thereafter, submit to the Audit Team for evaluation;

b. Establish accounting guidelines for the recording of advance payments of the retiree-members to ensure accuracy and reliability of the financial reporting process; and

c. Resolve the issues on existing PRA accounting records including the recording and preparation of its FSs; and thereafter, proceed to the implementation of a computerized accounting system to automate routine tasks and simplify business processes to improve efficiency and accuracy in the financial reporting.

9. The accuracy and reliability of the Restricted Funds (RF) account with a year-end balance of P19.585 billion was not established due to the variances of P138.479 million and P140.313 million between the balances per books and the confirmed bank balances of the Other Non-Current Assets-RF-Visa Deposits – Receiving and Disbursing accounts, respectively, or a net variance of P1.834 million due to various book reconciling items which remained unadjusted as at year-end, contrary to Paragraph 15 of the Philippine Accounting Standard 1.

9.1 This is a reiteration of the previous years' audit observation with several updates based on the transactions recorded in CY 2023.

9.2 As at December 31, 2023, the Other Non-Current Asset (ONCA) – Restricted Funds (RFs) has a balance of P19.585 billion consisting of ONCA–RFs-VDs Receiving and Disbursing accounts of P19.561 billion and ONCA-RFs – Interest on VDs of P24.137 million.

9.3 Audit of the ONCA–RFs-VDs Receiving and Disbursing accounts disclosed a net variance of P1.834 million between the ONCA - RF – VD accounts balance as at December 31, 2023, and the results of bank confirmation from the corresponding depositary banks. It was verified, however, that the net variance consisted of substantial amounts of differences between the confirmed bank balances and the ONCA - RF – VD-Receiving and Disbursing, as shown in Table 17.

Table 17 – Balance per Books vs Balance per Bank

Accounts	Balance per Books	Balance per Bank	Variance
ONCA - RF – VD Receiving account			
Amount (In US Dollar)	352,351,494	352,351,494	-
Amount (In Peso)	19,371,223,138	19,509,702,200	(138,479,062)
ONCA - RF – VD Disbursing account			
Amount (In US Dollar)	3,425,661	891,570	2,534,091
Amount (In Peso)	189,678,863	49,366,223	140,312,640
Total Amount (In US Dollar)	**355,777,155**	**353,243,064**	**2,534,091**
Total Amount (In Peso)	**19,560,902,001**	**19,559,068,423**	**1,833,578**

9.4 Similar to previous years' observation, both BRIs in the ONCA-RF-VD-Receiving and Disbursing accounts remained unadjusted as at year-end. The ONCA-RF-VD Receiving account consists of VDs remitted by the retiree-members upon enrollment to the PRA SRRV Program whereas the ONCA-RF-VD-Disbursing account covers those VDs which are about to be withdrawn by the same who opt to cancel their membership with the Program.

9.5 Verification of the BRSs for ONCA-RF–VD Receiving account revealed that the variance of P138.479 million was caused by various long outstanding BRIs from CYs 2012 to 2019, and various items in CYs 2020 and 2021, details in Table 18:

Table 18 – Details of BRIs

Book Reconciling Items	2012 to 2019	2020	2021	Total
Unaccounted "Book vs Bank Transaction"	72,495,475	-	-	72,495,475
Erroneous debits	-	-	(105,533,765)	(105,533,765)
Unrecorded Debits	-	180,108,560	1,107,400	181,215,960
Unrecorded Credits	-	(9,698,609)	-	(9,698,609)
Total	**P72,495,475**	**P170,409,951**	**P(104,426,365)**	**P138,479,061**

9.6 As noted, various BRIs of P0.684 million relating to CY 2022 transactions and a small portion of CYs 2012-2019 to 2021 BRIs were adjusted already as at December 31, 2023. However, the bulk of the BRIs such as the *"Unaccounted Book vs Bank Transactions"* relating to various discrepancies remained unadjusted due to lack of supporting documents.

9.7 Also, erroneous credits/debits refer to transactions that were incorrectly recorded in the books due to the wrong use of account codes in recording interbank transfers. The unrecorded credits/debits transactions involving new or additional deposit placements, interbank transfers to the account, and interests on matured CTDs, and pre-termination and/or cancellation of the time deposits remained unadjusted in the books as the FMD is currently retrieving documents to support the reconciliation and adjustments.

9.8 On the other hand, a total net variance of P143.717 million was determined under the ONCA-RFs–VD Disbursing account. Examination disclosed that the variance was partly caused by various BRIs having a nature like those identified under the ONCA-RF-VD-Receiving account, as presented in Table 19.

Table 19 – Details of BRI in ONCA-RF-VDs-Disbursing Account

Book Reconciling Items	2018 to 2019	2020	2021	2023	Total
Unaccounted "Book vs Bank Transaction"	(168,443,932)	-	-	-	(168,443,932)
Unrecorded Debits	49,471,036	13,050,245	-	-	62,521,281
Erroneous Credit	-	-	-	-	-
Unrecorded Credits	(3,826,124)	(28,207,344)	(5,479,231)	(281,976)	(37,794,675)
Total	**P(122,799,020)**	**P(15,157,099)**	**P(5,479,231)**	**P(281,976)**	**P(143,717,326)**

9.9 The same with the ONCA-RF-VD-Receiving account, the FMD was able to adjust the prior year's BRIs in the net amount of P11.474 million covering erroneous credit and unrecorded debits/credits, while a minimal amount of other BRIs covering CYs 2018 to 2021 balances were adjusted. Nevertheless, the bulk of the BRIs remained unadjusted based on the submitted BRSs for ONCA-RFs–VD Disbursing account. It shows that BRIs totaling P143.717 million consist mainly of the Unaccounted "Book vs Bank Transaction" totaling P168.444 million, withdrawal of VDs not yet debited by the bank totaling P37.795 million (unrecorded credits) and VDs of retirees already recorded in the books as disbursements but not yet debited by the bank as at year-end (unrecorded debits).

9.10 Inquiry disclosed that BRSs preparation and identification of the BRIs' nature for adjustment were not assigned specifically to certain FMD staff as part of their regular functions but rather additional work, hence, the delay. Moreover, the FMD was able to provide BRSs, however, these were not prepared and submitted to COA every month as required but rather at year-end. As such, the BRSs were not prepared for their intended purpose but merely for compliance. Additionally, the identified BRIs remained unadjusted for a long time because no one was assigned for the retrieval of documents needed for the adjustment.

9.11 In view of the noted net variance of P1.834 million consisting of errors and long outstanding reconciling items, the correctness and reliability of the ONCA-VD-RF account with a year-end balance of P19.585 billion was not established which affected the fair presentation of the account's balance in the FSs.

9.12 We recommended and Management agreed to direct the FMD to:

a. Continue to fast-track the reconciliation of the ONCA-RF-VD Receiving and Disbursing accounts by assigning staff to handle the reconciliation of accounts and additional personnel tasked to retrieve supporting documents to address the issues on long-outstanding book reconciling items, and thereafter, effect the necessary adjustments; and

b. Exercise due diligence in the identification/determination of BRIs and preparation of bank reconciliation, to avoid errors that will affect the reliability of the prepared BRSs.

10. The existence, accuracy, and reliability of the Property, Plant and Equipment (PPE) - machinery and equipment, furniture, fixtures & books, and transportation equipment accounts having total acquisition cost and carrying amount of P56.458 million and P11.468 million, respectively, as at year-end, could not be ascertained due to discrepancies of P2.473 million between the Report on the Physical Count of PPE and balances per Schedule/General Ledger, which is inconsistent with Paragraph 15 of the Philippine Accounting Standard 1. Moreover, there was an over-recording of depreciation for the PPE – Right-of-Use (ROU) assets and erroneous recognition of lease extension which overstated the corresponding Accumulated Depreciation – ROU Asset and Depreciation expense accounts by P1.015 million and understated the PPE - ROU asset account by P151,014, in contrast to Paragraph 12 of the Qualitative Characteristics of the Conceptual Framework for Financial Reporting.

10.1 Paragraph 15 of IAS 1 states that "*Xxx. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting*."

10.2 Accounting records show that the PPE account has a total carrying amount of P45.539 million as at December 31, 2023. The PRA conducted a series of physical inventory taking of PPE items in its Head Office and all Satellite Offices from October 9, 2023 - November 10, 2023, in compliance with the annual requirements. The corresponding Report on the Physical Count of PPE (RPCPPE) was prepared and submitted to the Audit Team. Shown in Table 20 is the comparison between the RPCPPE and the Accounting records.

Table 20 - Summary of Variances Between RPCPPE and Accounting Records

PPE Sub-accounts	Per GL/Schedule	Per RPCPPE	Variance
Machinery and equipment	P34,875,749	P33,217,005	P1,658,744
Furniture, fixtures and books	3,052,623	6,316,102	(3,263,479)

PPE Sub-accounts	Per GL/Schedule	Per RPCPPE	Variance
Transportation equipment	18,529,724	18,496,462	33,262
Additional purchases after the conduct of physical count of PPE	-	901,980	(901,980)
Total	**P56,458,096**	**P58,931,549**	**P(2,473,453)**

10.3 As noted above, there was a total net discrepancy of P2.473 million which was caused by the following and explained in the succeeding paragraphs:

Particulars	Amount
a) PPE items per books were not included in the RPCPPE	
i. Non-existing or missing PPEs	P(9,858,583)
b) PPE items per RCPPE were not included in the books	
i. Semi-expendable items are still included in the RPCPPE	12,793,855
ii. Other PPEs that cannot be accounted	625,262
c) Difference per Schedule and General Ledger ICTE items	(1,083,113)
d) Discrepancy in costing of PPEs	(3,968)
Total	**P2,473,453**

PPE items of P9.859 million were recorded in the books but excluded in the RPCPPE due to the non-existence

10.4 Verification with Administrative Support Division (ASD) disclosed that out of P9.859 million, various ICTE and Furniture and Fixtures (F&F) items totaling P3.476 million and P1.618 million, respectively, or P5.094 million were identified and reported as inexistent/missing during the inventory count of CY 2023 by the IC since these were either donated or can no longer be identified from their exact appearance due to damage, among others. There were likewise missing PPEs per RCPPE totaling P4.764 million, the details of which cannot be identified by the ASD, however, can be traced from accounts such as Office Equipment, P1.646 million; ICTE, P2.227 million; and Other Machinery and Equipment, P114,204.

10.5 Interview with the FMD disclosed that required reports to support the non-existent PPEs were not submitted to them by the IC, thus, these items remained in the books. However, the IC informed that said disposal report through donation was provided already to the FMD.

10.6 It is imperative that for proper recording in the books of the disposal of PPE items, documentation is necessary as stated in Section 7 of COA Circular No. 2020-006, quoted hereunder:

> *For the non-existing/missing PPEs, the Property Unit shall:*
> *a. Verify if the PPE items were already disposed of with supporting Inventory and Inspection Report of Unserviceable Property (IIRUP) or transferred/donated to other government agencies with supporting Property Transfer Report; and*
> *b. Submit to the Accounting Unit the original copies of the IIRUP and PTRs for disposed and transferred PPE items, for recording in the books of accounts.*

10.7 On the other hand, review of the List of Non-Existing/Missing PPEs revealed that the missing ICTE items of P3.476 million were identified but without the names of the persons accountable for said items. As required under COA Circular No. 2020-006, the Property Unit should identify those missing items without pending requests for relief, and demand production of such from the accountable person. Any item not presented shall be noted in the List of Non-existing/Missing PPEs under the Remarks Column, to be forwarded to the Accounting. Further, Section 7.10 of the same Circular provides that:

> *The Accounting shall take up the necessary accounting entries to recognize in the books of accounts the loss of PPE and to set up the corresponding receivables from concerned accountable officers/personnel for the non-existing/missing items that could not be produced upon demand. It shall likewise check if appropriate accounting entries were already taken up recognizing the loss of PPE xxx.*

10.8 Therefore, the IC must accomplish the complete List of Non-Existing/Missing PPEs together with the identity of the accountable officers/personnel and submit it to the FMD for the setting up of the corresponding receivables from the agency personnel who were not able to produce or show the identified missing items.

PPE items included in the RPCPPE totaling P12.794 million but already excluded in the accounting books as at year-end

10.9 The RPCPPE included various ICTE and F&F items amounting to P7.408 million and P5.386 million, respectively, however, these were no longer found in the PPE schedule as they have qualified as Semi-expendable based on the revised capitalization threshold. Section 4.7.8 of COA Circular No. 2022-004 prescribed the preparation of a *"Report on Physical Count of Semi-Expendable Property (RPCSP) as the form to be used in the physical count of semi-expendable property which is owned by the agency, as at a given time."* The ASD informed that they are not aware of the requirement of the RPCSP, hence all F&F items were still reflected in the RPCPPE.

10.10 Two F&F items totaling P179,603 and two items of ICTE totaling P445,659 were included in the RPCPPE but not found on the FMD's schedule. The FMD and the ASD explained that these items are still for reconciliation. Considering that the IC found these items at the station, this should have been reflected in the List of PPEs Found at Station using the format in Annex B of the subject Circular and submitted to the FMD for recording in the books.

10.11 The difference per schedule and GL of ICTE items amounting to P1.083 million as noted in the previous year's audit findings on PPE remained unidentified and unreconciled as at CY 2023. The FMD informed that these items are subject to cleansing once they retrieve the reports/documents maintained by the former FMD personnel in charge of the PPE schedule. Other deficiencies pertained to differences in the recorded costs and amount in the RPCPPE.

10.12 It was explained by the ASD that the cost recorded was based on the Purchase Orders shown to them by the former FMD personnel. However, these were not presented and cannot be verified with the FMD records.

10.13 Due to the noted discrepancies of P2.473 million between the Schedule/GL, and RPCPPE of the affected accounts, the existence, accuracy, and reliability of the carrying amounts of the said accounts totaling P11.468 million could not be established, which is inconsistent with Paragraph 15 of PAS 1.

10.14 We recommended and Management agreed to:

a. Direct the ASD/Property Officer and IC to:

a1. Verify and complete the details of the person accountable for each item in the list of non-existing/missing PPEs including other pertinent documents, and thereafter, submit to the FMD for the recording of the necessary adjustments, pursuant to Sections 7.1, 7.2, 7.10 and 7.11 of COA Circular No. 2020-006;

a2. Fast-track reconciliation of the unaccounted PPE items between the RPCPPE and the GL/Schedule; and

a.3 Moving forward, ensure that all counted semi-expendable items and PPE items are presented in the appropriate Reports;

b. Require the FMD to exert efforts in the reconciliation of the difference of P1.083 million between the schedule and GL to arrive at the correct amount of recorded ICTE items, and thereafter, submit to COA a status report; and

c. Direct the FMD and the ASD to reconcile the accounting records and the physical inventory report to establish the correct balance of PPE as at December 31, 2023.

Right-of-Use (ROU) asset was understated by P151,014 while the Depreciation Expense - ROU Asset and Accumulated Depreciation – ROU Asset accounts were overstated by a net amount of P1.015 million

10.15 Paragraph QC26 of the CFFR provides that: *"Financial reports represent economic phenomena in words and numbers. To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the phenomena it purports to represent. To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Xxx"*

10.16 Review of accounting records showed that the FMD recorded the depreciation expense for January and February 2024 of the leased asset from BDO instead of recognizing only the portion applicable to December 2023. It has been the

practice of the PRA to pay its lease rentals to the BDO quarterly. Since the last quarterly payment covered December 2023 to February 2024 totaling P1.749 million, the FMD recorded the whole amount as depreciation expense instead of one month only representing December 2023 equivalent to P0.583 million. Hence, the depreciation expense and the accumulated depreciation accounts were both overstated by P1.166 million.

10.17 Further review showed that the FMD recorded the monthly lease payments for the lease extension for JAD as rent expense instead of recognizing asset and liability, which resulted in the non-recording of the corresponding liability, ROU asset, depreciation, and accumulated depreciation. Paragraphs 40 and 41 of the Philippine Financial Reporting Standard 16 provide that *"a lessee shall remeasure the lease liability by discounting the revised lease payments using a revised discount rate, if there is a change in the lease term."*

10.18 To reflect the correct balance of the liability and ROU asset, a corresponding adjustment equivalent to the difference between the modified lease liability and the balance of the original lease liability must be made. The said adjustment to the liability was computed at P151,014. In effect, the ROU Asset was understated by P151,014 while the Depreciation Expense and Accumulated Depreciation accounts were both overstated by P1.015 million (net).

10.19 We recommended and Management agreed to instruct the FMD to effect the necessary adjustments to recognize an ROU asset due to the lease extension and to correct the net overstatement of P1.015 million on the Depreciation and Accumulated Depreciation accounts. Henceforth, exercise extra care in the recording of lease-related transactions to avoid errors and further adjustments.

11. The Due to National Government Agencies (NGAs) – Bureau of Immigration (BI) account with a year-end balance of P1.951 million was overstated while the Trust Liability Account was understated, both in the amount of P2.644 million, due to the erroneous recognition of funds received from retirees for after-enrolment services fees as payable to NGAs - BI instead of trust liability, which is inconsistent with Paragraph 15 of the Philippine Accounting Standard 1, Annex C of COA Circular No. 2020-002, and Section 3(4) of Presidential Decree No. 1445

11.1 Paragraph 15 of PAS 1 on the Presentation of FSs provides that:

> *Financial Statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair representation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income, and expenses set out in the Framework.*

11.2 Moreover, the Revised Chart of Accounts (RCA) for Government Corporations under COA Circular No. 2020-002, defines the Due to NGAs account as*, "credited to recognize receipt of funds for delivery of goods/services as authorized by law, fund transfers from National Government Agencies for the implementation of*

specific programs or projects subject to liquidation and other inter-agency transactions. This account is debited for delivery of goods/services, liquidation of funds received, settlement of liabilities, and/or adjustments."

11.3 The PRA, through its Servicing Division (SD) - RRSD, provides after-enrolment services aimed at ensuring continued customer delight and retention of SRRV holders to the program. As a process, the PRA collects from the retiree members who seek to avail of these services for a fee of $10.00. On top of this, the PRA also collects from them fees equivalent to the actual BI rates for these services including the Express Lane Fees (ELF), details are as follows:

Services	PRA Fees	BI Fees*
Re-stamping	US$10.00	Php 1,010.00
Visa Downgrading	US$10.00	Php 4,020.00
Cancellation	US$10.00	Php 500.00

**BI Fees include P500.00 for the ELF*

11.4 It was verified that upon receipt of said Fees, these were recorded under Due to NGAs – BI account using various sub-accounts depending on the specific service handled. For CY 2023, a total of 1,680 retirees availed these services from the PRA, with a total amount of P2.644 million of service fees collected corresponding to the BI fees. As at December 31, 2023, the Due to NGAs – BI account shows a total balance of P1.951 million, consisting of re-stamping, downgrading, and cancellation services.

11.5 With the manner of recording and presentation in the FSs, it appears that there is a payable on the part of the PRA towards the BI, which is inconsistent with the above-cited accounting concepts and the prescribed account in the RCA. It must be noted that such liability to the BI does not exist because there is no past event that occurred between the BI and the PRA that would result in a present obligation towards the former.

11.6 Such collection was merely held in trust for the retiree members, expecting that the PRA would pay such an amount to the BI for the services they are yet to avail from the latter. Section 3 (4) of Presidential Decree (PD) No. 1445 defines trust funds as *"referring to funds which have come officially into the possession of any agency of the government or of a public officer as trustee, agent, or administrator, or which have been received for the fulfillment of some obligation."* In this case, the subject collections are deemed to be a trust liability of the PRA to the retiree-members for the fulfillment of the specific purpose of processing the services they seek to avail from the BI.

11.7 It was explained that the PRA has no clear policy regarding the recording of such collections, thus, they merely indicated the collections under the said sub-accounts which will eventually be paid to the BI. It was further explained that it has been the practice of the PRA to record such collection under the Due to NGAs sub-accounts.

11.8 Due to the erroneous recognition of receipt of funds from retirees for after-enrolment services fees as a due to NGAs instead of a trust liability, the Due to

NGAs-BI account was overstated by P1.951 million while the Trust Liability account was understated by the same amount.

11.9 We recommended and Management agreed to:

a. Direct the FMD to reclassify the amount of P2.644 million balance of Due to NGAs-BI account to Trust Liability account to correct the erroneous recognition of collected funds in the books of accounts;

b. Discontinue the use of the Due to NGAs-BI account in recording collection of fees from retiree members for payment to the BI upon request/availment of services, and instead, use the Trust Liability account to reflect the true nature of the transactions; and

c. Establish guidelines on the recording of collections of funds intended for the services being availed of by the retiree members from the BI to ensure consistency and proper recording in the books of accounts.

B. NON-FINANCIAL

12. The reasonableness and effectiveness of the marketing and advertising activities that led to PRA's advertising, promotional, and marketing expenses of P65.649 million could not be established and measured while the Marketing Department was not provided with clear goals and direction, proper guidance in the selection and implementation of coherent, efficient and effective marketing strategies, and reliable references for more informed marketing decisions due to the absence of comprehensive and Board-Approved Strategic Marketing Plan, which resulted in the inefficient use of government resources and non-attainment of the PRA's target number of enrolled retirees of 3,850 for CY 2023, contrary to the PRA's Performance Scorecard, Quality Manual System, and Section 2 of Presidential Decree No. 1445.

12.1 Governance Commission for Government-owned and/or controlled corporations (GCG) Memorandum Order No. 2013-34 outlines the PRA's rationalization and defines the functions of the Marketing Department (MD) as responsible for planning, organizing, directing, and controlling its operations in line with the objectives established by higher management. Additionally, the PRA's Quality Management System (QMS) Manual summarizes the agency's seven core processes which include the Special Retiree Resident Visa (SRRV) market development covering the preparation of the Marketing Plan (MP), and its implementation. The manual states that *"The marketing plan is a tool for organizing the programs, activities, and projects implemented by the Marketing Department through its two divisions, the CRPDD and the APD."*

12.2 The same Manual further provides that the MP *"aims to promote awareness of the SRRV program, and reach potential retirees, using allocated financial resources."* Likewise, it reiterates the functions of the MD on the operations of the marketing programs in accordance with the objectives established by the higher management, and the *"execution and implementation of each program, as well as the periodic analysis of the performance of participants and the marketing and viability of the programs."*

12.3 Additionally, the approved CY 2023 PRA Performance Scorecard (PS) includes strategic objectives (SO) such as Rebound and Rebuild Marketing and Promotion Campaign, with an identified measurement requiring the accomplishment of the Board-Approved Strategic Marketing Plan. All expenses related to these activities are charged to the Advertising, Promotional, and Marketing (AP&M) Expenses account.

12.4 For CYs 2023 and 2022, the PRA's AP&M Expenses covering various marketing activities totaled P65.649 million and P28.159 million, respectively, showing a significant increase, details are presented in Table 21

Table 21 – AP&M Expenses for CYs 2023 and 2022

Particulars	2023	2022	Increase	%
Advertising & promotional campaigns	P54,673,283	P24,704,692	P29,968,591	121.31%
International and local sponsorship/participation fees	4,769,039	742,648	4,026,391	542.17%
Clothing & pre-departure allowance	235,636	78,408	157,228	200.35%

Particulars	2023	2022	Increase	%
Airfare ticket	1,850,292	798,187	1,052,105	131.81%
Per-diem	2,100,181	622,286	1,477,895	237.46%
Others	2,020,358	1,212,411	807,947	66.64%
TOTAL	**P65,648,789**	**P28,158,632**	**P37,490,157**	

12.5 As noted in Table 21, the advertising promotional campaign and the sponsorship & participation fees cover the highest increase in terms of amount, although the expenses incurred on Item nos. 3 to 5 were related to the conduct of Item nos. 1 and 2. Inquiry with the concerned MD personnel disclosed that marketing activities were based on a draft MP for CY 2023 that was not approved by the agency head and Board but merely updated yearly until CY 2023, which suggests that it has not undergone rigorous review and evaluation, contrary to the requirement of PRA's CY 2023 approved PS and QMS Manual.

12.6 The PRA's QMS states that the development of its MP is based on the growing number of foreign retirees, stakeholders' cooperation, and global competition, through the internal and external market profiling prepared by the MD. Review of their MP showed the contents such as (a) executive summary, (b) background, (c) marketing outlook (MO), (d) market review, and (e) recommendations for the SRRV, among others. The MO provides the top markets for the PRA's SRRV Program based on the number of enrollees from each country particularly from January 1987 to September 2023 with their respective profiles, details are shown in Table 22.

Table 22 – Summary of Target Markets of the PRA

Nationality	Principal	
	January 1987 – September 2023	January 2021 to Sept. 2023
Chinese (PROC)	12,933	476
Korean	6,399	270
American	4,251	1531
Japanese	3,097	132
Indian	2,647	98
Taiwanese	2,380	105
British	1,289	266
Chinese -HK	826	-
Australian	734	158
German	710	138
Others	4,488	556

12.7 The internal market profiling represents the statistics of the PRA's enrollees based on their nationality, but unfortunately, CY 2023 updates were included. For marketing analysis, only enrolled nationalities until December 31, 2022, having the highest number in the SRRV program should have been presented. Likewise, the PRA's QMS requires the result of market profiling as input in developing the MP, however, only the profiles for Chinese, Korean, Japanese, Taiwanese, and Indian were prepared while none for Americans despite being the top enrollees of the SRRV.

12.8 As to market review, it has provided its competitors in the Southeast Asian Region and noted the best retirement destinations in CY 2020. Also, the MP identified

the PRA's target markets for SRRV promotions and campaigns such as (i) key markets - Japan, South Korea, China, India, Taiwan, the United States of America (USA), United Kingdom (UK); (ii) emerging markets - Germany, Netherlands, Switzerland, Spain, Italy; and (iii) exploratory markets - Australia, Canada, United Arab Emirates (UAE), Kingdom of Saudi Arabia (KSA).

12.9 Moreover, the MP enumerated the market strategies to be undertaken by the MD to implement its advertising and marketing activities for its target markets, to wit:

a. Full adoption and implementation of the retirement migration Nexus Strategy which pertains to the continued cross-targeting of mainstream tourists especially the repeaters as potential retirees for the SRRV program;

b. Continuing promotion through more client relations and program development both in local and international settings covering short-term and long-term activities; and

c. Promotions through advertising platforms (AP) such as search engine (SE) optimization, SE marketing, paid post/advertorials, website advertising/banner ads, social media management, print advertising, and out-of-home (OOH) advertising. As planned, a large advertising budget shall be allocated for digital advertising while a minor portion may be earmarked to print advertising. For CY 2023, a total of P60.500 million was allotted for these activities.

12.10 It was noted, however, that the bases and key points for classifying the three target markets were never defined in the MP for clarity and transparency purposes. According to the PRA's QMS Manual, the key markets are the top five nationalities in the SRRV Enrollment, serving as the market focus, while the next top five nationalities are regarded as emerging markets. However, the exploratory market was not discussed in the QMS as part of their market profiling. The MP identified seven nationalities as key markets instead of the required five. On the contrary, the emerging market has included the Dutch (Netherlands), Swiss (Switzerland), Spanish, Italian, and German, however, statistics show that Taiwanese, British, Chinese-HK-SAR, Australian, and German ranked as sixth to tenth top enrollees.

12.11 Moreover, there were no statistics or results of the study showing the number of enrollees from the Netherlands, Switzerland, Spain, and Italy. Whereas, those classified under exploratory markets, particularly UAE, KSA and Canada were never based on study as no information was provided/presented in the MP supporting them as such, hence, no basis to be included in target markets.

12.12 Furthermore, the MP did not outline specific marketing strategies or budget for each identified target market/country, which are fundamental in a marketing plan. The MP merely mentioned international sponsorship and other marketing activities in the international arena such as participation in Emigration Fairs, Retirement and Ageing Fairs, long stay fair, and senior/elder travel expositions in countries identified as markets for retirement, long stay, and repeat tourism, as well as joint participation/sponsorship with private and government organizations.

12.13 Verification of the actual expenses showed that marketing and promotional expenses were not substantially utilized with the target market identified in the MP. While the MD explained that marketing expenses were based on the MP, details in Table 23 showed otherwise.

Table 23 - Summary of Marketing/Advertising Expenses

Target Market	Print Media	Television	Ad Placements International	Participation/Sponsorship		Digital Marketing	Others (Per Diem, AF/PAPs)	TOTAL
				International	Local			
Chinese	-	-	-	-	-	-	-	-
Korean	-	-	3,192,875	356,359	-	-	296,887	3,846,121
American	2,793,000	3,211,667	-	312,125	-	-	1,082,855	7,399,647
Japanese	1,930,000	-	2,420,000	1,130,534	-	99,112	1,063,292	6,642,938
Indian	-	-	-	-	-	-	-	-
Taiwanese	-	-	1,071,731	120,506	-	-	159,351	1,351,588
British	-	2,978,000	2,980,000	-	-	-	-	5,958,000
Chinese (HK)	-	-	-	190,230	-	-	181,525	371,755
Australian	1,884,960	-	-	-	-	-	-	1,884,960
German	-	-	11,300,400	37,374	-	-	49,598	11,387,372
Austrians	-	-	2,783,750	-	-	-	-	2,783,750
French	-	-	2,831,000	-	-	-	-	2,831,000
Dutch	-	-	-	299,905	-	-	573,269	873,174
Singaporean	-	-	-	17,200	-	-	300,124	317,324
UAE	-	-	-	19,439	-	-	*17,600	37,039
Philippines	4,671,101	433,500	4,881,399	-	2,660,380	5,198,466	2,494,306	20,339,152
TOTAL	**11,279,061**	**6,623,167**	**31,461,155**	**2,483,672**	**2,660,380**	**5,297,578**	**6,218,807**	**66,023,820**

**excludes other traveling expenses*

12.14 As can be gleaned in Table 23, it is evident that advertising and marketing efforts did not prioritize the key market countries such as China and India, as no advertising or promo campaign expenses were incurred for them. Despite this, both countries generated a high number of enrollees. On the contrary, the highest ad placements were allocated to Germany, even though it is only considered an emerging market. It is worth noting that a total amount of P11.300 million or 18.68 percent of the total utilization was spent for ad placements thereat, compared to the resources utilized for key and emerging market countries, indicating that it was the main focus of the marketing efforts. The number of German enrollees however, decreased to 50 in CY 2023 compared to 91 in CY 2022. Other ad placements and sponsorships were also made in France, Austria, the Netherlands, and Dubai despite not being part of the PRA's key and emerging markets.

12.15 As to the promotions for AP, the total budget was reflected in the MP, but there was no allocation for each platform, and was simply stated that digital advertising receives the highest budget. However, it was later verified that only P8.500 million, or 14 percent of the P60.500 million approved budget for advertising was earmarked thereto. Almost 50 percent of the budget was apportioned to OOH advertising in the international setting, while print media was 26.45 percent. This indicates that the initial plan to focus on digital advertising was not fully executed. In CY 2022, despite the focus on digital APs, the number of enrollees increased by 232 percent from CY 2021, compared to a 20 percent increase in CY 2023, suggesting that digital advertising is effective, details are presented in Table 24.

Table 24 - Summary of Expenses vis-a-viz Number of Enrollees

Programs, Activities, and Projects (PAPS)	2023			2022			2021
	Approved Budget	%	Total Utilization	Approved Budget	%	Total Utilization	
Placement of Advertisements - Traditional and Nontraditional Types of Media (Local and International)	**60,500,000**			**33,000,000**			
Print Media (Magazines, Newspaper & Maps)	16,000,000	26.45%	14,772,046	7,500,000	22.73%	6,468,114	
Television & Radio	6,000,000	9.92%	5,978,000	6,000,000	18.18%	672,000	
Ad Placements (OOH)	30,000,000	49.59%	28,256,520	5,000,000	15.15%	4,917,512	
Digital Advertising	8,500,000	14.05%	8,189,368	14,500,000	43.94%	13,459,817	
Participation/Sponsorship in promotional activities conducted by other Government Agencies and Private Entities in:	**30,160,180**			**6,850,200**			
International Events	21,409,280	70.99%	9,487,561	3,003,200	43.84%	511,421	
Local Events	5,930,700	19.66%	3,696,162	3,841,000	56.07%	980,335	
PRA Caravan	2,820,200	9.35%	-	6,000	0.09%	-	
No. of Enrollees			**3,108**			**2,576**	**775**

12.16 Moreover, a substantial amount of P6.623 million was spent on advertising in the USA and UK through televisions, although this platform was not mentioned in the MP. It was further verified that the above-cited marketing and promotional activities were initiated by the MD through a Memorandum and approved by the PRA General Manager. Some of these activities were based on the marketing strategies in the MP and invitations to participate or advertise in various retirement and tourism activities, along with any corresponding market studies (MS), although many of them cannot be referred to the MP. Some activities were also carried out as per directives from the Department of Tourism (DOT), although no sufficient evidence was provided.

12.17 There was an uneven distribution of resources during the implementation of the PRA's marketing strategies caused by the lack of specific strategies and corresponding budgets for each key and emerging market/country. Some markets were included in the marketing campaign despite being not targeted. These issues could have been addressed during the development of the MP through relevant studies and research.

12.18 It is pointed out that the PRA's target markets are potential retirees, not simply tourists with short-term visits in the Philippines. Therefore, promotional campaigns and advertisements should primarily target key and emerging markets to ensure that the agency's resources are utilized for the intended purpose. This is to achieve the agency's goals and objectives.

12.19 Furthermore, as the MP was not reviewed, evaluated, and approved as required, it lacked two essential components: objectives and control measures. These were not expressly stated or linked with the agency's SO on the annual gross enrollment, which is fundamental in the planning phase. The target enrollees of 3,850, as reflected in PRA's CY 2023 PS submitted to and approved by the GCG, should have been set as one of the objectives in the strategic MP, as it is the MD's responsibility to function based on the objectives established by the higher management.

12.20 In CY 2023, the number of SRRV enrollees was 3,108, which fell short of the target by 742. This shortfall was expected, considering how the MP was developed and implemented. Setting clear objectives has the benefit of helping to select the appropriate marketing strategies or mix to be used in achieving the agency's objectives. The lack of specific objectives or goal in the MP may have weakened the identification of the most appropriate marketing strategies for each of the PRA's target markets.

12.21 The MP likewise lacked control methods for monitoring the development or progress towards goals and budgets. Implementing control methods would have allowed Management to assess results regularly and track the performance of the marketing strategies aimed at the target market. The MP for the PRA did not explicitly state the key performance indicators for its marketing strategies, which could have provided a framework for establishing metrics to monitor the effectiveness of marketing activities and ensure that their intended purposes were achieved.

12.22 The MD's concerned personnel informed that the effectiveness of marketing strategies is measured by the increase of enrollees for two-three years after advertisement, the increase of inquiries in the contact information based on advertisement and queries in the Philippine embassy/consul in the advertised country, answered survey forms on program's awareness, and increase clicks on the digital advertisements, among others. On the contrary, PRA's CY 2022 GCG-Validated PS (Item A. Strategic Management 6), provides that the measure of the effectiveness of its AP&M expenses is through the total Passport Visa or Application Fees, Accreditation Fees, Initial Annual PRA Fees over Marketing Expenses and Marketers Fee.

12.23 However, the PRA's MP did not clearly articulate and document the monitoring and evaluation of marketing strategies. It is uncertain if the concerned personnel validated the marketing strategies to ascertain whether these were worth the agency's money and time, and what areas need improvement. On the other hand, the disbursements for local and international sponsorships were supported with a narrative report and recommendations from attendees to continue these activities. However, this feedback may be biased or self-serving, thus, thus it is important to establish performance indicators for sponsorships.

12.24 It is emphasized that the goal of Marketing is not merely to create awareness but also to attract retirees to the SRRV program, and convince them to enroll and live in the Philippines. Therefore, the true measurement of the effectiveness of the agency's marketing strategies is the number of retirees enrolled from the target market and the corresponding increase in the return on investment. Shown in Table 25 is the comparison of marketing expenses and the number of enrollees in CYs 2022 and 2023.

Table 25 - Details of Increase of Enrollees in CY 2023 and 2022

Country	Expense		Increase	Enrollees		Increase
	2023	2022	(Decrease)	2023	2022	(Decrease)
China	-	-	-	503	105	398
India	-	-	-	52	42	10
Australia	1,884,960	4,174,800	(2,289,840)	45	94	(49)

Country	Expense		Increase	Enrollees		Increase
	2023	2022	(Decrease)	2023	2022	(Decrease)
Austria	2,783,750	-	2,783,750	-	-	-
France	2,831,000	-	2,831,000	-	-	-
Germany	11,387,372	-	11,387,372	44	77	(33)
Hong Kong	371,755	-	371,755	23	-	23
Japan	6,625,906	6,066,802	559,104	77	60	17
Netherlands	873,174	-	873,174	-	-	-
Philippines*	15,080,464	6,886,422	8,194,042	-	-	-
Singapore	317,324	-	317,324	-	-	-
South Korea	3,846,122	1,429,520	2,416,602	103	151	(48)
Taiwan	1,351,588	1,189,929	161,659	74	39	35
United Arab Emirates	37,039	-	37,039	-	-	-
United Kingdom	5,958,000	2,730,000	3,228,000	92	143	(51)
United States of America	7,399,646	-	7,399,646	618	854	(236)
Various	4,900,689	5,681,160	(780,471)	232	334	(102)
TOTAL	**65,648,789**	**28,158,633**	**37,490,156**	**1,863**	**1,899**	**(36)**

**Expenses in several domestic locations aimed to promote SRRV Membership to tourist in the Philippines*

12.25 It was observed that OOH advertisements in Germany and Japan featured a Quick Response (QR) code to track the number of people who accessed or inquired about the SRRV. However, the actual results were not attached to the DV for monitoring purposes and in support of the marketing expenses.

12.26 Meanwhile, the Audit Team conducted an independent survey of the retiree members through the PRA's email blast, asking them how they became aware of the PRA's SRRV and decided to enroll. Shown in Table 26 are the results of the survey, which had 1,524 respondents.

Table 26 - Results of Survey Conducted through Email

Forms of Advertising	No. of Responses
Referral from someone	606
Website/Facebook of the PRA	443
Advertisement Platforms	177
Walk-in – PRA Head Office or Satellite Offices	124
Marketers	118
Others (vlogs, Embassy, immigration, visit to the Philippines, online forum, retiree group, etc.)	56
Total	**1,524**

12.27 Likewise, the PRA Head Office and Satellite Offices provided the following information regarding the enrolled retirees in terms of being assisted by a marketer or a walk-in client, to wit:

	CY 2023		CY 2022	
Offices	Walk-in	With Marketer	Walk-in	With Marketer
Davao Satellite Offices	45	11	47	29
Cebu Satellite Offices	62	118	69	45
Clark/Subic Satellite Offices	25	99	50	167
Head Office	5	1,725	Not available	167

12.28 As presented above, the referrals from others and the website/Facebook of PRA are effective forms of reaching out to potential retirees and converting them to

retiree-members. The referrals may be classified as word-of-mouth marketing wherein a member shares a positive experience with their peers of a good service, which can be done in various ways. Moreover, the other data provides the wide services being offered by the marketer to various retiree-members, which suggests that Marketers can play a vital role in helping the MD advertise the SRRV Program, through their platforms and social media.

12.29 In summary, due to the absence of a comprehensive/strategic and approved MP, the necessity, reasonableness, and effectiveness of the marketing activities and expenditures of P65.649 million of the PRA cannot be established and measured while the MD was not provided with clear goals and direction, proper guidance in the selection and implementation of coherent, efficient and effective marketing strategies, and reliable references for more informed marketing decisions. This resulted in the inefficient use of government resources while the target number of enrollees for CY 2023 was not achieved, contrary to the declared policy of the state under Section 2 of Presidentail Decree (PD) No. 1445, which provides that:

> *All resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.*

12.30 It is important to emphasize that adopting a comprehensive and approved MP can help the PRA position itself for success, minimize risks, and take advantage of opportunities. It enables the organization to optimize its marketing effectiveness, enhance its brand presence, and systematically and strategically achieve its marketing and corporate objectives.

12.31 We recommended that Management:

a. Direct the MD to immediately prepare a comprehensive MP for CY 2024 to be reviewed and evaluated for additional inputs by the Management Services Department and Servicing Division (SD), and approved by the Agency Head and PRA Board which shall be the basis for the implementation of marketing activities and utilization of resources. It shall contain considerations such as but not limited to (i) goals/objectives aligned with PRA's vision and annual target of enrolees; (ii) comprehensive analysis of the selection of target markets, and appropriate marketing strategies and activities for target market segments including allocated resources; (iii) specific implementation period of marketing strategies and the personnel involved; and (iv) well-defined key metrics and performance indicators to track progress, efficiency, and effectiveness of marketing activities at the end of the operating period;

b. Discontinue conduct of marketing activities such as sponsorships, and OOH advertising in international or local settings that are not aligned with PRA's marketing objective/plans to avoid inefficient use of government resources or incurrence of unnecessary marketing expense;

c. Intensify the promotional campaigns in key markets of the SRRV Program to ensure that the target number of enrollees stated in PRA's PS for CY 2024 is obtained, and focus on the use of digital APs considering their advantages in terms of costs, accessibility to potential market global wide, and monitoring of progress;

d. Review current marketing strategies such as ad placements through taxis, paraws, and others by checking their performance metrics and other pertinent data to determine the success of the campaign, and identify areas for improvements;

e. Revisit the potential participation of the Marketers by requiring them to be involved in the advertising and promotional campaign of PRA's SRRV program by using their platforms but at no expense of the PRA;

f. Create a Team to conduct an assessment of the PRA Marketing Performance at the end of the year to monitor whether the marketing goals were achieved, and identify areas for possible improvement; and

g. Fast-track the completion of the website development project with Avinnovz to maximize the use of the PRA website in marketing its SRRV Program.

12.32 The Management commented that:

a. The MD is finalizing PRA's 2024-2025 MP in compliance with the deadline set by the GCG, which is on June 7, 2024. The Tourism and Retirement Nexus Strategy highlighted in the 2024 MP identifies specific programs and activities that respond to the direction set by the DOT's National Tourism Development Plan indicated in the diversification of the tourism portfolio. The Competitive Study has indicated essential KPIs which are all included in the MP CY 2024-2025.

b. The MD, however, pending the Board approval of its MP, shall continue to implement its PAPs aligned with the Department of Budget and Management (DBM)-approved Budget for 2024 to ensure the continuity of its brand awareness and maintenance campaign. It also needs to modify some of its PAPs to comply with any directives given by its mother agency, the DOT.

c. The MD continually endeavors to strengthen and boost its digital advertising campaign to keep up with the shift in marketing trends and landscape. To illustrate, the Ads and Promo Division's Digital Advertising budget for 2024 is P11.514 million composed of 11 ad placements while the proposed budget for Digital Ads in the 2025 Operational Planning and Budget (OPB) is P15.402 million composed of 12 digital ad placements. This shows a 33.77 percent increase in digital advertisement budget from 2024 to 2025.

d. The MD will bring up with PRA's Executive Committee the creation of a Team to assess the PRA Marketing Performance to monitor whether the marketing goals were achieved and identify areas for possible improvement and with

the Change Management Team for its proper discussion and dialogue relating to having a Reorganizational Plan.

e. Likewise, the MD would like to make the following points:

- The PRA is an attached agency of the DOT wherein the ex-officio Chair of its Board of Trustees is the Secretary of Tourism. It is imperative, therefore, that it aligns its plans and programs with the DOT as well as follow any directives it may have for the Authority. In addition, the agency was directed to align its PAPs with those of the DOTs which includes directing its marketing campaign efforts to the emerging markets identified by the DOT, including Europe and the Middle East.

- As part of a broader initiative by the DOT to attract more European visitors, especially German nationals to the Philippines in the post-pandemic era, the PRA strategically placed advertisements in Europe, particularly in Germany, Paris, and Austria, in 2023 to align with the DOT's directive to revitalize the tourism sector, promote the Philippines as a premier destination for both tourists and retirees and explore market opportunities in a bid to increase visitor arrivals from the region.

- Germany holds significant importance in this strategy, as it ranks 11th in terms of tourist arrivals to the Philippines and is among the Top 10 nationalities in the SRRV enrollment. The goal of the advertisement is to raise awareness among potential tourists and retirees regarding retirement options in the Philippines and the favorable conditions for retirement in the country. The PRA aims to attract more Germans for retirement.

- Similarly, the advertisements in Paris aim to reach out to the French market and other nationalities. In 2022, the French ranked 13th in the number of SRRVs enrolled and that, with over 30 million visitors annually, Paris provides a vast audience for PRA's advertisements. In Austria, the advertisements aim to expand the reach to a broader European audience, further promoting the Philippines as an ideal destination for both tourism and retirement. As of January 2023, 76 active Austrian members availed of the SRRV, including five former Filipinos. The website analytics provided by Avinnovz Technologies, Inc. and the survey and QR Code Reports show a significant increase in website visits from countries in question, especially Germany. This report shows that PRA's Marketing efforts in the area have paid off.

- Contrary to the claim that Television Advertising is excluded from PRA's MP, it is included therein. Television advertisement is one of the most recognized traditional media in terms of effectiveness and reliability, which the Authority plans to utilize to reach both wide and targeted audiences. PRA's advertisements with CNN International did not target only the USA. PRA's advertisements were broadcasted through CNN International's North America and Asia feed, which are sold as a bundle and cannot be modified. Additionally, Bloomberg UK is particularly

relevant because the British are included in the top 10 markets/nationalities of the PRA.

- The MD will continue to coordinate with the Information and Communication Technology Division (ICTD), the office in charge of the website development, to maximize the use of the platform for marketing purpose/s. PRA Website Content Development and Management is included as one of the projects under our Digital Advertisement PAP Profile in our 2024 OPB.

12.33 As rejoinders, in view of the pending Board approval of its MP, **it is further recommended that the MD provides the Audit Team a copy of the MP upon approval by the authorized body for validation purposes.** With respect to aligning the PRA's PAPs with that of the DOT, this can be possible if the identified target markets of the PRA SRRV Program matched therewith. It is reiterated that the PRA has a very specific market which is retirees and not merely tourists, thus, its marketing projects/activities must be carefully identified and selected to strategically complement and respond to its marketing needs. This is likewise to avoid inefficient use of government resources. The DOT and the PRA may have commonalities; however, their marketing directions and strategies need not be the same or applicable to both since they have different market considerations, requirements, and specific goals, among others.

12.34 Moreover, the PRA has engaged the services of the Philippine Institute for Development Studies for the assessment of the SRRV Program's Competitiveness. Hence, the results of the said study must also be considered in crafting or enhancing, either way, the PRA's MP, in addition to the market research and actual SRRV data statistics of the agency.

12.35 The allocation for Television Advertising was indicated in the draft MP for the mid-term 2024-2025 and not in CY 2023. Although the MD mentioned during the exit conference that this was included in the Department's OPB and not in the MP, it is the view of the Audit Team that the marketing activities and programs indicated in the approved MP shall be the basis for those PAPs to be executed/implemented, which are likewise incorporated in the OPB.

12.36 As regards the website visit, it was explained by the ICTD to the Audit Team during the interview that the data provided by Avinnovz does not necessarily result from those ads in Germany, etc. with QR codes. Rather, it resulted from various kinds of platforms, hence, the MD cannot claim that their marketing efforts have paid off. It is reiterated that the PRA marketing strategies and activities are effective and efficient if they translate retirees into SRRV enrollees within the allocated resources.

12.37 Lastly, the Audit Team acknowledged the Management's commitment to comply with the use of digital advertising and to maximize the use of the PRA Website.

13. The PRA renewed its agreement with the Service Provider for Internet Services in the Head Office and various Satellite Offices for CY 2023 without conducting a cost-benefit analysis as required by Appendix 21 of the Implementing Rules and

Regulations (IRR) of Republic Act (RA) No. 9184, thereby, casting doubts on the validity and propriety of the total expenditures of P3.116 million on Internet subscription. Moreover, the procurement procedures such as recommendation by the Bids and Awards Committee to the Head of Procuring Entity (HOPE) of the procurement modality, and other requirements were not performed due to the practice of the Information and Communication Technology Division in directly endorsing the request for continuous services by the Service Provider to the HOPE, thereby, disregarding the necessary controls prescribed under Sections 12.1 and Section IV. (L) of Annex H of IRR of RA No. 9184 during the procurement process.

13.1 Internet Subscription (IS) is considered a procurement project crucial to the efficient discharge of PRA's governmental functions for its day-to-day operations. In March 2023, the PRA renewed its agreements with the IS Provider (ISP) - Sky Cable Corporation (SCC) for its Head Office (HO) and Satellite Offices. There were no changes in the current monthly service fees and the subscription period was extended. Post-audit of the transactions and disbursements for the IS disclosed the total expenses of P4.154 million for CY 2023, as shown in Table 27.

Table 27 - Breakdown of the Subscription Expenses of the PRA

Location	IS Expense	Monthly Service Fee (MSF)	Plans	Lock-in Period
Head Office	P1,920,000	P160,000	300 Mbps	12 Months
Baguio	608,400	50,400	50 Mbps	
Clark	420,000	35,000	20 Mbps	
Cebu	608,400	50,400	50 Mbps	
Davao	608,400	50,400	50 Mbps	
Total	**P4,165,200**	**P346,200**		

13.2 As can be gleaned in Table 27, the PRA incurs P346,200 per month for its ISs and a total of P3.116 million after the renewal of ISP in March 2023 until December 31, 2023. This has been the same in the succeeding months until year-end. The Audit Team validated the reasonableness of the said expenses and found that expenses for Satellite Offices are exceeding the requirements and deemed unnecessary although not cost-effective and, in some instances, unreliable.

13.3 The Satellite Offices manned by an average of three PRA personnel only, have the usual internet service requirements for biometrics, closed-circuit television, emails, and other real-time communications, and web browsing and access to Petty Cash Fund system, Retiree Information Management System, as it caters services to five to 20 clients daily in an office area of 19 to 48 square meters. For such usage, the PRA has been paying P35,000 – P50,400 per month. However, recent market prices show that for an amount of less than P3,000, the ISPs now offer business-grade fiber that provides almost double the existing internet speed/plan. This suggests that the MSF was quite high for the plan or internet speed it offers as compared with other ISPs.

13.4 Moreover, inquiry with the end users in the Satellite Offices disclosed that some of them usually experience unstable and intermittent connection, or connection lower than what was offered, which is consistent with the offered service per Business Proposal Template which highlighted a distinguishing factor of the service/product availed - *"high speed and dedicated internet service with 1:1 CIR or 100% of speed…"* However, the Satellite Office personnel did not formally document these instances or prepare utilization reports or evaluations, they were not instructed to do so. Evaluation of the IS could be beneficial for future cost-benefit analysis or basis for potential refund or damages in favor of PRA, if warranted.

13.5 For the HO, the IS requirements may be justified, however, it was noted that the cost of P160,000 per month may be high, considering that similar service could be obtained at a lower cost based on comparison with market prices for ISs at the time of procurement. This cost was likewise compared to other government agencies that have obtained similar or even better ISs at a contract cost of P131,574 per month.

13.6 Additionally, the Audit Team performed a random speed test of the internet connection in the HO during the audit and noticed that the 300 Mbps internet speed, as offered and agreed upon, is not being achieved as results show that speed has not even reached 200 Mbps.

13.7 The costly MSF of PRA's ISs can be attributed to non-compliance with the required procurement planning procedures and insufficient documentation of relevant planning activities that may be used to assess the propriety of contract renewals with the existing ISP. As noted, the IS of the PRA with SCC expired in March 2023 but was renewed immediately through the Memorandum of the ICTD dated March 10, 2023, and approval of such by the General Manager.

13.8 Sections 3.3.1.2 and 3.3.1.3 of Appendix 21 of RA No. 9184 provide guidelines relative to the renewal of services by ISP, quoted hereunder:

> *3.3.1.2 At the end of each year, however, the procuring entity must assess the quality of service provided by its ISP. For instance, it must compare the cost charged by said ISP and the range of services it offers as against other service providers in the area. It may also consider new technologies that may prove less costly or those that are more advantageous to the government in terms of use, capacity and services offered, e.g. bandwidth, speed, platform, additional services, such as, but not limited to cloud computing, cloud storage, etc. Xxx.*
>
> *3.3.1.3 If the results of said assessment or cost-benefit analysis, conducted by the end-user, continue to favor the existing ISP, then the Head of the Procuring Entity may renew its services subject to the Guidelines on Renewal of Regular and Recurring Services. If it does not, then the Head of the Procuring Entity should bid said services in accordance with subsection 3.3.2 of these guidelines.*

13.9 Verification, however, disclosed that no cost-benefit analysis (CBA) was conducted before the renewal of CY 2023 ISPs, contrary to the above-cited provisions. While it was stated in the subject Memorandum that CBA is currently being performed, there were no documents that would substantiate the claim of the ICTD. Only the Billing Statement and Business Proposal (BP) Template (agreement) were attached to the DVs. Records show that the BP Templates for the PRA were prepared by SCC and were approved by the PRA General Manager, undertaking another locked-in period of 12 months to subscribe to the same service provider.

13.10 Additionally, walkthrough/inquiry disclosed that assessments or evaluations on the HO's IS were made only annually while none for the Satellite Offices. It was further verified that no reports and evaluations were conducted by the Satellite Office personnel regarding the quality of services provided by the ISP. This lack of assessments made it difficult to substantiate the propriety of the contract renewal. Likewise, there were no documents showing a credible comparison between SCC and other Service Providers in the area in terms of cost charges, use, capacity, or services offered, to prove that SCC offers the PRA the most advantageous terms on IS. It is to be noted that SCC is not only the service contractor available in the areas where the PRA holds its Offices.

13.11 Considering the importance of assessment and CBA in deciding on the renewal of the service of the existing ISP, the ICTD could have addressed it by the end of CY 2022 as required or in January 2023 to have ample time for preparation, thorough evaluation, and finalization prior to the expiration of the previous contract, March 2023. The possible disruption of operations or interruption, as justification, cannot be used as an excuse or defense to renew the contract of the PRA with its existing ISP as it would evade the requirements of the law or exempt the concerned personnel from compliance. Meanwhile, the HOPE could have rejected or disapproved the request for an extension as it is not compliant with the provisions of RA No. 9184.

13.12 Further verification disclosed that the procurement of IS through renewal did not undergo the required scrutiny of the Bids and Awards Committee (BAC) as it did not issue resolution/s recommending it to the HOPE, contrary to Section 12 of the revised IRR of RA No, 9184. It provides that, *"The BAC shall have the following functions: Xxx; (j) recommend to the HOPE the use of Alternative Methods of Procurement as provided in Rule XVI hereof; (k) conduct any of the Alternative Methods of Procurement; xxx."*

13.13 The request by the ICTD for its approval was directly forwarded to the Office of the HOPE bearing their justification. It was likewise validated in the PRA's Annual Procurement Plan (APP) that the procurement mode for IS was Direct Contracting (DC), which suggests that the plan to extend already existed at the outset, contrary to Section 3.3.2 of Appendix 21 of RA No. 9184. It is stressed that DC as a mode of procurement shall be adopted if there is only one service contractor in the area, which is impossible as there are other service providers such as Globe, Smart, PLDT, and Converge, among others. Section 3.3.2 of Appendix 21 of RA No. 9184 further provides that:

If the procuring entity does not presently engage an ISP, or, after conduct of a cost-benefit analysis as required in the preceding subsection, is not satisfied with the performance of its existing ISP, the following procurement methods are prescribed:

3.3.2.1 If there are more than one service contractor operating within the area, public bidding.

3.3.2.2 If there is only one service contractor operating within the area, direct contracting.

13.14 It was informed by the Procurement Division that since the IS was merely renewed, all documents relating to the IS renewal were directly forwarded to the HOPE. However, since DC was adopted, the issuance of Notice of Award/Renewal, Contract Approval, and others as required under Section IV. (L) of Annex H of RA No. 9184 should have been performed, whereas the BAC has the responsibility to recommend to the HOPE the appropriate method of procurement after thorough evaluation and facilitate the conduct thereof.

13.15 Had the PRA conducted a CBA as prescribed and the BAC performed the mandatory review of the assessment/CBA before recommendation to the HOPE, the PRA could have thoroughly assessed its options and been able to procure IS at a lower cost, leading to substantial cost savings without sacrificing the quality/reliability of the connection. It is emphasized that *"expenditure incurred without adhering to established rules, regulations, procedural guidelines, policies, principles or practices that have gained recognition in laws" are considered* irregular expenditures under COA Circular No. 2012-003, whereas excessive expenditures are *"unreasonable expenses or expenses incurred at an immoderate quantity and exorbitant price, expenses which exceed what is usual or proper, as well as expenses which are unreasonably high and beyond just measure or amount."*

13.16 We recommended that Management:

a. Direct the end users to strictly conduct an annual CBA to assess the quality of services provided by the existing ISP to support the appropriate mode of procurement to be undertaken in the procurement of such, in compliance with Sections 3.3.1.2, 3.3.1.3, and 3.3.2 of Appendix 21 of the Updated 2016 revised IRR of RA No. 9184;

b. Require the submission of incident reports on any network or internet issues encountered for validation of concerned offices and reference in evaluation of the ISPs delivery of service as well as justification/explanation on the approval of the renewal of the ISP in CY 2023 despite the non-conduct of CBA; and

c. Instruct the BAC to submit a written explanation as to the non-conduct of the required review and recommendation for procurements using alternative methods such as the renewal of the IS in view of its functions clearly stated under Section 12 of the revised IRR of RA No. 9184.

13.17 The Management commented the following:

a. The ICTD acknowledged the audit observation to be reasonable and factual. Rest assured that the ICTD will abide by all the recommendations. Moving forward, the ICTD is in the process of submitting to the Management the evaluation of the ISP for 2023 with the intention of procuring a new and better ISP.

b. Nonetheless, the ICTD explained that as early as December 2022, the ICTD has been observing the poor performance of Skybiz whereas as early as January 2023, the ICTD intended to change the ISP of the PRA. It stated that on March 8, 2023, the ICTD prepared a letter addressed to the Senior Property Manager of BDO Towers requesting a list of ISPs available within the BDO Towers Building. Then, a Memorandum request was forwarded to the Former General Manager (GM) on March 10, 2023, for the continuous service of Skybiz for 2023 until such time that a new ISP is engaged. The letter was approved by the then GM Chy and a copy was furnished to the Admin and Finance Servicing Department, Procurement Management Division, and BAC Secretariat.

c. Considering the time allotted to prepare the CBA, proof of concept, market research, and manpower of the ICTD, hence, the former GM extended the services so as not to disrupt operations. The replacement of former GM Chy by GM Lagdameo-Carreon likewise contributed to the delay. On May 16, 2024, the ICTD submitted the performance evaluation of Skybiz for CY 2023 and CY 2024 (January to May). The ICTD has sent a Memorandum to the Office of the Deputy GM/BAC Chairperson dated May 24, 2024, recommending the procurement of ISP.

d. The ICTD wishes to reiterate that there was never any intention to violate any rule or policy regarding procurement law or any law related to the matter. There may have been some faults, but these are not intentional. The ICTD fully agrees that there is much room for improvement, and this may be addressed by including the ICTD personnel in trainings and seminars on procurement law.

e. On the other hand, the BAC explained that they interpreted the aforementioned guidelines on the procurement of ISPs that the decision to renew or not to renew the contract with the existing provider is between the end-user and the HOPE, provided that the required assessment or CBA was conducted to support the recommendation for renewal. Thus, the non-conduct of the review and recommendation by the BAC for the renewal of the contract with ISPs in March 2023. If it fails to review the endorsement, if there's any, of the end-user to the HOPE to renew the contract of IS, it is merely because of the Committee's liberal interpretation of the provision provided in the said guidelines. There was no intention on the part of the Committee to circumvent required procedures or neglect its functions as stated in Section 12 of RA No. 9184 and its revised IRR.

f. The BAC further explained that the said provision was already amended through Government Procurement Policy Board Resolution No. 06-2022, dated September 12, 2022, published in the Philippines Star on April 13, 2023, which states that:

> *If the results of said assessment or cost-benefit analysis, conducted by the end-user, continue to favor the existing ISP, then the Head of the Procuring Entity may renew its services subject to the Guidelines on Renewal of Regular and Recurring Services. If it does not, then the Head of the Procuring Entity should bid said services in accordance with subsection 3.3.2 of these guidelines.*

g. As explained, the revised guideline explicitly provides that the renewal of services of existing ISP shall be subject to the guidelines specified in Appendix 37 of RA No. 9184 on the renewal of regular and recurring services. Sections 4.6 to 4.8 of the said guidelines require the BAC, upon receipt of the recommendation of the end-user to renew the existing contract, to perform the required activities. The BAC informed that it shall ensure to follow the guidelines specified in Appendix 37.

13.18 The following are the rejoinders of the Audit Team:

a. It is reiterated that the ISP was renewed in CY 2023 despite the absence of the required/prescribed CBA and the necessary review by the concerned personnel. The explanation of the concerned personnel did not satisfactorily provide a basis/reason for the renewal as it simply narrated the events leading to the renewal and the recent actions taken in the pursuit of replacing its current ISP. On the other hand, it was explained that the unsatisfactory services of SCC was observed prior to the contract renewal, thus, the PRA should not have renewed their services with the former.

b. Owing to this lapse/deficiency, it has caused consequences prejudicial to the PRA. While unforeseen circumstances can arise, the causes of delay, such as due to lack of time to prepare CBA, proof of concept, and market research, are not completely unforeseeable, as these are requirements known at the outset. It was mentioned that as early as CY 2022 or during the supposed evaluation date, the ICTD already rated the existing ISP poor performance due to the numerous technical issues, which confirmed the disadvantageous condition of the PRA under its contract with the existing ISP. Yet, there were no actions taken or they were inadequate, if any, to address such. More importantly, they proceeded with the renewal of services that constitute another 12-month locked-in period as evidenced by the approval of the former GM, instead of the other way around.

c. As to their lapses on the related procurement provisions, the ICTD mentioned in its Memorandum to the HOPE the specific procurement guidelines and requirements, but they simply cited limited time as the reason for non-compliance. Thus, they are fully aware of the requirements of the Procurement Law.

d. As to the response of the BAC, the Audit Team acknowledged their explanation. However, even without the updates of Appendix 37, the procurement procedures to be undertaken by the BAC remain clear. Moreover, the inclusion of the ISP in the APP with the procurement modality as DC, reviewed and signed by all the BAC Members, signifies the BAC's awareness of its shared responsibility for each procurement. However, the necessary action to be undertaken by the BAC was omitted, and as a result, they failed to fulfill their functions.

14. The PRA's Website Development Project (Phase II) with a contract price of P2.400 million and awarded to the Contractor on December 23, 2021, intended to enhance and improve operations, specifically in marketing the Special Resident Retiree's Visa Program and providing services for both existing and prospective clients, remained non-operational despite lapse of time due to incomplete and unperformed deliverables, thereby, defeating the purposes for which it was envisioned/planned for and is inconsistent with Section 2 of Presidential Decree No. 1445.

14.1 On December 23, 2021, the PRA awarded the contract for its Website Development Project to Contractor ATI with a contract price (CP) of P2.400 million. The Contractor posted a performance security of P0.720 million in the form of a Surety Bond. The terms of reference (TOR) of the project included the development of the PRA official website, and software/system applications such as an online application for SRRV, an appointment system, online transactions, accreditation applications, online payment, Email Application Protocol Interface (API), analytic reports, and marketing department's concerns and requirements like SRRV options, contact page, among others. The Team Lead for the Project is the ICTD.

14.2 The Project's completion is 150 days from the issuance of the Notice to Proceed (NTP), thus, the estimated final delivery date was the end of June 2022. The approved work plan in the Inception Report stated five stages in the Project namely, (a) Initiation Phase, (b) Planning Phase (PP), (c) Execution Phase (EP), (d) Monitor and Control Phase, and (e) Closing Phase. It is worth noting that under the PP, the three requirements such as user, content, and system are to be well-defined. Whereas the EP involves the design and development of software/system applications indicated in the TOR, installation and testing, and the production of Admin & User's Manual Documents, and all applications, among others.

14.3 The expected reports/deliverables and timelines as stated in the inception report submitted by the Contractor are as follows:

	Reports / Deliverables	Date of Submission
1	Project Charter	Within 15 days upon issuance of the NTP
2	Installation of Software for testing	Within 105 days upon issuance of the NTP
3	User's Acceptance Test	Within 115 days upon issuance of the NTP
4	Training (User, Admin and Security Training)	Within 130 days upon issuance of the NTP
5	Admin & user's Manual	Within 140 days upon issuance of the NTP
6	Go Live and Online (All Applications)	Within 150 days upon issuance of the NTP

14.4 The schedule of payments as agreed upon between the contracting parties, is as follows:

d.3.1 25% upon receipt by the Entity of the inception report submitted by the Supplier, subject to the approval of the Entity. (P600,000.00)
d.3.ii 25% upon completion of Project walkthrough, design development, testing and presentation of the developed PRA working website. (P600,000.00)
d.3.iii 20% completion of the required refinement or enhancement, training and documentation. (P480,000.00)
d.3.iv 30% upon full activation and turnover of the website. (P720,000)

14.5 Review of accounting records showed that payments for the 1st and 2nd tranches totaling P1.200 million were made in January and September 2022, respectively, while the 3rd tranche was settled in August 2023. In total, the PRA paid the Contractor P1.680 million for the three tranches, representing 70 percent completion of the project, while the remaining 30 percent was already recognized in the books as payable to the PRA. During inquiry, the ICTD mentioned that as of CY 2023, the website's full activation and turn-over as deliverables for the last payment are pending due to the delay in the integration of electronic payment to the website.

14.6 The Progress Report revealed that several deliverables under d.3.ii, d.3.iii and d.3.iv were not yet completed by the contractor. The online payment system was not fully developed due to the absence of the API from the partner bank. Other required training was partially completed. Despite non-compliance, payments were already made by the PRA for these partial deliverables. The full activation, rollout, and turnover of the website to the PRA will take some time.

14.7 The completion of the project was significantly delayed as this should have been completed 150 days after it formally commenced in January 2022. It was explained that the delay was caused by the API from the partner bank (LBP) and there were multiple communications with them regarding the requirements. The API was provided only to the PRA in March 2024, following several requests and submissions.

14.8 With that progress, it appears that there was leniency/laxity in the completion of the project. This could have been finished by December 31, 2022, with more rigorous planning to anticipate and mitigate potential challenges. It is the view of the Audit Team that the encountered challenges could have been prevented through comprehensive planning, particularly in defining the user requirements and anticipating the risks for clients. Additionally, the Authority could have addressed the delays more effectively by engaging in assertive and receptive discussions with the authorized LBP personnel regarding the progress of requirements.

14.9 On the other hand, in the ICTD Memorandum dated September 5, 2022, an additional feature and process were requested for the 2nd tranche payment, and

more information and data content are needed from departments and divisions, which were not included in the original TOR.

14.10 The payment for the 3rd tranche was made on August 3, 2023, suggesting that deliverables for that tranche can be completed despite issues with the LBP on the API. However, it took almost a year for the contractor to complete the work since CY 2022. The delay was not solely attributable to the LBP but also to the contractor and the PRA.

14.11 While the purposes and intentions of the Project are indeed useful and valuable to the operations of the PRA, the Management failed to find other solutions to address the emerging issues and challenges during the development to expedite its completion and implementation. This is inconsistent with the declared policy of the state under Section 2 of PD No. 1445 that *"all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government."* The same provision emphasizes that *"The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."*

14.12 The completion of the Website Development Project has been significantly delayed, causing numerous disadvantages to the PRA. Accordingly, the PRA has been deprived of the opportunity to enhance and improve its operations, specifically in the areas of marketing the PRA's SRRV Program and providing services for both existing and prospective clients, as these are some of the primary purposes of the Project. Additionally, the PRA was not able to benefit from the initial payments of P1.680 million made to the Contractor, as the partially completed deliverables cannot yet be utilized by the concerned divisions due to lack of overall testing and rollout.

14.13 We recommended that Management:

a. Direct the ICTD to expedite the completion of the Web Development Project by (i) submitting immediately the requirements to the LBP; (ii) constant and strict monitoring of the progress of the Project with the ICTD personnel and contractor; and (iii) setting a time frame for the contractor to complete and turn over the project for approval by authorized personnel, to avoid further delay;

b. Direct all concerned Departments/Divisions and personnel to cooperate and extend assistance in providing pertinent information to the ICTD and Project Team to hasten the completion of the Project;

c. Instruct all Departments and Divisions to ensure that all deliverables in a specific stage meet the required standards before processing any payment. Make accountable any concerned personnel who fail to meet the requirements, cause the delay of the project completion, and remiss his duties; and

d. Moving forward, ensure that the TOR prepared by the end-user and approved by the BAC is comprehensive, realistic, and reliable to avoid any delays in the execution and completion of the project.

14.14 The Management acknowledged the audit observations to be reasonable and factual. It has given its commitment and has directed the ICTD to abide by all the recommendations to expedite the completion of the website development to avoid further delay of the project. Likewise, the ICTD has expressed its support to the management in ensuring that the project is executed according to the TOR.

14.15 As a rejoinder, the Audit Team acknowledged the Management's commitment to expedite the completion of the website development and to implement the other recommendations. Likewise, it is appreciated that the Management provided during the exit conference the target time to launch the project which shall be in July 2023, in time for the PRA anniversary.

15. The PRA did not have a structured visa application process to facilitate the resident visa application and payment of visa fees of retiree-applicants to the Bureau of Immigration, thus, the agency was not able to undertake a more transparent, efficient, and economical process, contrary to the requirements of Section 2 of Presidential Decree No. 1445 and Rule VI, Section 1 of the Rules and Regulations Implementing Letter of Instruction No. 1470 dated April 10, 1987.

15.1 Under the Letter of Instruction (LOI) No. 1470 signed on July 4, 1985, the Bureau of Immigration (BI) was directed and authorized to issue SRRV to overseas Filipinos and foreign nationals who will participate in the programs of the PRA. The Resident Retiree Processing Center of the PRA was created to expedite the application, processing, and issuance of SRRV to resident retirees. Section 1, Rule VI, of the Rules and Regulations Implementing (RRI) LOI No. 1470 signed on April 10, 1987, provides the following:

> *The inter-agency relationships between the Authority and the Ministry of Foreign Affairs, the Commission on Immigration and Deportation, the Ministry of Finance, the Bureau of Customs, and the Bureau of Internal Revenue shall be embodied in separate Memoranda of Agreement to be executed between the parties in so far as they relate to procedure for visa issuance, registration, entry, exit and movement of retiree, exemption from customs duties and taxes of personal effects or appliances brought in by retirees and retirement program-related rules.*

15.2 The Processing Division enrolls foreign retirees in the SRRV program by re-evaluating, verifying, and re-validating the submitted requirements, preparing the check payments for the visa application fees, endorsing them to the BI, and facilitating the release of the approved SRRV.

15.3 Verification of the recorded payments of Visa Application Fee (VAF) in CY 2023 disclosed that 520 checks were processed and paid to the BI, or an average of 43 checks per month for the total amount of P15.849 million. These payments were made per batch composed of three to nine applicants each, to avoid multiple

processing of checks on their end as requested by the BI. This practice may be convenient when all applicants have no derogatory records. However, when at least one of the retiree applicants fails, he is requested to submit the necessary clearance or not the same person certification, issued by authorized and competent offices. Since compliance with additional documents takes time, the PRA cancels the check payment and replaces it with another check to speed up the application process for those with no derogatory records.

15.4 During CYs 2022 and 2023, records show that seven and five checks, respectively, were canceled and check payments had to be replaced with new checks ranging from two to 19 days, which caused the delay in the visa application process (VAP) of several retiree-applicants with clear records. Due to the replacement of check payments, the PRA incurs added expenses in terms of time and manpower for processing and approval thereof.

15.5 On the other hand, it was also verified that the nature of payments for VAF was not based on services already delivered which entitles the BI to such claims. Instead, checks were regularly drawn for services yet to be availed of/acquired from the BI. The processed payments were supported with various documents, however, there was no billing statement issued to the PRA by the BI being the payee/claimant. COA Circular No. 2012-001 dated June 14, 2012, states the documentary requirements for fund disbursement on services, some of which are official receipts (ORs) and billing statements/statement of account (SOA)/Sales invoices, among others.

15.6 Thus, instead of paying the BI per batch, the issuance of SOA to the PRA after rendering actual services avoids the preparation of voluminous checks in advance for VAF and Express Lane Fee during the processing phase. Payments may be confined to weekly, semi-monthly, or monthly instead of per batch depending on the agreement between the PRA and the BI; and the timing of recording the transactions as an expense shall be well-defined. Thus, the time and resources allotted for processing and recording the payments will be lessened, thereby promoting efficiency and economy.

15.7 Meanwhile, it was also noted that no formal procedures/manual were observed by the Liaison Officer (LO) during the VAP in the BI. Due to his functions, his daily presence in the BI is required, especially when SRRVs are being implemented. Check payments were directly endorsed to the BI's cashier so that the LO could attend to other tasks while no evidence of endorsements of documents to the BI due to the lack of a transmittal letter as proof thereof. The LO merely practices what has been taught to him by his predecessor since no guidelines were being followed.

15.8 As to receiving the approved Orders and implementation (stamping) of SRRVs in the BI, there is no expected or tentative date these are processed and finally received by the PRA, thus, the LO merely makes the follow-up to the assigned division/unit. There is no focal person on the part of the BI whom the PRA, particularly the LO, could call regularly or authorized personnel who shall notify the PRA's concerned unit/division on the status of approval of Order/s or implementation of SRRVs instead of personal follow-ups, to save time and efforts of the LO.

15.9 Based on the existing procedures for the VAP until the release of the SRRV including the manner of payment, it appears that the PRA has been applying SRRV for its retiree applicants like a regular one despite its existing inter-agency relationship with the BI. Seemingly, there is no structured VAP catered to the PRA.

15.10 The VAP is incorporated in PRA's Detailed Operating Procedures and its Citizen's Charter (CC) but the processing procedures with the BI were not established. The timing and details of transactions with the BI such as those mentioned above like check payment, checking of derogatory records, issuance of BI Order, signing of SRRV stickers, and releasing to PRA LO were not specified. Although the processing time is stated to be 10 working days, it does not include the BI. The PRA personnel do not have any idea of or control of the BI processing hence clients are advised to wait for at least one to two months. The lack of disclosure in the CC hinders transparency in the processing.

15.11 It was found that no Memorandum of Agreement (MOA) was executed between the two agencies regarding the VAP of the retiree-applicants, that would define the duties and responsibilities of each party and codify an application process to cater to the nature of the PRA services as well as improve the process and payment system, which is inconsistent with the above-cited provisions. Inquiry disclosed that only MOA for the procedures and rules for the entry and movement of resident retirees and the scope of duties and responsibilities of the parties were executed. Additionally, in CY 2022, a Data Sharing Agreement was executed between the two agencies which concerns the exchange of data for better coordination, improved services to foreign nationals, and an effective monitoring system that would enable the PRA to serve its function.

15.12 A MOA between the PRA and the BI on VAP is crucial in delineating their duties and responsibilities in providing services to ensure clarity and a more efficient, organized, and transparent VAP. As for payment, the PRA may initiate an efficient payment method that avoids the drawing of voluminous checks in advance. It may require the issuance of SOA for all processed applications in a certain period, as discussed above, to serve as one of the supporting documents for the disbursements to facilitate processing on the part of the BI and save time and resources on the part of the PRA.

15.13 Section 2 of PD No. 1445 provides that:

> *All resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government.*

15.14 Due to the lack of a structured VAP caused by the absence of MOA with the BI, the PRA was not able to streamline its processes and operate more efficiently, economically, and effectively, which is inconsistent with the requirements of the above-cited declared policy of the state.

15.15 We recommended that Management:

a. Make representation to the BI to create a collaborative mechanism for PRA's VAP to address concerns regarding the manner of payments, defining the roles and responsibilities of each party, crafting the exact procedures between them, assigning a focal person, providing processing time on the part of the BI, and other relevant measures to promote clear, transparent, efficient, economical and effective VAP for retiree-applicants. This may be partaken by the Retirees Resident Servicing Division and the Finance Management Division;

b. Initiate agreements with the BI to ensure that the areas/measures cited above are embodied in a MOA to have proper coordination and responsive inter-agency relationship, in compliance with Rule VI, Section 1 of the RRI-LOI No. 1470; and

c. Direct the Processing Division to ensure that visa application documents forwarded to the BI are covered by an endorsement letter for proper coordination and security purposes. Also, instruct the LO to exercise due diligence while performing his duties.

15.16 The Management commented that:

a. The Processing Division absolutely agrees with the recommendation to make representation to the BI to create a collaborative mechanism for PRA's visa application and other related concerns. The PRA has an ongoing Data Sharing project with the BI, particularly, the Derogatory Record Checking of SRRV applicants to facilitate the process of visa application, wherein delays in visa application and canceled checks will be avoided. It has also been confirmed that the BI is in the process of preparing its CC for SRRV application in compliance with RA No. 11032 of Anti-Red Tape Authority. The BI's CC for SRRV application hopes to present clear, transparent, and exact procedures for SRRV application, the person responsible for processing time and applicable fees. Moreover, the Procurement Division will coordinate with the Finance Division on the manner of payment of visa applications to the BI.

b. Processing Division will suggest to the Management to revisit the MOA with the BI and further request for possible enhancement to include agreements in compliance with Rule VI, Section 1 of the RRI-LOI No. 1470.

c. All other recommendations shall be taken into consideration.

15.17 As a rejoinder, the Audit Team appreciated the Management's concurrence with the audit observations and commitment to implement the audit recommendations. It is suggested that updates be provided to the Audit Team on the progress, particularly on the amendment of the MOA with the BI regarding the VAP.

16. The PRA did not exercise prudent fiscal management in allowing overtime pay of P4.532 million for permanent employees and Jor Order workers for tasks that were

neither urgent in nature nor extremely necessary to be accomplished beyond regular work hours, which is not in accordance with Item 3.0 of the Civil Service Commission-Department of Budget and Management Joint Circular No.1 series of 2015, resulting in the payment for overtime pay claims that are deemed unnecessary.

16.1 Agencies are granted flexibility to pay overtime (OT) services in cash subject to certain conditions and limitations as provided under Civil Service Commission (CSC)-DBM Joint Circular (JC) No.1 dated November 25, 2015. Item 3.0 thereof provides the general policies on OT services, as follows:

> *3.1 The rendition of overtime services shall be authorized only when extremely necessary..Xxx*
> *3.2 As a general rule, the remuneration for overtime services shall be through CTO, in accordance with the guidelines under the CSC-DBM Joint Circulars No. 2 s. 2004 and No.2A. s. 2005*
> *3.3 The payment in cash of overtime services through Overtime Pay may be authorized only in exceptional cases when the application of CTO for all overtime hours would adversely affect the operations of the agency.*

16.2 Likewise, Section 5.10 of COA Circular No. 2012-001 dated June 14, 2012, stated the general guidelines for OT pay:

> *Overtime works should be avoided by adequate planning of work activities. It should not be resorted to in the performance of regular/routine work and activities except in cases when unforeseen events and emergency situations will result in any of the following:*

16.3 Under PRA Office Order No. PRA-ANF-2021-10098A, the agency created and updated its policies and guidelines on the rendition and payment of OT services. It has defined the scope and coverage policy and the corresponding procedures.

16.4 As at December 31, 2023, accounting records show that the PRA paid a total of P2.459 million of OT pay, as shown in Table 28, and accrued P7,632.34 as an obligation or a total of P2.466 million presented as OT and Night Pay. This is apart from the OT rendered by the PRA's Job Order (JO) workers totaling P2.066 million. Shown below are the OT payments for the activities of various divisions.

Table 28 – Summary of Divisions with Rendered Overtime

Department/Division	No. of Personnel	Amount
FMD	18	P1,357,102
ICTD	7	668,036
Processing Division	2	109,042
Procurement Management Division (PMD)	1	73,298
Administrative Services Division (ASD)	2	68,213
Office of General Manager (OGM)	3	62,611
SD	2	39,675
MD	7	25,455
Satellite Offices	3	18,325
Other Activities	9	36,773
Total		**P2,458,530**

16.5 Further review, however, disclosed that several OT services payments were granted despite tasks being not extremely necessary and in the performance of regular/routine work and activities. Verification of supporting documents on the granting of OT pay disclosed Divisions vis-a-vis their actual work/services performed that were noted to include regular/routine work and activities.

16.6 As verified in supporting documents, some of the rendered services are regular/routine work and activities as these are part of their regular duties and responsibilities and could have practically been accomplished during regular work hours/days. As such, these are not considered extremely necessary, contrary to the above-mentioned provisions. It was also noted that most of the OT services of the FMD and the ITCD were not priority activities that may warrant the rendition of OT services set forth in the JC and the PRA's Policy on OT.

16.7 Interview with the FMD revealed that due to the voluminous transactions they processed, the personnel cannot entirely deliver their tasks during regular work hours. Also, since the processing of payments, posting of collections, and preparation of financial reports are done regularly, thus they have to work extended hours monthly to meet deadlines and avoid backlogs.

16.8 On the part of the ITCD, they informed the need to shut down the server for this activity to avoid lags and interruptions which cannot be done during operating hours, hence the need to render OT. It was informed that the data had to be backed up to cover the transactions for the whole week, thus, it takes at most seven hours to finish. Also, this activity cannot be done remotely as possible errors may occur in the process. The ICTD Division Chief (DC) also informed that the manpower complement of the Division is not sufficient to accomplish its expected outputs. Further, it was informed that apart from his own task, active supervision and monitoring of personnel tasks is undertaken to ensure that work is properly accomplished.

16.9 Inquiry on the OT payments for the Procurement Division disclosed that due to other urgent tasks such as attending to prospective members, processing SRRV application requirements, and taking oaths during weekdays or office hours, they were forced to do OT work on Saturdays. Also, they reasoned out that due to understaffing and the large volume of procurement requests/projects, she has to work extended hours.

16.10 While the Audit Team recognized the legitimate need for some personnel to render OT services and is aware that OT payments are governed by their existing policy, it was observed however, that such policy has no provisions on the *"responsibility of approving officials concerned for any payment of overtime services rendered by the employees not in accordance with the prescribed guidelines/policies."*

16.11 This might be one of the reasons for the laxity and leniency in the approval of tasks that are within the duties and responsibilities of the personnel and considered as his/her regular function and tasks, that were neither urgent in nature nor extremely necessary to be accomplished beyond regular work hours. In addition, the existing policy has no provision for submission of quantified OT accomplishments duly signed by the employee and supervisor, which could

promote OT tracking and reporting as well as facilitate approving officials to accurately measure the entitlement of the personnel.

16.12 Moreover, the increasing demands for OT may be indications of inefficient workload management leading to last-minute tasks requiring OT. This is highlighted in the number of OT services rendered that were justified since the activity was not covered by the Contract of Services procured, which could have been avoided had procurement/contract been duly reviewed as to its completeness with the user requirements. Further, there were also justifications that activities to be done are backlogs, which suggests, that the personnel assigned to the task is either inefficient or the job is simply voluminous and requires additional manpower.

16.13 Further, the need for supervision of personnel conducting OT needs to be examined whether their duties indeed require the active participation of such personnel, and his presence is indispensable for the completion of the project/activity, and whether such act of supervision or participation, if any, may not be done within the next working day. It is emphasized that there must be parameters set to differentiate the mere supervision of employees rendering OT and the supervision of employees whose presence is indispensable. Otherwise, other supervisors of personnel might as well be encouraged to render OT and be entitled to OT pay even though it is not necessary.

16.14 Accordingly, actions must be taken by these Divisions to devise measures or work schedules for their regular and JO employees to maximize the working hours and avoid resorting to OT work. Further, evaluate the impact of frequent OT and its causes, whether due to unexpected emergencies, legitimate work or activity, or inefficient workload management. The financial implications of OT pay should be considered in comparison to the cost of including it in the service contract or conducting it during regular working hours.

16.15 It is worth noting that excessive OT can strain employee morale, lead to burnout, and decrease productivity, which can result in a waste of government resources if the OT payment is not utilized for the intended purpose. Thus, the PRA needs to establish a policy with stricter guidelines that are designed to discourage unnecessary OT while ensuring employees are compensated fairly for required OT work and address probable root causes such as the inadequate planning of work activities/workload management.

16.16 Due to the inability to prudently assess the necessity for OT services, PRA allowed payments for OT pay of P2.466 million, apart from the JO workers' OT payment of P2.066 million involving tasks that were neither urgent in nature nor extremely necessary to be accomplished beyond regular work hours, thus, depriving the PRA of the funds that could have been used for other more beneficial expenditures. Moreover, such payments for OT pay claims are deemed unnecessary as provided under Annex C of COA Circular No. 2012-003 dated October 29, 2012.

16.17 We recommended that Management:

a. Ensure compliance with CSC-DBM JC through implementing stricter policy/guidelines in the grant of requests for OT and payment of claims by incorporating and requiring the following, among others:

i. Submission of the OT work program;

ii. All OT work must be pre-approved by the supervisor in writing, granted only in exceptional cases, with clearly defined tasks;

iii. Submission of OT authority that states the necessity and urgency of the work to be done as well as the duration of OT;

iv. Submission of quantified OT accomplishments duly signed by the employee and supervisor; and

v. The approving officials concerned are to be held responsible for any payment of OT services rendered by the employees not in accordance with the prescribed guidelines/policies;

b. Exercise prudence in granting OT and encouraging efficient work practices or workload management to minimize OT that can lead to increased overall productivity during regular work hours and discourage overreliance on OT; and

c. Submit to COA a copy of the revised "Updated Policies and Guidelines on the Rendition and Payment of Overtime Services" after incorporating the necessary provisions to enhance the guidelines.

16.18 The Management commented that:

a. It is appreciated that the Audit Team recognized the legitimate need for some personnel to render OT services due to an increase in workload. The general condition in the PRA is that the volume of workload continues to increase due to the cumulative nature of SRRV membership. As the number of retiree-members continues to increase, transactions automatically increase as well requiring additional hours of work that need to be rendered. OT work is one way of coping with such an ever-increasing volume of workload.

b. A Memorandum on the Suspension of Approval of Overtime Requests and Rendition of Overtime Services was issued. Our ASD is currently reviewing the duties and responsibilities of our personnel as well as revising the Policies and Guidelines on the Rendition and Payment of Overtime Services. The revised Policy on OT will be furnished to the Audit Team once available.

16.19 As a rejoinder, the Audit Team acknowledged the PRA's commitment to continuous improvement. The Audit Team will monitor the implementation of the audit recommendations during CY 2024 audit.

17. The hiring of seventy-eight job order personnel or 78 percent when compared to the 100 regular employees of PRA, is inconsistent with the requirement of Section 2.3.2 of DBM Circular Letter No. 2013-5 dated July 22, 2013, as there was no written policy or manual on the hiring of the contract of services/job order.

17.1 Section 2.3.2 of DBM Circular Letter No. 2013-5 dated July 22, 2013, provides the following guidelines on the hiring of consultants/JO/contract of service (COS) personnel, where no employer-employee relationship exists, as follows:

> *2.3.2 In addition, Departments/Agencies/GOCCs/GFIS whose Plan has already been approved by the DBM are allowed to outsource certain services, thru the hiring of consultants/job order/contract of service personnel, where no employer-employee relationship exists, provided it is consistent with the following:*
>
> *a. Overall policy under the approved RP on services/areas that could be outsourced (e.g., utility, building and grounds maintenance messengerial, security, transportation/mobility, and information technology)*
> *b. Agency policy on which other services to outsource; and*
> *c. Pertinent budgetary, civil service, accounting and auditing rules and regulations.*
>
> *The Agencies should likewise ensure that the hiring of consultants/job order/contract of service personnel would contribute to the attainment of their objectives and would not adversely affect the implementation of their regular programs/projects and the achievement of their work targets. Agencies which have coterminus with the incumbent (CTI) positions are prohibited from hiring personnel whose functions are similar to those being performed by the incumbents of the CTI items.*

17.2 The rationalization of the PRA was approved through GCG Memorandum No. 2013-34 dated October 11, 2013, and followed by an addition on October 24, 2017, consisting of 100 regular positions assigned in various Offices, Departments, Divisions and Satellite Stations. As at December 31, 2023, all regular positions were occupied/filled up except for one.

17.3 In previous years up to the present, the PRA hired individual workers on a COS or JO to perform specific jobs to supplement its current manpower. As at year-end, the PRA has hired 78 JO workers/COS to complement its current workforce, thus, the COS personnel comprised 43.82 percent of the entire agency's workforce or 78 percent when compared with the 100 regular personnel/employees. In CY 2023, the PRA spent P19.674 million on the salaries and wages of the said COS/JO workers. This is apart from the payment of P2.066 million for the OT services they rendered. Shown in Table 29 are the details of the hired JO worker.

Table 29 – Details of the Hired JO workers assigned to each Office

Department/Division	Plantilla Position	JO/COS as at Dec. 31, 2022	JO/COS as at Dec. 31, 2023	JO/COS as at March 31, 2024	% of Inc.
Office of the Board Secretary	1	-	-	1	
Internal Audit Division	4	3	2	2	
Office of the General Manager (GM)	6	-	4	6	
Office of the Deputy GM	4	6	1	1	
Management Services Department	2	1	1	1	
ICTD	5	8	7	6	140%
Corporate Planning Division	5	1	1	1	
RRSD	2	-	-	-	
Processing Division	10	3	3	5	
SD	7	16	16	20	228.57%
Satellite Stations	8	6	7	8	
**AFS Department	2	-	-	-	
ASD	10	15	13	17	130%
FMD	12	14	14	19	116.67%
MD	2	-	-	1	
Ads & Promo Division	9	4	4	4	
*CRPDD	8	1	3	3	
PMD	3	2	2	3	
TOTAL	100	80	78	98	

CRPDD - Client Relations & Program Development* * AFS – Admin & Financial Services*

17.4 As shown in Table 29, the ICTD, SD, FMD, and ASD have the highest numbers of COS/JO workers which exceeded the number of regular employees. It is worth mentioning that even in the first quarter of CY 2024, there was an increase in JO workers in the SD, ASD, and FMD.

17.5 According to data statistics, the PRA may need more regular staff as shown by the number of hired JO workers to meet the increasing demands of its programs, projects, and activities. It was noted, however, that the PRA does not have written policy guidelines for hiring employees, particularly COS, as required by the above-stated provision. Inquiry disclosed that the hiring typically starts when there is a request from any Office/Division the need to hire COS personnel, through a Memorandum to the GM. Then this is endorsed to the ASD for their evaluation of the request/justification and its corresponding budgetary requirements before the hiring process commences.

17.6 Nevertheless, it was noted that some COS personnel performed tasks/functions that were typically carried out by the agency's regular employees. This may be attributable to the insufficient number of regular employees within the agency. For example, the FMD hired JO workers to support the regular employees in various tasks, based on inquiries and observations, however, there were instances where they performed the functions relating to the preparation of the financial statements.

17.7 While the Audit Team understands the needs of the agency to fill in for its existing workforce, the functions and tasks given to JO workers are limited as there is no employer-employee relationship between the former and the latter. Sections 7.1, 7.2, and 7.3 of the CSC-COA-DBM JC provide the limitations when hiring JO workers, as follows:

7.1 Hiring under contract of service shall be limited to consultants, learning service providers, and/or other technical experts to undertake special project or job within a specific period. The project or job is not part of the regular functions of the agency, or the expertise is not available in the agency, or it is impractical or more expensive for the government agency to directly undertake the service provided by the individual or institutional contractor.

7.2 Hiring of Job Order workers shall be limited to emergency or intermittent work, such as clearing of debris on the roads, canals, xxx and the like which are not part of the regular functions of the agency.

7. 3 Contract of service and job order workers should not, in any case, be made to perform functions which are part of the job description of the agency's existing regular employees.

17.8 Moreover, it must be emphasized that Section 2 of 11.4 of CSC-COA-DBM JC No. 1, s. 2017 provides that *"11.4 Government agencies shall review their functions, systems and procedures, organizational structure and staffing to determine the appropriate human resource complement for their programs/activities/projects. The creation of permanent positions may be considered for regular functions, while the hiring of casual or contractual personnel may be considered for projects and activities that are temporary in nature, subject to evaluation of the DBM/Governance Commission for GOCCs (GCG) and to existing budgeting and accounting rules and regulations."*

17.9 As such, the agency is not prohibited from hiring JO workers, however, there must be an overall written policy/agency policy that outlines the specific requirements for outsourcing services such as the type of services to outsource, necessity, budgetary requirements, and selection process, among others. Likewise, this policy assists the agency in the review and assessment of its actual manpower requirements. On the other hand, the PRA Management is responsible for reviewing and evaluating its existing organizational structure to ascertain whether there is a need for additional permanent positions. Any such creation would need approval from the authorized body and should cater to the actual manpower needs of the agency while considering the limitations on the JO workers.

17.10 We recommended that Management:

a. Direct the ASD to establish an overall written policy on hiring COS/JO employees, in compliance with the requirements and purpose of Section 2.3.2 of the DBM Circular Letter No. 2013-5 dated July 22, 2013; and

b. Review and assess its existing function, systems and procedures, organizational structure, and staffing of the PRA to determine the appropriate human resources to complement their PAPs; and thereafter, request for the creation of additional permanent positions, if warranted, subject to the approval of the authorized body.

17.11 The Management commented that the ASD will prepare a written policy on the hiring of COS/JO personnel which is consistent with the guidelines of DBM Circular Letter No. 2013-5 dated July 22, 2013. Moreover, the PRA Reorganization Plan is underway and is targeted to be approved by the GCG by next year, as mentioned during the exit conference. The PRA will enhance its internal controls and procedures to minimize similar occurrences in the future as they value the Audit Team's input and remain dedicated to maintaining the highest standards of integrity and accountability

17.12 As a rejoinder, the Audit Team acknowledged the commitment/s of the PRA in undertaking the necessary actions relative to the audit recommendations. A copy of the approved written policy relative to the hiring of COS/JO workers is requested for submission to the Audit Team. Additionally, the implementation of the recommendations will be monitored in CY 2024 audit.

18. The accountability of the property users of several Property, Plant and Equipment (PPE) and Semi-expendable items cannot be established due to non-issuance of complete and updated Property Acknowledgement Report for Information and Communications Technology Equipment PPE items and Inventory Custodian Slip for semi-expendable items to all recipients, contrary to Section 4.1 of COA Circular No. 2022-004 and Appendix 59 of Government Accounting Manual Volume 2.

18.1 The preparation and issuance of an Inventory Custodial Slip (ICS) is a requirement under Section 11 Chapter 8 of Government Accounting Manual (GAM) Volume 1 as follows:

> *Accountability over Semi-expendable Property. Inventory Custodian Slip (ICS) (Appendix 59) shall be issued to end-user of Semi-expendable Property to establish accountability over them. Accountability shall be extinguished upon return of the item to the Property and Supply Division/Unit or in case of loss, upon approval of the relief from property accountability.*

18.2 During the physical count of PPE items in CY 2023, it was noted that the required Property Accountability Report (PAR) and ICS remained unissued to several Property users. The Property Officer (PO) explained that the ICTD had endorsed to the ASD several items for the preparation of ICS and PAR but not the complete list of Information and Communication Technology Equipments (ICTE) items, thus, PARs for the high-end laptops and desktop computers are yet to be prepared.

18.3 Regarding issuing ICS to users of semi-expendable (SE) items, the PO has not yet issued ICS for those reclassified by FMD to SE since no lists were forwarded to her. Of the total SE purchases of P1.139 million in CY 2023, only 12 units of Digital Voice Recorder amounting to P87,600 were issued with ICS.

18.4 It was informed that the ICS and PAR will be issued to the property user together with the posting of new property stickers. The PO further explained that the issuance of ICS is delayed because she is likewise preoccupied with other tasks

such as inspection of the building and attending to the requirements for the PRA's government vehicles, among others.

18.5 Review of the agency's process for the delivery of procured goods revealed that the procured and delivered ICTE items, once inspected and accepted by the Inspection and Acceptance Committee, are directly endorsed to the ICTD for distribution to property users. The ICTD will then provide the ASD/PO with the list of distributed items for the preparation of PAR or ICS. Since the list is not provided immediately to the ASD, the PO's preparation of PAR/ICS for proper accountability of the procured and issued items has been delayed.

18.6 Sections 19 and 21 of Chapter 10 GAM Volume I prescribe that *"receipt of items purchased by the agency shall be inspected by the inspection officer/committee before acceptance by the Supply and/or Property Custodian and that the Supply and/or Property Custodian shall prepare the Property Acknowledgement Receipt (PAR) to support the issue of property to end-user."*

18.7 The designated Property Custodian is the ASD personnel who was likewise bonded for such designation. Therefore, the procured items, whether classified as PPE or SE, should have been forwarded to and under the sole custody of the Property Custodian, including distributing the PPE requested to the property user. Upon issuance of the PPE, the custodian will prepare the PAR or ICS to ensure that all PPE/SE items are properly accounted for. The maintenance of complete and updated PAR and ICS will facilitate the smooth inventory taking and the proper preparation of the Report on the Physical Count of PPE (RPCPPE).

18.8 Due to the non-issuance of complete ICS and PAR, the property users did not have any supporting documents during the inventory-taking activity. In contrast, the accountability of each of them was not established, which is not in accordance with Section 11 Chapter 8 and Section 21 Chapter 10 of GAM Volume 1. This also resulted in the incomplete preparation of the RPCPPE.

18.9 We recommended and Management agreed to:

a. Direct the designated PO to immediately prepare and issue to the property users the corresponding ICS and PAR for SE and PPE items issued to them to establish their accountability over such;

b. Instruct the ICTD to continue to account for all issued ICTEs and complete the endorsement of the same to the ASD so that corresponding PAR and ICS shall be issued to the property users;

c. Review its existing procedures on handling ICTE items and transfer their custody and distribution from the ICTD to the ASD/PO for timely issuance of PAR and ICS to the property users;

d. Submit to COA a quarterly Report detailing the list of personnel/end-users issued with ICS including the items issued, acquisition cost, date, ICS No. and other pertinent information for monitoring purposes; and

e. Strictly comply with all the provisions of COA Circular No. 2022-004 and the GAM as to the issuance of ICS and PAR to the PPE and SE users.

GENDER AND DEVELOPMENT

19. Allocation of the Gender and Development (GAD) Budget was in accordance with the required amount while attributed programs of the PRA to the GAD were subjected to gender analysis test using the Harmonized Gender and Development Guidelines test, consistent with Sections 6.1 and 6.4.1 of the Philippine Commission on Women-National Economic and Development Authority - Department of Budget and Management Joint Circular No. 2012-01. Other observations were noted such as (a) only two client-focused activities were crafted despite being no longer in the early stages of gender mainstreaming; (b) the completion date of the GAD activity was already past the intended celebration, hence, the inability to fully serve its purpose; and (c) purchase of T-shirts for the implementation of GAD activity was inconsistent with the provisions of Procurement Law as well as excessive.

19.1 Section 6.1 of the Philippine Commission on Women (PCW)-National Economic and Development Authority-DBM JC No. 2012-01 provides the budget allocation requirement to support GAD plans and programs, such that: *"At least five percent (5%) of the total agency budget appropriation authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. Xxxx."* For CY 2023, review of records shows that the PRA has allocated a total of P48.334 million or 10.32 percent of its approved Corporate Operating Budget (COB) of P468.330 million for its GAD activities, which is compliant with the requirement of at least five percent under the JC.

19.2 Moreover, Section 6.4.1 of JC No. 2012-01 provides that, *"If an agency intends to attribute a portion or the whole budget of major programs during the GAD planning and budgeting phase, it may subject the program to gender analysis using the HGDG tool. Xxx."*

19.3 Review of the endorsed GAD Plans and Budgets (GPB) revealed that a significant part of the budget was utilized for Awareness, Maintenance Campaigns & Continuous Enhancement, and Development of Marketing and Tools, which exceeded the allotted fund/budget. The activity was conducted through several ad placements, awareness campaigns in different media platforms, as well as survey questionnaires handed out to retiree applicants. The attributed program was subjected to gender analysis using the Harmonized Gender and Development Guidelines (HGDG) tool, in compliance with Section 6.4.1 of the subject JC.

19.4 As per accomplished HGDG Project Implementation and Management and Monitoring and Evaluation Score, the PRA yielded a 16.17 score or a "gender-responsive" GAD score, which allowed it to attribute 80.85 percent (16.17/20) of the expenditure of the Ad Placement Program or a total of P45.691 million (P56.514 million x 0.8085) to the GAD PAPs.

19.5 It was well-noted that the PRA was compliant with the submission of its GPB and Accomplishment Report to the PCW within the prescribed period. Moreover, it was compliant with the provisions concerning budgeting and utilization, by allocating at least 5 percent of its approved COB to GAD PAPs. Additionally, it was compliant in subjecting the documents about the attributed program to gender analysis using the appropriate HGDG project identification and design checklist.

Only two client-focused activities were crafted despite being no longer in the early stages of gender mainstreaming

19.6 JC No. 2012-01 mandates all government agencies to formulate their annual GPBs within the context of their mandates. The annual GPBs shall include, among others, planned GAD activities, which can either be client-focused or organization-focused. To measure the achievement of the results and realization of the objectives, performance indicators, and targets shall be provided for each GAD activity.

19.7 The Guide to Completing the GAD Plan and Budget Template defines client-focused GAD activities as *"activities that seek to address the gender issues of the agency's clients or contribute to responding to the gender issues of the sector."* It further provides that *"Agencies shall give priority to client-focused GAD activities. However, agencies that are in the early stages of gender mainstreaming shall give a premium on capacitating the employees on GAD concepts and principles."*

19.8 For CY 2023, PRA's GPB has 15 originally planned activities, which were mainstreamed as follows: (a) client-focused, two; (b) organization-focused, 11; and (c) attributed programs, two. Comparison of the GAD PAPs as reflected in the GPB with the Accomplishment Report shows that nine out of the 15 PAPs were implemented in CY 2023 as shown in the Accomplishment Report while the remaining six were not implemented, most of which pertain to workshops and seminars, due to the non-availability of resource speakers.

19.9 Moreover, it was shown in the Accomplishment Report that training/events intended for 152 employees were attended by 19-21 employees only, which comprises only 12.50 percent to 13.82 percent of the target output. Notwithstanding, the PRA could focus on the quality of their GAD-related matters, instead of quantity, in the planning and budgeting. In CY 2023, it listed several PAPs but was not able to implement all the planned activities. While some PAPs were implemented, the budget allocated thereof was not utilized fully due to the non-participation of the PRA's personnel.

19.10 On the other hand, considering that the PRA started to implement GAD PAPs in CY 2015, it can no longer be in the early stages of gender mainstreaming. Therefore, it should not use this as an excuse to deprioritize client-focused activities, especially if the agencies are to ensure that the GAD plan is integrated into their regular activities such as the activities concerning retiree-members.

The completion date of the GAD activity was already past the intended celebration, hence, the inability to fully serve its purpose

19.11 Review of the proof of accomplishments shows that the activity was not implemented as planned. It was noted that in place of such activity, the PRA conducted a celebration *of International Day for Older People (IDOP),* which the United Nations General Assembly designated to be every October 1st, and *Retirement/Elderly Week (REW)* under Proclamation No. 470 dated September 26, 1994. The latter celebration emphasizes the advocacy for the promotion of rights and welfare of the elderly sector.

19.12 Notably, these activities were not among those included in the PCW-endorsed plan, however, further review of the submitted Report on Major PAPs of the PRA for CY 2023 revealed that the Celebration of the Elderly Week was another line item in the GAD-Related Activities for SRRV Members that was transferred to another activity as an accomplishment because its budget was not utilized as of 4th Quarter of CY 2023. Nevertheless, the activities undertaken in the said celebration were the printing of tarpaulin, the setting up of decorations, and the distribution of 200 lousy hats to the retiree-members.

19.13 It was informed that since PRA's clients were elderly, there were no gender issues with their programs just yet, but only in terms of spreading awareness, thus, the printing of GAD logo on the lousy hats. The celebration was conducted in October 2023. Audit of the procurement and delivery of lousy hats, in the amount of P37,478.58, however, disclosed that these were delivered only on December 29, 2023, or two months after the supposed celebration of the said event. The celebration was on October 1, 2023, however, the procurement process began on October 9, 2023, and the Purchase Order was only received by the Lowest Responsive Bidder/supplier on November 6, 2023, while the delivery was on December 29, 2023.

19.14 Had there been proper planning, the procurement should have been done before the celebration of the event. On top of this, the delivery date was way behind the target completion date of October 31, 2023. The implementation of the activity was already past the celebration of the IDOP/REW. Therefore, it cannot be deemed that the procurement of hats served its purpose for the said celebration, let alone spreading awareness about GAD in CY 2023. The procurement of lousy hats could not have been continued as these were no longer needed for the event due to being late, and the delivery was way behind the celebration of the elderly week, hence, were not used for their intended purpose. Nonetheless, the SD claimed that the lousy hats were subsequently distributed to various clients in January 2024 based on the list provided.

Purchase of T-shirts for the implementation of GAD activity was inconsistent with the provisions of the Procurement Law as well as excessive.

19.15 Section 8 of Annex H of the Updated 2016 Revised IRR of RA No. 9184 provides the following rules on Small Value Procurement (SVP)

a) Procedure

i. xxx

v. The BAC shall recommend to the HOPE the award of contract in favor of the supplier or contractor with the Single or Lowest Calculated and Responsive Quotation (for goods or infrastructure), or consultant with the Single or Highest Rated and Responsive Proposal (for consulting services.) In case of approval, the HOPE shall immediately enter into any contract with the said supplier, contractor, or consultant.

19.16 One of the CY 2023 GAD activities was the "Printing and distribution of Information, Education and Communication materials relative to the 18-Day Campaign to End Violence Against Women (VAW)." For its implementation, the PRA procured 225 pieces of T-shirts with a printed "VAW-FREE" Logo at the front and the PRA logo and website at the back.

19.17 Review of the related procurement shows the Approved Budget for the Contract of P90,000, or P400/unit each with SVP as the procurement method. Three suppliers submitted their quotations: A, P292.00/unit; B, P388.00/unit; and C, P400.00/unit. Supplier C was declared the most responsive supplier despite bidding the highest amount and a Notice of Award was issued to the supplier on April 3, 2023.

19.18 The BAC informed that the most responsive supplier was selected instead of the Lowest Calculated and Responsive Quotation because the fabric/t-shirt submitted by the supplier has better quality. Supplier A did not submit a sample, so its quotation was not considered despite being the lowest. However, the Audit Team cannot validate the claim of the BAC about supplier C as there were no attached samples to the DVs or the BAC Secretariat could not provide samples used for comparison. In its reply to the Audit Observation Memorandum, it mentioned that Supplier B did not conform to the required quality, however, the TOR did not include any requirement as to quality. It only stated the need to submit samples of the item.

19.19 The end user and the BAC should have clearly defined their technical requirements as to the quality of the fabric it deemed necessary and the need of the PRA to keep the sample for future reference and transparency purposes. Had it been the case, the disqualification of Supplier B would have been properly justified for being non-responsive to the requirements of the Authority.

19.20 It was also noted that there were an excess number of T-shirts ordered. Review of supporting documents disclosed a list of 87 regular employees and 77 JO workers or a total of 164 employees, with their respective t-shirt sizes, however, the order number of t-shirts was 225. Upon distribution, records show that there were only 154 who claimed their T-shirts. It was informed by the Human Resource Office that there was only a total of 150 employees in the PRA as of February 21, 2023, which corresponds to the Purchase Request (PR) date for the said T-shirts; and only 162 employees on the delivery which was March 16, 2023.

19.21 Based on the date of PR AD-02-23-033, there were at least 61 extra or excess T-shirts that were ordered. The BAC Secretariat informed that it could no longer remember the basis of the number of orders for the t-shirts whereas it was confirmed that there were t-shirts left unclaimed because the sizes were too big for other employees.

19.22 COA Circular No. 2012-003 dated October 29, 2012 defines excessive as *"unreasonable expenses or expenses incurred at an immoderate quantity and exorbitant price, expenses which exceed what is usual or proper, as well as expenses which are unreasonably high and beyond just measure or amount."* In this case, the t-shirts were intended for the Authority's GAD activities, thus, the quantity should only correspond to the Authority's needs during the said activity. Hence, there was an excessive expenditure of P24,400 for the 61 T-shirts. The number of orders should have been only 164 instead of 225 as this is the number of PRA personnel noted participating in the activity.

19.23 We commended the Management for its compliance with the five percent requirement in the budget allocation for GAD PAPs as well as the use of the HGDG tool in its attribution.

19.24 We likewise recommended that Management:

a. Continue its compliance with the required budget allocation and use of the HGDG tool;

b. Instruct the GAD Focal Point System (GFPS) to consider prioritizing GAD-related activities that are geared towards the PRA's clients to address any gender issues of the Authority's clients;

c. Require the GFPS and the end user to ensure that procured items meant for GAD activities are used for the intended purpose; and

d. Strictly comply with the provisions of RA No. 9184 and its Revised IRR concerning procurement activities relating to GAD PAPs, and exercise prudence in the procurement of items used in the implementation of various GAD activities.

19.25 The Management commented the following:

a. It will continue its commitment to comply with the PCW requirements. As part of strengthening the monitoring controls over PRA's compliance with GAD-related laws, rules, and regulations, the Management will include in its Strategic Performance Management System the Outputs that should be accomplished based on the GAD goal/objectives of the organization. The Compliance to PCW's requirement of five percent of its total COB ", will be included as one of the Major Final Outputs (MFO) in the PRA Office Performance Commitment Review. Consequently, divisions or units will produce outputs that will form part of the same MFO. Likewise, the Management will make use of the RRSD's Retiree Care Program, as a

project in which the gender-related concerns/issues of its clients will be identified.

b. As indicated in the PCW-endorsed PRA GPB 2023, the T-shirts were intended for distribution to employees as well as retirees. However, the staff concerned focused more on the distribution of the T-shirts to the employees. To resolve the issue, the concerned staff committed to endorsing the excess T-shirts to the SD for distribution during the VAW Campaign this coming November 2024, since last year's theme "United for VAW Free Philippines" is still in effect until 2027.

c. The celebration of International Day for Older People last October 2023 is part of the PRA's social integration and retention program, including the recognition of the elderly sector. Said activity was planned to be included in GPB to contribute to a five percent allocation of the budget but was inadvertently not included in the GPB by the BAC Secretariat despite timely submission.

d. The activity pushed through including flashing a video clip in PRA's servicing area of the former GM's message together with the testimonials from selected retirees, in recognition of the elderly and lousy hats bearing the PRA and GAD logo was planned to be given. To avoid the underutilization of the budget while keeping in mind that the purpose of the said activity may still be attained even after October, the proponent pushed through with the procurement of the lousy hats.

e. Regarding the absence of the sample shirt/fabric to demonstrate or prove the responsiveness of the supplier awarded with the contract, the BAC Secretariat was not able to provide because these were returned to the suppliers and used only to evaluate their capability to deliver the requirements set by the end-user. To promote transparency and avoid doubts in future procurement transactions, the BAC Secretariat will improve its procedures by providing detailed information and evidence for reviewing and validating the basis of awarding procurement contracts. The BAC Secretariat will strictly comply with the recommendations of COA to ensure all procurement contracts endorsed to the HOPE adhere to relevant laws, rules, and regulations.

19.26 As a rejoinder, the Audit Team acknowledged the explanations of the Management. Nonetheless, the GAD activity which involved the purchase of T-shirts was included under the organization-focused activity under the PRA's endorsed GBP. This was intended for Authority personnel only and not for the agency clients as claimed. If the items were indeed intended for the clients, they should have been managed by the SD, which is responsible for programs designed for the retiree-members just like the giving of lousy hats. It is crucial to underscore that the Authority procurements should be carefully and prudently planned, with consideration given only to items essential for the effective execution of governmental functions. The proposed resolution to simply distribute items to clients, despite their not being the intended recipients, reflects a lack of

caution in the planning and procurement process, resulting in the wastage of resources, in contradiction to the state's stated policy.

COMPLIANCE WITH TAX LAWS

20. The PRA consistently withholds taxes on employees' compensation and benefits as well as creditable Value-added Tax (VAT) and expanded taxes from suppliers and, remits the same to the Bureau of Internal Revenue (BIR) within required periods. The balance of the account *Due to BIR* as at December 31, 2023, was remitted in CY 2024, as shown in Table 30.

Table 30 - Remittances to BIR of the Due to BIR as at December 31, 2023

	Amount	Date Remitted
Employees' withholding tax	P 796,479.00	January 9, 2024
Withholding tax on VAT	1,587,877.97	January 10, 2024
Expanded withholding tax	298,212.93	January 31, 2024
Income tax payable	104,582,660.06	April 15, 2024

COMPLIANCE WITH GSIS, HDMF AND PHILHEALTH LAWS

21. The PRA consistently complies with the requirements on the withholding from its employees' salaries the corresponding contributions to the Government Service Insurance System (GSIS), Home Development Mutual Fund (HDMF) and Philippine Health Insurance Corporation (PhilHealth) and regularly remits to the respective government agencies the withheld amounts together with the PRA's share. Contributions for December 2023 were remitted in January 2024, as presented in Tables 31, 32, and 33.

Table 31 - Remittance to GSIS

	Amount	Date Remitted
Life and retirement premium	P951,514.74	January 10, 2024
Calamaty/Emergency loan	318,895.64	January 10, 2024
Policy loan	7,950.00	January 10, 2024
ECC	8,100.00	January 10, 2024
Conso loan	55,568.26	January 10, 2024

Table 32 - Remittance to HDMF

	Amount	Date Remitted
HDMF contributions	P23,800.00	January 15, 2024

Table 33 - Remittance to PhilHealth

	Amount	Date Remitted
PhilHealth contributions	P154,596.44	January 22, 2024

COMPLIANCE WITH PROPERTY INSURANCE LAW

22. For CY 2023, PRA's properties such as buildings and motor vehicles were insured with the GSIS in compliance with RA No. 656, otherwise known as the "Property Insurance Law," as amended by PD No. 245 dated July 13, 1973. The insured properties are presented in Table 34.

Table 34 - Insured Properties

Property	Amount Insured	Premiums Paid
Buildings/Leasehold improvements	P 8,696,933.08	P 23,210.36
Motor vehicles	11,537,014.52	62,368.41
Total	**P 20,233,947.60**	**P 85,578.77**

SUMMARY OF SUSPENSIONS, DISALLOWANCES AND CHARGES

23. The summary of audit suspensions and disallowances in CY 2023 is shown in Table 35 and the details and status thereof are presented in Part IV, Annex A of this Report. There was no audit charge in CY 2023.

Table 35 - Audit Suspensions and Disallowances

	Beginning balance January 1, 2023	Issued	Settled	Ending balance December 31, 2023
Suspensions	P 175,132.39	P -	P -	P 175,132.39
Disallowances	2,271,896.23	129,409.61	29,847.55	2,371,458.29
Charges	-	-	-	-
Total	**P2,447,028.62**	**P 129,409.61**	**P 29,847.55**	**P2,546,590.68**

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

Of the 67 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 43 were fully implemented and 24 were not implemented. Details as follows:

Reference	Observations	Recommendations	Actions Taken/Comments
FINANCIAL AAR 2022 Audit Observation (AO) No. 1, page 59	The fair presentation of the balance of the Trust Liabilities – Visa Deposits and Interest Payable accounts totaling P19,851.579 million could not be ascertained due to the unaccounted discrepancy of P225.760 million, compared to the balances of its contra assets accounts totaling P19,625.819 million, contrary to Paragraph 15 of the Philippine Accounting Standard 1.	We recommended and Management agreed to direct the FMD to: a. Expedite and exert all efforts to reconcile the balances of the TL - VD and IP with their contra accounts, ONCA-RFs-VDs, IR-VDs, Investment in TDs-FC and Cash in Bank-FC-SA accounts considering the substantial amount of discrepancies noted. If possible, assign personnel who are knowledgeable on the accounts to facilitate the monitoring and reconciliation of the said discrepancies; and b. Formulate written accounting policies that would provide proper guidance to the FMD personnel in the recording of transactions relating to the receipt, interest earned, and withdrawal of VDs to ensure accuracy, uniformity, and consistency on the keeping of the PRA's accounts to come up	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 1 of this Report. Management cited the lack of personnel for the inability to implement. Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 1 of this Report.

Reference	Observations	Recommendations	Actions Taken/Comments
		with reliable and correct financial reports.	
		We further recommended that Management direct the FMD, in collaboration with the Resident Retiree Servicing Department, and with the assistance of the Information and Communication Technology Division, to create SLs for the accounts of each Retiree-Member to facilitate the monitoring of their balances as of any given time as well as the reconciliation of the balances of the TL accounts and its contra-accounts.	Not Implemented.
AAR 2022 AO No. 2, page 61	The Trust Liability – Interest on Visa Deposits (VDs) account with balance of P239.576 million was understated by P35.293 million with the corresponding overstatement of the Interest Income for the same amount in view of the interest earned by the Retirees' VDs deposited/invested to the Development Bank of the Philippines that was partly shared with the PRA despite the absence of specific terms of sharing under Section 2 of Rule VIII of the Implementing Rules and	We recommended that Management: a. Direct the concerned FMD personnel to make the necessary adjustments to reinstitute the interest income of the retirees from their VDs and to correct the understatement of the TL - Interest on VD account by P35.293 million and Interest Income account by the same amount; and	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 1 of this Report.
		b. Ensure complete disclosure of the interest earned by the VDs of the Retirees to promote	Not Implemented. Reiterated with updates under Part II – Observation

Reference	Observations	Recommendations	Actions Taken/Comments
	Regulations of Executive Order No. 1037, contrary to Paragraph 15 of PAS 1.	transparency and accountability of the agency to its stakeholders.	and Recommendation No. 1 of this Report.
AAR 2022 AO No. 3, page 65	The balances of the Deferred Tax Asset and Deferred Tax Liability accounts totaling P1,584.492 million and P1,322.609 million were overstated by P58.672 million and P45.270 million, respectively, due to: (a) non-adjustment of the prior years' misapplication of corporate income tax rate of 30 percent instead of 25 percent which overstated also the Retained Earnings account by P13.402 million; and (b) non-recognition in the books of realized gain (loss) on foreign exchange for withdrawn/paid Visa Deposits of retirees with cancelled PRA membership; contrary to Paragraphs 47 and 51 of the Philippine Accounting Standard 12 and Paragraphs QC12 and QC15 of the Conceptual Framework for Financial Reporting.	We recommended that Management direct the FMD personnel to: a. Effect the necessary adjustments to correct the overstatement of the DTA, the DTL and the RE accounts in the amounts of P58.672 million; P45.270 million; and P13.402 million, respectively, to fairly present the said accounts in the financial statements as of December 31, 2022; b. Maintain SL for each of the DTA and the DTL accounts where related transactions are recorded in details to support their balances for easy verification and monitoring, while all necessary information on deferred taxes shall be disclosed in compliance with disclosure requirements to ensure complete information is available to the users of the financial statements;	Fully Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 2). (This was deemed effected during Reconciliation made by FMD but with inconsistencies.) Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 2 of this Report. System under development by Information & Communications Technology Division or procurement.

Reference	Observations	Recommendations	Actions Taken/Comments
		c. Moving forward, prepare the adjustments necessary to reflect any realized gain or loss on FOREX for transactions about refund of VDs to retirees with cancelled membership instead of considering only the year-end revaluation to come up with accurate balances of the unrealized gain or loss on FOREX account; and	Fully Implemented.
		d. Prepare a written policy containing the guidelines on the recognition/recording of the PRA's transactions that would serve as reference and guide for the FMD personnel in the performance of their functions to avoid or lessen errors in the preparation of the agency's financial statements.	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 2 of this Report Lack of personnel.
AAR 2022 AO No. 4, page 70	The Receivable – Accounts Receivable account with carrying amount of P66.083 million has a net understatement of P5.389 million due to: (a) erroneous recording of accruals on Annual PRA Fee and non-revaluation of	We recommended and Management agreed to direct the concerned FMD personnel to: a. Effect the necessary adjustments to correct the net understatement of Receivable – AR account in the	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	several accruals on the change in foreign exchange rates which also understated the Gain on Foreign Exchange (FOREX) and Unrealized Loss on FOREX by P4.938 million and P0.810 milllion, respectively, and overstated the Service Income - Annual PRA Fees by P28.758 million; and (b) non-accrual of Management Fee (MF) income for several months in CY 2022 which understated the Service Income – MFs account by P30.019 million; contrary to Paragraphs QC12 and QC15 of the Conceptual Framework for Financial Reporting and Paragraph 27 of Philippine Accounting Standard 1. *Other Observation on AR – MF account* An undetermined amount of accruals for MF from 16 de-accredited servicing banks holding VDs of various members totaling $23.854 million remained unrecognized in the books for the period April 1 to December 31, 2022	amount of P5.389 million and SI-MF account by P30.019 million while overstatement of SI – APF, Unrealized Gain on Forex, and Unrealized Loss on Forex accounts by P28.758 million; P4.938 million; and P0.810 million, respectively, to fairly present the affected accounts in the year-end financial statements; b. Formulate written policy on the recording of transactions such as accruals of income, changes in foreign currency, and other related transactions that would serve as guide and reference of the FMD personnel to avoid errors as well as to promote consistency. Likewise, exercise extra care in the recording of transactions; c. Consistently compute and recognize in the books the accruals of MFs for the accredited and de-accredited banks to ensure the accuracy and completeness of the reported	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 4 of this Report. The FMD has started the formulation of draft written policy/ accounting guidelines. Not Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		income/receivable on MFs in the books;	
		d. Prepare and maintain SL for each of the accredited and de-accredited bank showing the details of the recorded transactions during the year and the year-end balance to support the AR GL balance, and thereafter, submit to COA for review and verification purposes;	Fully Implemented.
		e. Regularly send monthly Billing Statements to all servicing (accredited and de-accredited) banks to enforce Section 8 of the MOA executed between the PRA and the servicing banks. Consider the imposition of penalty for any delay of payment; and	Fully Implemented.
		f. Seek the assistance and opinion of the Office of the Government Corporate Counsel, if needed, regarding the issues on MFs including the collection thereof from various de-accredited banks and the initiation of legal actions against delinquent servicing banks.	Fully Implemented. Other cases are currently referred to the Office of the Government Corporate Counsel.

Reference	Observations	Recommendations	Actions Taken/Comments
AAR 2022 AO No. 5, page 77	Prior period adjustment amounting to P49.094 million was erroneously credited to Impairment Loss account instead of the Retained Earnings account which was inconsistent with Paragraphs 42 and 34 of Philippine Accounting Standard 8 resulting in the understatement of both accounts by P49.094 million. Likewise, the correctness of the valuation of the Receivable - Accounts Receivable account with a carrying amount of P66.084 million could not be ascertained due to inconsistency with the requirements of Philippine Financial Reporting Standard 9 in measuring the Expected Credit Losses on the agency's receivables, and in the disclosure of relevant information in the financial statements, contrary to Paragraph 15 of Philippine Accounting Standard 1.	We recommended that Management direct the FMD to: a. Effect the necessary adjustments to correct the understatement of both the IL and RE accounts in the amount of P49.094 million, and moving forward, ensure that all prior period errors are adjusted in the books retrospectively in compliance with Paragraph 42 of PAS 8 to come up with correct year-end balances; b. Conduct an immediate reassessment of the established ECL that is notably above what is usual by considering all relevant factors as required in PFRS 9 to come up with a more realistic, truthful, and reflective basis for its measurement at the reporting date; c. Expedite the formulation of a written accounting policy specifically on measuring the ECL on receivables which shall serve as basis for the adoption of the requirements of PFRS 9, and submit	Fully Implemented. Reiterated with updates as discussed under Part II – Observation and Recommendation No. 6). (This was deemed effected/ incorporated during Reconciliation made by FMD) Not Implemented. Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 6 of this Report.

Reference	Observations	Recommendations	Actions Taken/Comments
		the said policy to the PRA General Manager and the Board of Trustees, for approval; and	
		d. Ensure the full disclosure of all the relevant information pertaining to the ECL formulation and measurement in compliance with Paragraph 15 of PAS 1.	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 6 of this Report.
		We also recommended that Management enhance the collection process of its outstanding receivables in view of the estimate or projection of the FMD on the ECL related to it. Be proactive in the collection efforts by sending Billing Statements regularly to the retiree members/client banks for them to be notified of their obligations to the PRA, assigning/ designating specific personnel to manage and handle the collection of receivables, and employing additional collection strategies to improve the agency's collection efficiency.	Fully Implemented.
AAR 2022 AO No. 6, page 82	The fair presentation of the balance of the Cash and Cash Equivalent account totaling P314.976 million as of December 31, 2022 could not be	We recommended that Management: a. Direct the concerned FMD personnel to expedite the reconciliation of the bank accounts by	Not Implemented. Reiterated with updates under Part II – Observation

Reference	Observations	Recommendations	Actions Taken/Comments
	established due to the net variance of P59.980 million between the balances per books and confirmed bank balances consisting of various book reconciling items and errors which remained unadjusted as of year-end, contrary to Paragraph 15 of the Philippine Accounting Standard 1.	assigning additional personnel to focus on the validation of collections through direct deposits and the correct preparation of the BRSs on a monthly basis and thereafter, submit to COA. Likewise, verify thoroughly the BRIs and immediately effect the necessary adjustments to fairly present the balance of the Cash and Cash Equivalents account in the financial statements;	and Recommendation No. 3 of this Report.
		b. Strengthen the information dissemination among its clients on the proper procedures/ guidelines about the online/direct payment to facilitate the recording of deposits/collection. If possible, require the clients to immediately notify/ inform the FMD aside from the Resident Retiree Servicing Department personnel for any direct deposits made; and	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 3 of this Report.
		c. Continuously make representation to the concerned officials of the LBP and the DBP – Head Office to facilitate the correction of errors in the accounts of the PRA as well as	Fully Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 3 of this Report.

Reference	Observations	Recommendations	Actions Taken/Comments
		the submission of pertinent documents by the LBP/DBP branches such as Debit Memos, Credit Memos, etc. so that necessary adjustments could be effected in the PRA's books and in the concerned banks' records.	Similar observation was noted in Calendar Year 2023.
AAR 2022 AO No. 7, page 84	Comparative Financial Statements for CYs 2022 and 2021 were not restated due to the absence of details or breakdown of prior period adjustments reflected under the Retained Earnings account totaling P16.756 million, contrary to Paragraphs 42 and 49 of Philippine Accounting Standard 8.	We recommended and Management agreed to direct the FMD to:	
		a. Immediately identify all the related adjustments totaling P16.756 million, and thereafter, restate the statements to the earliest period presented by restating the opening balances of assets, liabilities and equity for the earliest prior period presented;	Fully Implemented.
		b. Submit to COA the breakdown thereof for verification purposes; and	Fully Implemented.
		c. Ensure that at the recording stage, all prior period adjustments are identified as to the particular year they refer to, by assigning one FMD personnel to handle such in order to expedite the restatement process of financial	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		statements at year-end.	
AAR 2022 AO No. 8, Page 86	The reliability of the balances of three asset and three liability accounts having total balances of P20,980.290 million and P21,237.132 million, respectively, as at December 31, 2022 could not be ascertained in the absence of Subsidiary Ledgers to support their General Ledger balances, contrary to Paragraph QC26 of the Conceptual Framework for Financial Reporting which hindered the Audit Team to perform other alternative procedures to verify the correctness of the balances of these accounts.	We recommended that Management direct the FMD and other concerned Divisions to immediately prepare and maintain SLs for the six significant accounts such as the AR, RF, DTA, AP, TL and DTL to support their balances presented in the GL and in the Financial Statements, in conformity with Paragraph QC26 of the CFFR.	Not Implemented. (Efforts were made by the FMD to establish the SLs. The SLs for AP and, AR were established already but some have incomplete details.)
AAR 2022 AO No. 9, Page 88	The Prepayments – Withholding Tax at Source account with balance of P21.531 million as at December 31, 2022 has a net overstatement of P7.964 million due to non-recording in the books the amount of creditable withholding tax deducted by the servicing banks from payment of Management Fee (MFs) and the utilization thereof by the PRA as required	We recommended that Management direct the FMD to: a. Effect the necessary adjustments to correct the overstatement of the WTS and Income Tax Payable accounts in the amounts of P7.964 million and P17.193 million, respectively, and the understatement of the MF account totaling P9.229 million, to fairly	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 5 of this Report.

Reference	Observations	Recommendations	Actions Taken/Comments
	under COA Circular No. 2020-002 dated January 28, 2020, which also overstated the Income Tax Payable account by P17.193 million, and understated the Servic– Income - MFs account by P9.229 million, contrary to Paragraph QC12 of the Conceptual Framework for Financial Reporting.	present the affected in the financial statements as of December 31, 2022; b. Conduct analysis and reconciliation by determining the applied CTWs per ITR covering CY 2020 and below, and thereafter, compare with the unapplied CTWs as reflected in the WTS account to establish whether such may still meet the definition of an asset. Thereafter, effect the necessary adjustments and submit to COA a copy of the reconciliation for monitoring purposes; c. Recognize in the books the accruals on MF gross of the CTW to ensure that the latter shall be recorded upon collection of the former and receipt of the duly accomplished BIR Form 2307; and d. Orient properly the personnel assigned to handle the withholding tax credit and WTS account, and the recording of tax transactions to avoid errors, misleading information, and	Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 5 of this Report. Reconciliation still to be performed. Fully Implemented. Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		possible tax deficiencies.	
AAR 2022 AO No. 10, Page 91	The Restricted Fund-Visa Deposits (VD) – Disbursing and Trust Liabilities (TL) – VDs accounts were both understated by P20.239 million while the Cash-in-Bank – Foreign Currency and TL-Interest on VDs accounts were likewise understated by P307,822 as of December 31, 2022 due to the recording in the books of withdrawals for the refunds of the retirees' VDs despite the absence of validation/ confirmation from the Bank of actual disbursements/ transfers thereof, contrary to Paragraph 15 of the Philippine Accounting Standard 1, which further resulted in several adjustments caused by subsequent reprocessing by the same.	We recommended and Management agreed to: a. Direct the concerned FMD personnel to: a.1 Effect the necessary adjusting entries to correct the understatement of the RF-VD-Disbursing and TL-VD accounts in the amount of P20.239 million and CIB-FC and TL-Interest on VDs accounts in the amount of P307,822 to fairly present the affected accounts in the financial statements as of December 31, 2022; and	Fully Implemented.
		a.2 Formulate written policies on the processing and recording of withdrawals of VDs to be approved by the authorized Official to ensure consistency, uniformity, and timely recording of transactions in the books of accounts.	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		b. Make representation with the DBP and discuss the noted delays in the processing of remittance instructions as well as the prompt reporting to the PRA confirmation for every successful disbursement/transfer from PRA's account to retirees.	Fully Implemented.
AAR 2022 AO No. 11, Page 94	The Property, Plant, and Equipment (PPE) - Furniture and Fixtures (FF), Machinery and Equipment (ME), and Other PPE acount with total carrying amount of P10.996 million as at year-end was overstated by P2.838 million due to (a) non-reclassification of several PPE items to semi-expendable property, and (b) erroneous adjustments on the increase in the capitalization threshold under COA Circular No. 2022-004, which also overstated the Accumulated Depreciation (AD) – FF, Retained Earnings, Semi-Expendable (SE) - ME, SE – FF, ME, and AD-ME accounts in the amounts of P2.838 million;	We recommended that Management: a. Direct the FMD to effect the necessary adjustments to correct the overstatement of the PPE, AD – FF, RE, SE - ME, SE – FF, ME, and AD-ME accounts in the amounts of P2.838 million; P1.725 million; P1.234 million; P0.520 million; and P439,554; and P468,180, respectively, to fairly present the affected accounts in the financial statements as of December 31, 2022;	Fully Implemented.
		b. Exercise all efforts in the recording of transactions to avoid errors and ensure that all journal entries for the agency's transactions are posted to the corresponding GL/SLs prior to preparation of	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	P1.725 million; P1.234 million; P0.520 million; P439,554; and P468,180, respectively, contrary to Paragraph 22 of the Philippine Accounting Standard 8. *Other Observation on PPE account* The existence, accuracy and reliability of the PPE - ME, FF, Motor Vehicle (MV) account with total carrying amount of P15.330 million could not be established due to discrepancies between the balances per GL vis-a-vis per schedule and physical count, and unserviceable items that remained unadjusted	financial statements so that the same are completely reflected therein; c. Require the Administrative and Support Division (ASD) to verify and complete the required supporting documents of donated FF items totaling P138,400 and submit to the FMD for adjustments in the books while those items identified as missing and/or unserviceable totaling P297,243 are to be subjected to the necessary procedures, in compliance with Section 6.3.1 of COA Circular No. 2020-006; d. Require the FMD to reconcile the difference of P1.083 million between the schedule and GL in order to determine the correct list and amount of ME - ICTE items recorded in the books, and thereafter, submit to COA a status report; and e. Instruct the ASD/ Property Unit to complete the necessary documents and	Not Implemented. The Administrative and Support Division issued memorandum to the Acting Property Custodian at the time of donation to submit to the ASD all supporting documents required for the donation including the complete documents relative to the Furniture and Fixtures identified as missing/ unserviceable. Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 10 of this Report. Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		undertake all pertinent procedures relative to the unserviceable MV, in compliance with Section 6.3.1(h) of COA Circular No. 2020-006.	
AAR 2022 AO No. 12, Page 98	The Cost of Services – Marketers' Fee and Accounts Payable accounts were understated by P2.281 million and P267,572, respectively, while the Retained Earnings account in CY 2021 was also understated by P2.013 million in view of the inconsistent policies in the recognition of expenses and liabilities arising from Marketers' Fee, contrary to Paragraphs 4.46, 4.49, and QC22 of the Conceptual Framework for Financial Reporting.	We recommended and Management agreed that the FMD: a. Effect the necessary adjustments to correct the understatement of COS - MF expense, RE and AP-MF accounts in the amounts of P2.281 million; P2.013 million; and P267,572, respectively, to fairly present the said accounts in the financial statements as of December 31, 2022; and b. In coordination with the PD, formulate a written policy on the recognition of liabilities and expenses arising out from the transactions in MF taking into consideration Paragraphs 4.46, 4.49 of the CFGPFR and the provisions in the contract executed between the PRA and the Marketer to ensure consistency	Fully Implemented. Not Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		and timely recognition thereof.	
AAR 2022 AO No. 13, Page 100	The Lease Payable account with a balance of P43.243 million on December 31, 2022 was understated in the amount of P2.397 million due to the inconsistent recording and the non-amortization of the interest corresponding to lease payments which also understated the Interest Expense account by the same amount, contrary to Paragraph 36 of Philippine Financial Reporting Standard 16.	We recommended and Management agreed to direct the FMD to: a. Effect the necessary adjustments to correct the understatement of the LP and IE accounts in the amount of P2.397 million so that the balances of the affected accounts shall be fairly presented in the financial statements as of December 31, 2022; and b. Exercise extra care in the recording of transactions relating to the lease payments by referring to the Lease Amortization Table to avoid errors and further adjustments in the books.	Fully Implemented. Not Implemented. Reiterated with updates under Part II – Observation and Recommendation No. 7 of this Report. Similar error was noted in CY 2023.
NON-FINANCIAL AAR 2022 AO No.14, page 103	The granting to, handling and utilization/disposition of the Petty Cash Fund (PCF) by various Disbursing Officers which resulted in the total replenishments of P6.047 million for CY 2022 was not in conformity with the existing laws, rules,	We recommended that Management direct the FMD to: a. Discontinue the practice of closing the PCF account every year-end. Instead, strictly comply with the requirement on the proper accounting treatment of the PCF at year-	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	and regulations in view of the following: a. Regular expenses of the agency such as postage/courier fees, and fuel/oil totaling P0.736 million and P1.439 million, respectively, were charged to the PCF of the agency, contrary to Section 4.3.2 of COA Circular No. 97-002, which resulted in unnecessary establishment of PCF for that purpose, additional time allotted for processing of documents, and exclusion of said expenses from the regular procurement required under Section 7.2 of Republic Act No. 9184; b. Replenishments of petty cash expenses by several Petty Cash Custodians did not reach the required minimum of 75 percent of the disbursements of PCF contrary to Section 4.3.1 of COA Circular No. 97-002, thereby, exposing the agency's funds to	end so as not to defeat the purpose for which it was created/ established, and to avoid unnecessary adjustments/entries in the books, and processing of disbursements and reimbursements that would entail additional costs to the government, the PRA in particular; b. Formulate a written policy on the establishment, handling, maintenance, and disposition of the PCF that would serve as guide to all PCCs in the discharge of their duties and functions, and to the FMD as to the proper accounting treatment and recording in the books; c. Direct all PCCs to strictly adhere to the replenishment requirement of PCF which is to reach the amount of disbursements of at least 75 per cent of the PCF, except in cases which are highly justifiable, in compliance with Section 4.3.1 of COA Circular No. 97-002; and	Fully Implemented. Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	risk of possible losses; and c. The PCF accounts of various Dibursing Officers were closed at year-end, contrary to Section 35 (b/c) of Chapter 6 of the Government Accounting Manual Volume I, which resulted in unnecessary adjustments/ entries in the books and additional time for processing of disbursements.	d. Instruct the FMD to ensure that all replenishments being processed are compliant with the threshold on replenishment of PCF of 75 per cent. We further recommended that Management: a. Discontinue the procurement of fuel, courier services, and the like through PCF as these are part of the regular expenses of the agency, in compliance with Section 4.3.2 of COA Circular No. 97-002 and to lessen the exposure of risk since cash is susceptible to misappropriation/ theft; b. Strictly comply with the requirements of RA No. 9184 by undertaking the procurement of fuel/lubricant/oil, courier services, and the like through public bidding or alternative methods of procurement, whichever is applicable as prescribed to ensure efficient and cost effective management of fuel purchases/ consumption and courier services; c. Moving forward, include in the	Fully Implemented. Fully Implemented. (Procurement of courier services was done thru public bidding whereas procurement of fuel is currently being negotiated.) Fully Implemented. (Procurement of courier services was done thru public bidding whereas procurement of fuel is currently being negotiated.) Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
		agency's APP the procurement of fuel and service provider for courier services including the method of procurement and other pertinent information in order to be consistent with the agency's approved corporate operating budget for the year and in compliance with Section 7.2 of RA No. 9184; and	
		d. Conduct study for other items (goods/services) being procured/ purchased using the PCF and include or undertake its procurement in accordance with the provisions of RA No. 9184.	Fully Implemented.
AAR 2022 AO No.15, page 108	The necessity of the foreign travel expenses incurred for ocular inspection totaling P424,122 cannot be established due to purposes that could have been achieved through alternative measures without entailing additional costs, which was not consistent with Section 2 of Presidential Decree No. 1445 and Section 4.1 of COA Circular	We recommended that Management: a. Devise means of monitoring and verifying the compliance of the supplier with the deliverables or obligations required of him other than ocular inspection such as a Certificate of Completion/ Compliance duly supported by reliable reports, videos, pictures with the actual dates and time	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	No. 2012-003 dated October 29, 2012.	when taken, and, other reliable ways, taking advantage of the available technology advancements, to avoid the incurrence of unnecessary costs/expenditures which are disallowable in audit;	
		b. Formulate written policies pertaining to the agency's advertising strategies, the best ways of measuring the compliance of the supplier/ advertiser with the agreed deliverables including possible alternative activities for practicality and economic purposes, the reliable documents/ reports to be submitted, and the right people to handle; and	Not Implemented.
		c. Exercise the diligence of a good father of a family in the utilization of the funds of government in conformity with Section 2 of the Presidential Decree No. 1445 in order to avoid unnecessary expenses as defined in Section 4.1 of COA Circular No. 2012-003.	Fully Implemented.
AAR 2022 AO No.16,	Various disbursements relating to foreign	We recommended that Management:	

Reference	Observations	Recommendations	Actions Taken/Comments
page 114	travel, and marketing, promotional and advertising activities of the agency in the total amount of P498,480 were not compliant with the applicable laws, rules and regulations in view of the following: a. The validity of the marketing expenses covering the payment of interpreters' fee of P245,348 (US$4,380) is doubtful due to failure to undertake the required procurement process for the hiring of interpreters, and the absence of appropriation, contrary to Appendix 28 of the Republic Act No. 9184, and Section 4(1) of Presidential Decree No. 1445; and b. Cash Advances of P253,132 were granted for representation expenses despite being reimbursable only while the total meal expenses of P22,008.83 ($394) relative to the liquidation thereof were not supported with the required	a. Strictly comply with the provisions of Appendix 28 of RA No. 9184 in procuring for services of interpreters for overseas events as part of marketing strategy to ensure transparency and accountability as well as quality services from the hired interpreters; b. Strictly adhere to the provision/s that all procurements made are in accordance with the approved APP in compliance with Section 7.2 of the Implementing Rules and Regulations of RA No. 9184; c. Conduct a study as to the necessity, and the appropriate number of interpreters to be hired, if any, to maximize the fee being paid by the agency for their services; d. Ensure that contracts between the PRA and the hired interpreter, if any, are executed correctly and properly; e. Direct the concerned personnel to submit justification on the	Fully Implemented. Management has discontinued the hiring of interpreters. Fully Implemented. Management has discontinued the hiring of interpreters. Fully Implemented. Management has discontinued the hiring of interpreters. Fully Implemented. Management has discontinued the hiring of interpreters. Fully Implemented

Reference	Observations	Recommendations	Actions Taken/Comments
	documents, contrary to Section 16 (a) of Executive Order No. 77 dated March 15, 2019. Meanwhile, expenses for excess baggage were claimed despite incomplete basis and documentation.	incurrence of representation expenses of $393.96 approved by the authorized officer in compliance with Section 16 of EO No. 77 to avoid suspension and/or disallowance in audit;	
		f. Discontinue the granting of cash advances intended for representation expenses during foreign travel since these can be claimed only through reimbursement, subject to the submission of the requirements;	Fully Implemented.
		g. Refrain from granting excessive cash advances for any purpose and ensure that these are supported with estimated expenses within the limits; and	Fully Implemented.
		h. Ensure that payment of fee for excess baggage during official travel, if any, is strictly for the materials and paraphernalia used for promotional and marketing campaign.	Fully Implemented.
AAR 2022 AO No.17, page 121	The PRA's practices in paying the Marketers' Fees (MFs) to the claimants are not aligned	We recommended and Management agreed to:	
		a. Require the Resident Retiree Servicing	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	towards maximizing the agency's resources due to undertaking processes and entailing costs that can be dispensed with, that was not consistent with Section 2 of Presidential Decree No. 1445, which eventually resulted in the settlement of the MFs beyond the required period.	Department to revisit its policies on the processing of the claims of its Marketers particularly on the documentary requirements/ supporting documents taking into consideration the aspects on efficiency and economy to maximize the resources of the PRA;	
		b. Instruct the FMD to reconsider the manner of preparing checks for the payment of Fees to Marketers considering the bulk of transactions to be processed until issuance of checks; and	Not Implemented.
		c. Revisit the provision of the executed contract between the PRA and the Marketer about the required number of days that the MF is to be paid in view of the observation that the said Fee is actually settled at an average of 75 days which is way beyond the requirement.	Not Implemented.
GENDER AND DEVELOPMENT AAR 2022 AO No. 18, page 123	The submission of Gender and Development (GAD) Plan and Budget and Accomplishment Report to the Philippine Commission on Women (PCW) by the	We recommended that Management: a. Continue to comply with the GAD related laws, rules and regulations, particularly on the required allocation of	Fully Implemented.

Reference	Observations	Recommendations	Actions Taken/Comments
	PRA was within the prescribed period while its allocation of GAD Budget was in accordance with the required amount under the provisions of PCW-National Economic and Development Authority-Department and Budget and Management Joint Circular No. 2012-01.	GAD Budget, and the submission of GPB and GAD AR to the PCW within the prescribed period and compliance thereof with all other requirements; and b. Require the GFPS to prioritize unimplemented GAD PAPs particularly the attributed programs to ensure optimum utilization of GAD funds.	Fully Implemented.

Status of Unsettled Audit Suspensions and Disallowances
As at December 31, 2023

I. Notices of Suspensions (NS)

NS No. / Date	Persons Responsible	Nature of Suspension	Amount	Status
2011-11/ 11-29-11	Division Chief – Admin, OIC-Client Relations, former Executive Assistant, Assistant Officer II (retired), Management & Audit Analyst I, former Management & Audit Analyst II	Cash Advances related to the "Famealy Day" celebration on September 26, 2011	P 18,500.00	Matured into disallowance. For issuance of ND.
2012-001 (11)/ 02-08-12	Payee, former DM-Admin & Finance, former Deputy General, DM - Marketing	Various disbursement vouchers that lack supporting documents	53,387.76	Matured into disallowance. For issuance of ND.
2012-002 (11)/ 03-14-12	Payee, former Manager – Administration and Finance, Division Chief-Finance, Manager – RRSC, Assistant Officer I (retired)	Various disbursement vouchers that lack supporting documents	3,060.00	Matured into disallowance. For issuance of ND.
2012-008 (11)/ 10-05-12	Payee, former General Manager, former Manager – Administration and Finance, Division Chief-Finance, Davao Satellite Officer	Payment for monetization of 40 days leave credits	44,567.27	Matured into disallowance. For issuance of ND.
2013-01 (12)/ 01-10-13	Division Chief-Finance, Davao Satellite Officer, former Deputy Manager	Payment for aircon repair of vehicle, Hyundai Starex, at the Davao Satellite Office	5,079.02	Matured into disallowance. For issuance of ND.
2013-03 (12)/ 01-10-13	Division Chief-Finance, former Manager – Admin and Finance	Payment for the purchase of various office supplies	50,538.34	Matured into disallowance. For issuance of ND.
Total			**P 175,132.39**	

II. Notices of Disallowance (ND)

ND No. / Date	Persons Liable	Nature of Disallowance	Amount	Status
2010(07)–03, 04, 07, 10, 11,12/ 07-27-10	Former Division Chief III, Division Chief III, former Division Chief II, former Assistant II, former Audio-Visual Aide Technician III	Payment for unauthorized COLA, amelioration, additional COLA, rice, children's and medical allowances for the period October 2, 1995 to March 8, 1999.	P 1,036,768.21	With COA Order of Execution dated June 30, 2015. P33,300.00 were partially settled as at December 31, 2022.
2010(09)–01, 02, 03/ 03/22/11	Payee, former Acting General Manager, former OIC- Admin & Finance Department, Division Chief Finance, Budget Officer, Supply Officer II, former OIC-Admin, DBPSC Associate, former Manager – Admin and Finance, OIC-Marketing Department, OIC-MSO, OIC – MIS	Purchase of various garden tools for the tree-planting program held on December 12, 2009	1,002,500.02	Under appeal to the Office of the Cluster Director
2021(19)–001	Payee, former Chief Accountant, General Manager/CEO, Deputy General Manager, Accountant III, Acting Budget Officer III, Former Chief Accountant	Withheld salaries of person liable applied as partial payment to a final and executory ND were refunded/ returned to her by PRA despite the fact that the total amount of disallowance was not yet settled	232,628.00	Under appeal to the Office of the Cluster Director
2023-001 (2022) – 03/10/2023	Payee, Received the DSA	Excessive Per Diem/ Daily Subsistence Allowance	27,384.55	Filed an appeal on September 15, 2023.
2023-002 (2022) – 03/10/2023	Payee, Received the DSA	Excessive Per Diem/ Daily Subsistence Allowance	27,384.55	Filed an appeal on September 15, 2023.
2023-004 (2022) – 03/10/2023	Payee, Received the DSA	Excessive Per Diem/ Daily Subsistence Allowance	22,396.48	Filed an appeal on September 15, 2023.
2023-005 (2022) – 03/10/2023	Payee, Received the DSA	Excessive Per Diem/ Daily Subsistence Allowance	22,396.48	For issuance of Notice of Finality of Decision.
Total			**P 2,371,458.29**	