



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

# **ANNUAL AUDIT REPORT**

**on the**

**PHILIPPINE RETIREMENT AUTHORITY**

**For the Year Ended December 31, 2015**



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

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF TRUSTEES**

Philippine Retirement Authority  
29<sup>th</sup> floor Citibank Tower  
Paseo de Roxas, Makati City

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the Philippine Retirement Authority (PRA), which comprise the Balance Sheet as of December 31, 2015, and the Statement of Revenue and Expenditures, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of Significant Accounting Policies and Other Explanatory Information.

#### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Philippine Financial Reporting Standards and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

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

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

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

*Unqualified Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Philippine Retirement Authority as of December 31, 2015, and its financial performance and its cash flow for the year then ended in accordance with State accounting principles.

*Report on Supplementary Information Required Under  
BIR Revenue Regulation 15-2010*

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties, and license fees paid or accrued during the taxable year described in Note 18 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**COMMISSION ON AUDIT**

  
**ROSALIE D. SARMIENTO**  
OIC - Supervising Auditor  
Cluster 6, Corporate Government Sector

June 3, 2016



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF TOURISM

**PHILIPPINE RETIREMENT AUTHORITY**



June 2, 2016

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

The management of **PHILIPPINE RETIREMENT AUTHORITY** is responsible for information and representations contained in the accompanying Balance Sheet as of December 31, 2015, and the Statement of Revenue and Expenditures, Government Equity, and Cash Flow for the year ended. The financial statements have been prepared in conformity with generally accepted state accounting principles and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguard against unauthorized use or disposition and liabilities are recognized.

**EVELYN R. TANSIONGCO, CPA**  
Division Chief  
Financial Management Division

**VALENTINO L. CABANSAG**  
General Manager / CEO  
Philippine Retirement Authority

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*Vision: To make the Philippines a leading and significant destination for the world's retirees, seniors, and elderly*  
*Mission: To develop PRA's capabilities and to enable and empower all segments of the government and private sector relevant to the Philippine retirement migration agenda*

Retirement. More fun in the  
**Philippines**

# **PHILIPPINE RETIREMENT AUTHORITY ANNUAL AUDIT REPORT FOR CY 2015**

## **EXECUTIVE SUMMARY**

### **Introduction**

The Philippine Retirement Authority (PRA), with business address at 29<sup>th</sup> floor, Citibank Tower, 8741 Paseo de Roxas, Makati City is a 100 per cent Government-Owned and Controlled Corporation (GOCC) domiciled in the Republic of the Philippines.

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

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

With the passing of Tourism Act of 2009, also known as Republic Act (RA) No. 9593 on May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry (DTI) to the Department of Tourism (DOT). Formal turn-over ceremony was held at Malacañang Palace on March 10, 2010.

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

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

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

At the beginning of the year, PRA has a total of 27,815 retiree-members, 14,374 of whom are principals and the remaining 13,441 are dependents. However, a cumulative total of 5,031 have enrolled during the year while 875 members have cancelled their membership, leaving a total of 31,971 members as at the end of Calendar Year (CY) 2015, consisting of 16,402 principal and 15,569 dependents.

As at year end, there were 173 accredited marketers that contributed significantly to the total enrollment of 2,069 members as against the 429 walk-in clients during the year. PRA had likewise accredited retirement facilities and merchant partners composed of, among others, hotels, medical and dental facilities, travel agencies, resorts, car rentals, spa and wellness services and remittance service. Upon accreditation, these merchant partners are tapped to service the needs of PRA's member-retirees nationwide. Aside from DBP, PRA still maintains partnership with nine private banks which service the investment requirement of member-retirees who enrolled prior to the implementation of the SMILE program.

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

<b>Area</b>	<b>Address</b>
Baguio	PRA Baguio Satellite Office Unit8 Building 3, Nevada Square #2 Loakan Road, Baguio City
Clark-Subic	Clark-Subic Satellite Office Phil-Kansai Building #363 First Street, Balibago, Angeles City
Cebu	202 Club Ultima Tower II Crown Regency Hotel & Towns Jones Avenue, Cebu City
Davao	2 <sup>nd</sup> Floor The Royal Mandaya Hotel J.Palma Gil St. Davao City

The present PRA administration is headed by General Manager Valentino L. Cabansag while the policy-making body of PRA is the BOT, composed of the ex-officio Members listed below.

<b>Position</b>	<b>Name</b>	<b>Representative/Alternate</b>
Chairman	Hon. Ramon R. Jimenez, Jr. Secretary, DOT	Hon. Vicente S. Aquino Deputy Governor BSP
Vice-Chairman	Hon. Valentino L. Cabansag General Manager, PRA	
Members	Hon. Ronaldo A. Geron Commissioner, BI	Hon. Estanislao R. Canta Acting Chief, Board of Special Inquiry, BI
	Hon. Amando M. Tetangco, Jr. Governor, Bangko Sentral ng Pilipinas BSP	Hon. Eugene T. Kaw Assistant Secretary and Chief of Staff, OSEC DOT

## Scope of Audit

The audit covered the operations of PRA for CY 2015. The audit involved performing procedures to obtain accounts and audit evidence about the amounts and disclosures in the financial statements. The procedures selected depended on the auditor's judgment, including the assessment of the risks and material misstatement of the financial statements, whether due to fraud or error.

## Financial Highlights

Presented below is the comparative financial position and performance of PRA for CYs 2015 and 2014. (in Philippine Peso)

	2015	2014	Increase (Decrease)
<b>Financial Position</b>			
Assets	₱ 9,358,254,115	₱ 6,854,974,631	₱ 2,503,279,484
Liabilities	8,222,922,559	5,781,897,672	2,441,024,887
Equity	₱ 1,135,331,556	₱ 1,073,076,959	₱ 62,254,597
<b>Financial Performance</b>			
Revenue	₱ 702,310,648	₱ 552,038,533	₱ 150,272,115
Expenses	321,620,867	262,069,791	59,551,076
Excess of Revenue over Expenses	₱ 380,689,781	₱ 289,968,742	₱ 90,721,039

For the year 2015, PRA generated a gross income of ₱616.010 million and incurred operating expenses of ₱195.396 million. Net income after tax reached ₱380.690 million as at year end.

PRA contributed to the financial coffers of the government through the payment of income taxes amounting to ₱126.224 million and the remittance of dividends to the National Treasury amounting to ₱190.441 million.

Also, PRA accumulated a total amount of US\$84.336 million visa deposits placed at DBP by the end of the year, of pre-termination caused by the discontinuance of Special Resident Retiree's Visa applications, cancellation of membership from the program, withdrawals of excess deposits and conversions into active investments.

## State Auditor's Report on the Financial Statements

The Auditor rendered an unqualified opinion on the fairness of the presentation of the financial statements of the PRA for the year.

## Summary of Significant Audit Observations and Recommendations

1. The reliability, accuracy, and fair presentation of the Cash in Bank account as of December 31, 2015 could not be ascertained due to long, unidentified and/or undocumented bank transactions aggregating ₱19.329 million contrary to Section 10 of the Framework for the Preparation and Presentation of Financial Statements.

We recommended that Management:

- a. Pursue and exert efforts to reconcile the long unaccounted/unidentified bank transactions in order to adjust to the appropriate account the Other Deferred Credits and Deferred Charges accounts previously recorded;
  - b. Adjust immediately the accounts affected for any items already identified and/or documented so as not to keep the balance of unreconciled items accumulating;
  - c. Institute measures to avoid if not eliminate the recurrence of reconciling items of these nature;
  - d. Coordinate with the bank and other concerned officers for the proper and speedy reconciliation process; and
  - e. Explain the recorded variance of ₱0.879 million.
2. The existence, completeness, accuracy and reliability of the Property, Plant and Equipment (PPE) account with a balance of ₱31.004 million as of December 31, 2015 could not be ascertained due to incomplete inventory taking, absence of inventory reports, inability to reclassify construction in progress account, non-issuance of Acknowledgement Receipt of Equipment (ARE) to some employees who are in actual custody of the equipment/property and non-maintenance of subsidiary ledgers.

We recommended that Management:

- a. Maintain subsidiary ledgers for all PPEs;
  - b. Complete the inventory taking of all PRA properties and come up with inventory reports disclosing, among others, the location of the property, the persons accountable or in possession of the property, status and/or condition;
  - c. Prepare report and reconcile the balances of the PPE reported in the books of PRA based on the results of the inventory taking;
  - d. Justify why no inventory taking was conducted at Subic/Clark and Baguio Satellites Offices and the delayed completion of inventory taking at the Head Office as well as the non-submission of the inventory report as of December 31, 2015 for PPEs located at Davao and Cebu Satellite Offices;
  - e. Reclassify the CIP to the appropriate PPE account and provide depreciation thereafter; and
  - f. Issue Acknowledgment Receipt of Equipment to persons who are in actual custody of the equipment.
3. The Marketers' Fee reflected in the PRA's Financial Statements (FS) for CY 2015 amounting to ₱45.362 million did not disclose the accurate amount of Marketers' Fee amounting to ₱48.787 million thus, resulted in the understatement of Expenses and Accounts Payable by ₱3.425 million and overstatement of Income by the same amount



contrary to Section 10, Paragraph 38 of the Framework for the Preparation and Presentation of the Financial Statements.

We recommended that Management:

- a. Reconcile the amount of discrepancy between the amount that have been reported as expenditures against the amount reported in the financial statements as of December 31, 2015; and
- b. Provide the necessary adjustment so as to reflect the accurate amount of Marketers' Fee, Income and Accounts Payable accounts in the FS.

**Summary of Total Suspensions, Disallowances, and Charges as of Year-End:**

Audit Action	Beginning Balance, January 1, 2015	Issued	Settled	Ending Balance, December 31, 2015
Suspensions	₱ 930,744.89	0	₱ 5,000.00	₱ 925,744.89
Disallowances	7,158,246.83	0	1,545,171.75	5,613,075.08
Charges	0	0	0	0
Total	₱8,088,991.72	0	₱ 1,550,171.75	₱6,538,819.97

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

Of the 32 prior year's audit recommendations embodied in the previous year's Annual Audit Report, 16 were fully implemented, 11 were partially implemented and five were not implemented.

**PHILIPPINE RETIREMENT AUTHORITY  
BALANCE SHEET**

**As of December 31, 2015**

(With corresponding figures for CY 2014)

(In Philippine Peso)

	Notes	2015	2014
<b>ASSETS</b>			
<u>Current Assets</u>			
Cash and Cash Equivalents	2a & 3	1,176,800,163	931,490,414
Receivables - Net	2b & 4	21,312,522	22,960,992
Interests Receivable		551,114	892,446
Due from Officers/Employees-Current		215	0
Investments - Current	5	165,602,000	190,602,000
Inventories	6	6,564,528	5,336,599
Prepaid Expenses	7	3,146,425	2,837,366
Other Current Assets	8	3,983,126	1,632,095
		<b>1,377,960,093</b>	<b>1,155,751,912</b>
<u>Non-Current Assets</u>			
Cash Deposits from Retirees - Restricted	17	7,920,782,982	5,646,762,221
Receivables-Disallowances and Charges		11,554,324	1,335,721
Due from Officers/Employees-Prior Years		1,072,349	1,072,349
Investments - Non Current	5	14,840,770	14,998,012
Property, Plant and Equipment - Net	2c & 9	31,004,470	34,354,850
Other Receivables	10	732,364	392,803
Other Assets		306,763	306,763
		<b>7,980,294,022</b>	<b>5,699,222,719</b>
<b>TOTAL ASSETS</b>		<b>9,358,254,115</b>	<b>6,854,974,631</b>
<b>LIABILITIES AND EQUITY</b>			
<u>Current Liabilities</u>			
Inter-Agency Payables	11	37,099,727	17,527,308
Deferred Credits	12	614,300	73,183,431
Accounts Payable		33,224,094	24,151,931
Due to Officers and Employees		9,410,803	3,621,393
DBP Consolidated Interest Payable		30,903,619	16,167,889
Other Payables		427,580	475,338
Due to Other Funds		18,511	8,161
Dividends Payable		190,440,943	0
Trust Liabilities	17	7,920,782,982	5,646,762,221
<b>LIABILITIES</b>		<b>8,222,922,559</b>	<b>5,781,897,672</b>
Paid-In Capital/Equity		63,217,089	63,217,089
Retained Earnings		1,072,114,467	1,009,859,870
<b>EQUITY</b>		<b>1,135,331,556</b>	<b>1,073,076,959</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>9,358,254,115</b>	<b>6,854,974,631</b>

*The notes on pages 10 to 18 form part of these financial statements.*

**PHILIPPINE RETIREMENT AUTHORITY**  
**STATEMENT OF REVENUE AND EXPENDITURES**  
**For the Year Ended December 31, 2015**  
(With corresponding figures for CY 2014)  
(In Philippine Peso)

	Notes	2015	2014
<b>INCOME</b>			
<u>Income from Operations:</u>	2d		
Management/Conversion Fees		130,430,558	129,888,295
Passport and Visa Application Fees		251,504,052	184,503,512
Annual PRA Fees		175,310,962	130,650,982
Harmonization Fees		8,180,269	3,688,834
Inspection/Visitorial Fees		38,216,663	22,982,897
ID/Registration Fees		8,556,306	4,265,275
Affiliation/Accreditation Fees		1,790,058	2,218,662
Processing/Service Fees		1,209,860	892,251
Other Service Income		811,302	922,801
<b>Gross Income</b>		<b>616,010,030</b>	<b>480,013,509</b>
<b>OPERATING EXPENSES</b>			
Personal Services		45,438,954	36,610,015
Maintenance and Other Operating Expenses		149,951,985	131,973,071
Financial Expenses - Bank Charges		5,457	5,758
<b>Total Operating Expenses</b>		<b>195,396,396</b>	<b>168,588,844</b>
<b>TOTAL OPERATING INCOME</b>		<b>420,613,634</b>	<b>311,424,665</b>
<u>Other Income (Expense):</u>			
Interest Income - Regular		10,708,641	10,146,503
Interest Income - DBP Dollar Placements		39,230,054	35,021,438
Miscellaneous Income		134,602	178,491
Gain / (Loss) on Foreign Exchange	14	36,227,321	26,678,592
<b>NET INCOME BEFORE TAX</b>		<b>506,914,252</b>	<b>383,449,689</b>
Income Tax		(126,224,471)	(93,480,947)
<b>NET INCOME AFTER TAX</b>		<b>380,689,781</b>	<b>289,968,742</b>

*The notes on pages 10 to 18 form part of these financial statements.*

**PHILIPPINE RETIREMENT AUTHORITY**  
**STATEMENT OF CHANGES IN EQUITY**  
**For the Year Ended December 31, 2015**  
(With corresponding figures for CY 2014)  
(In Philippine Peso)

	Note	Paid-in-capital/ Equity	Retained Earnings	Total Equity
Balance, January 1, 2014		63,217,089	719,891,128	783,108,217
Net Income for the FY 2014		0	289,968,742	289,968,742
Balance, December 31, 2014		63,217,089	1,009,859,870	1,073,076,959
Net Income for the FY 2015			380,689,781	380,689,781
Dividend on FY 2014 Net Income			(144,501,127)	(144,501,127)
Dividend on FY 2015 Net Income			(190,440,942)	(190,440,942)
Other Adjustments			16,506,885	16,506,885
<b>Balance-As of December 31, 2015</b>		<b>63,217,089</b>	<b>1,072,114,467</b>	<b>1,135,331,556</b>

*The notes on pages 10 to 18 form part of these financial statements.*

**PHILIPPINE RETIREMENT AUTHORITY**  
**CASH FLOW STATEMENT**  
**For the Year Ended December 31, 2015**  
(With corresponding figures for CY 2014)  
(In Philippine Peso)

	Notes	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Collection of Income		524,079,461	362,826,147
Collection of Receivables		13,024,972	127,395,366
Transfer of Consolidated Interest (PRA's Share)		53,965,784	51,173,239
Gain on Foreign Exchange	14	41,619,104	55,428,014
Interest Income		11,216,958	9,510,263
Receipt of Trust Liabilities		643,732	415,841
Refund of Cash Advances		807,611	1,036,363
Receipt of Payables		11,211,109	11,646,037
Payment of Guaranty Deposits		(2,376,030)	(109,187)
Purchase of Office Supplies		(2,587,487)	(1,882,010)
Release of Cash Advances (Due from Officers/Employees)		(4,705,599)	(5,044,444)
Payment of Payables		(18,642,331)	(33,496,501)
Loss on Foreign Exchange	14	(5,896,435)	(28,943,910)
Payment of Income Tax		(97,376,416)	(84,817,285)
Payment of Operating Expenses		(159,183,057)	(145,893,354)
Refund of Deferred Credits		(1,417,871)	(1,303,466)
Payment of Dividends	13	(144,501,127)	(121,307,471)
<b>Net Cash Provided by Operating Activities</b>		<b>219,882,378</b>	<b>196,633,642</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Maturity of Investment in Bonds and High Yield Deposits		25,495,128	980,656
Purchase of Property, Plant and Equipment:			
Library Books		(2,457)	(310)
Furniture and Fixtures			(59,500)
Office Equipment		(27,600)	(71,558)
Other Machineries & Equipment			(84,036)
Information Technology (IT) Equipment and Software		(37,700)	(860,720)
<b>Net Cash Provided by/(Used in) Investing Activities</b>		<b>25,427,371</b>	<b>(95,468)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>245,309,749</b>	<b>196,538,174</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING</b>		<b>931,490,414</b>	<b>734,952,240</b>
<b>CASH AND CASH EQUIVALENTS, ENDING</b>	<b>2a &amp; 3</b>	<b>1,176,800,163</b>	<b>931,490,414</b>

*The notes on pages 10 to 18 form part of these financial statements.*

**PHILIPPINE RETIREMENT AUTHORITY**  
**NOTES TO FINANCIAL STATEMENTS**

(All amounts in Philippine Pesos unless otherwise stated)

**1. General Information**

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

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

PRA recommends to the Bureau of Immigration, the issuance of Special Resident Retirees Visa, 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 Republic Act No. 9593 last May 12, 2009, the supervision of PRA was transferred from the Department of Trade and Industry to the Department of Tourism. Formal turn-over ceremony was held at the Malacañang Palace on March 10, 2010.

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

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

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

## 2. Summary of Significant Accounting Policies

### a. Cash and Cash Equivalents

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

### b. Provision for Doubtful Accounts

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

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

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

### c. Property, Plant and Equipment

Property, Plant and Equipment are carried at cost less accumulated depreciation. Significant improvements and renewals, including incidental costs are capitalized. The straight-line method of depreciation is being used based on the estimated life of the assets less 10 percent residual/scrap value in accordance with the New Government Accounting System (NGAS) as follows:

<u>Assets</u>	<u>Estimated Life</u>
Office Building	30 years
Office Equipment	5 years
Furniture and Fixture	10 years
IT and Software	5 years
Library Books	7 years
Other Equipment	10 years
Motor vehicle	7 years

### d. Income Recognition

The modified accrual method is used in recognizing income.

### 3. Cash and Cash Equivalents

This account consists of:

	2015	2014
Cash in Bank-Forex, Time Deposits	₱1,112,879,609	₱860,398,581
Cash in Bank-Forex, Savings Account LBP	25,570,780	47,871,221
Cash in Bank-Peso, Current Account LBP	4,061,837	3,015,097
Cash in Bank-Peso, Current Account LBP Cebu Branch	5,248,733	3,646,846
Cash - Collecting Officers	1,034,736	2,302,329
Cash in Bank-Forex, Savings Account LBP Cebu Branch	10,800,546	4,621,776
Cash in Bank-Forex, Savings Account DBP	17,091,106	9,256,217
Petty Cash Fund	0	274,227
Cash in Bank-Peso, Savings Account DBP	112,816	104,120
	<b>₱1,176,800,163</b>	<b>₱931,490,414</b>

### 4. Receivables - Net

This account consists of:

	2015	2014
<u>Current Assets:</u>		
Visitorial Fees (VF)	₱ 36,872,212	₱ 36,824,900
Management Fees	9,944,974	11,448,651
Harmonization Fees	459,468	459,468
Allowance for Doubtful Accounts-VF	(25,964,132)	(25,772,027)
	<b>₱ 21,312,522</b>	<b>₱22,960,992</b>

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



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

Minimum Qualifying Deposit:

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

Visitorial Fees:

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

Retirees who had been delinquent in paying VF for more than three years were sent collection letters/notices. After three notices and the retirees still failed to pay, they were placed on a watchlist 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 the PRA Board of Trustees.

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

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

**5. Investments**

This account represents investments in Treasury and retail bonds, US Dollar and Peso high yield deposit. The other non-current investments in stocks are in golf shares of Baguio Country Club Corporation.

Details are as follows:

	<b>2015</b>	<b>2014</b>
<u>Current</u>		
Investments in High Yield Deposit	₱165,602,000	₱190,602,000
	<b>165,602,000</b>	<b>190,602,000</b>
<u>Non-Current</u>		
Held to Maturity-Investment in Bonds (Long Term)	14,240,770	14,398,012
Investment in Stocks	600,000	600,000
	<b>₱14,840,770</b>	<b>₱14,998,012</b>

#### 6. Inventories

This account consists of:

	<b>2015</b>	<b>2014</b>
Office Supplies Inventory	₱6,480,978	₱5,253,049
Other Office Supplies	83,550	83,550
	<b>₱6,564,528</b>	<b>₱5,336,599</b>

#### 7. Prepaid Expenses

This account consists of:

	<b>2015</b>	<b>2014</b>
Deferred Charges	₱2,671,769	₱2,362,710
Other Prepaid Expenses	474,656	474,656
	<b>₱3,146,425</b>	<b>₱2,837,366</b>

#### 8. Other Current Assets

This account consists of guaranty deposits or amounts deposited with service providers/suppliers to guarantee performance of obligation, such as Philippine Long Distance Telecommunication (PLDT), lessors of the buildings occupied by the Authority, and others. However, major composition of the guaranty deposits was paid to METROBANK-TRUST BANKING GROUP representing Security deposit (three monthly rentals).

## 9. Property, Plant and Equipment - Net

The details of the account are shown below:

	Land and Building	Office/IT Equipment, Furniture, Fixtures and Others	Motor Vehicles	Total
<u>Cost:</u>				
Balance, January 1, 2015	₱56,503,341	₱28,641,476	₱13,789,398	₱98,934,215
Additions	0	73,757	0	73,757
<b>Balance, December 31, 2015</b>	<b>56,503,341</b>	<b>28,715,233</b>	<b>13,789,398</b>	<b>99,007,972</b>
<u>Accumulated Depreciation:</u>				
Balance, January 1, 2015	32,605,901	20,551,590	11,421,874	64,579,365
Additions	1,468,775	1,403,989	551,373	3,424,137
<b>Balance, December 31, 2015</b>	<b>34,074,676</b>	<b>21,955,579</b>	<b>11,973,247</b>	<b>68,003,502</b>
<b>Net Book Value, Dec. 31, 2015</b>	<b>22,428,665</b>	<b>6,759,654</b>	<b>1,816,151</b>	<b>31,004,470</b>
<b>Net Book Value, Dec. 31, 2014</b>	<b>₱23,897,440</b>	<b>₱8,089,886</b>	<b>₱2,367,524</b>	<b>₱34,354,850</b>

## 10. Other Receivables

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

Comparative figures are as follows:

	2015	2014
Management Fees Receivable	₱ 3,450,556	₱ 3,450,556
Other Receivables	1,811,165	1,471,604
Allowance for Doubtful Accounts	(4,529,357)	(4,529,357)
	<b>₱ 732,364</b>	<b>₱ 392,803</b>

Management Fees Receivable represents dues from Bankwise, Inc., whose Memorandum of Agreement was terminated on April 10, 2006. Collection had already been endorsed to the Office of the Government Corporate Counsel (OGCC) for legal action considering that Bankwise, Inc. is now under receivership by the Philippine Deposit Insurance Corporation (PDIC).

## 11. Inter-Agency Payables

The account represents the amount of last quarter income tax payable to the Bureau of Internal Revenue (BIR), and The Bureau of Immigration for the processing of retiree's visa, required to be paid in 2015 and 2016, consisting of:

	2015	2014
Due to BIR	₱36,525,879	₱17,011,193
Due to Other NGAs	573,848	516,115
	<b>₱37,099,727</b>	<b>₱17,527,308</b>

## 12. Deferred Credits

This account consists of:

	2015	2014
Application Fees	₱ 0	₱ 49,499,750
Visitorial Fees	0	16,142,185
Harmonization Fees	0	4,634,100
Retirees' ID	0	2,725,952
Other Deferred Credits	178,444	178,444
Bids and Awards	3,000	3,000
Bank Credits for Reconciliation	432,856	0
	<b>₱ 614,300</b>	<b>₱ 73,183,431</b>

## 13. Dividends Payable

Fifty per cent of the current net earnings after tax is deductible from retained earnings and payable to the Bureau of the Treasury (BTr) pursuant to Republic Act No. 7656. Dividend for FY 2014 in the amount of ₱144,501,127.18 was paid on April 10, 2015. Dividend for the FY 2015 was recorded in the books in the amount of ₱190,440,942.91, and was paid on April 8, 2016.

## 14. Gain/(Loss) on Foreign Exchange

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

## 15. Membership Dues and Contributions to Organizations

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

## 16. Interest Payable

This is the “Funds Held in Trust – DBP Consolidated Interest Payable” account which represents retirees’ share in the interest income arising from visa deposits held in trust for the account of the retiree-members.

## 17. Cash Deposits from Retirees – Restricted / Funds Held in Trust – Retirees’ Deposits (Trust Liabilities)

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

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

Cash Deposits	₱7,920,782,982
Funds Held in Trust-Retirees’ Deposit	7,920,782,982
Difference	₱ 0

## 18. Requirements under Revenue Regulations (RR) 15-2010

The information on taxes, duties and licenses fees paid or accrued during the taxable year required under RR 15-2010 are as follows:

### a. Withholding Taxes:

The details of total withholding taxes for the year ended December 31, 2015 are as follows:

Compensation and Benefits	₱ 4,249,061.88
Creditable (Expanded)	5,621,349.90
Creditable (VAT)	3,564,519.82
<b>TOTAL</b>	<b>₱ 13,434,931.60</b>

**b. Income Tax Return:**

The details of total Income Tax Return for the year ended December 31, 2015 are as follows:

QUARTER	INCOME TAX EXPENSE	CREDITABLE withholding tax on Management Fees	NET AMT PAID	CHECK#	DATE
1st Qtr	₱ 26,328,192.12	₱ 2,627,459.89	₱ 23,700,732.23	2656102	29-May-15
2nd Qtr	31,308,240.84	2,420,506.75	28,887,734.09	2657560	28-Aug-15
3rd Qtr	32,062,158.18	2,020,989.88	30,041,168.30	2686911	27-Nov-15
4th Qtr	36,525,879.77	3,230,824.77	33,295,055.00	2716018	14-Apr-16
	<b>₱126,224,470.91</b>	<b>₱10,299,781.29</b>	<b>₱115,924,689.62</b>		

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

Of the 32 prior year's audit recommendations embodied in the previous year's Annual Audit Report, 16 were fully implemented, 11 were partially implemented, and five were not implemented.

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
AAR 2014 AO No. 1 Page 18	<p>1. Accounts Receivable – Visitorial Fee in the amount of P35.540 million representing annual fee due from retirees in view of the conversion of their visa deposit requirements into investments remained unsettled/ uncollected, from one to more than nine years as of December 31, 2014, thus, depriving the PRA of the revenue that should have been utilized in their operations or the benefits/ interests that should have been derived had these receivables been collected and invested in high yield investments.</p> <p>Moreover, the appropriate blacklisting and/or visa cancellation by the Bureau of Immigration and Deportation (BID) was not pursued by the PRA for the years contrary to PRA Board Resolution No. 19 series of 1996.</p>	<p>We recommended that Management take action of the following:</p> <p>a. exert effort to implement the sanctions as provided under the agreement to encourage the retirees to settle their VF delinquency accounts;</p> <p>b. maximize the output of the Monitoring Team of PRA, if any, to include among others, the verification, inspection, and confirmation of the whereabouts of the retirees and their present status; and</p>	<p>Partially Implemented.</p> <p>Publications to major newspapers of general circulation have been made for the notification of the retirees with delinquent accounts involving annual visitorial fees that have been long outstanding in the PRA books. Publications were made in Manila Bulletin Publishing Corp., Philippine Daily Inquirer Incorporated, and Phil Star Daily Inc. all dated March 8, 2015.</p> <p>Partially Implemented.</p>

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		<p>c. provide a "Remarks" column in the schedule of Receivable- VF stating the status of the retirees and the management action/s on their corresponding account.</p>	Fully Implemented.
<p>AAR 2014 AO No. 2 Page 21</p>	<p>2. There was inconsistency in the recording of A/R - VF due to discontinuance of Management to recognize the appropriate receivable account from the concerned retirees contrary to the Framework for the Preparation and Presentation of the Financial Statements which was issued by the Board of Accountancy and Accounting Standards Board.</p>	<p>We recommended that Management ensure that the Accounts Receivable - Visitorial Fee are recognized and recorded annually since the agreement states that the VF is due and demandable annually to avoid understatement of the Receivable and the corresponding income.</p>	<p>Not Implemented.</p> <p>PRA has reservations on the recording of income and accounts receivable with delinquent status due to conservative reporting of income actually received by PRA. Those of uncollectible and highly doubtful in nature have been stopped on their accrual but billing procedures with them are still strictly done.</p>
<p>AAR 2014 AO No. 3 Page 23</p>	<p>3. The Accounts Receivable - Visitorial Fee (VF), Management Fee, and Deferred Credits - Harmonization Fees accounts with balances of P36.824 million, P11.449 million and P4.634 million, respectively, as of December 31, 2014 were not</p>	<p>We recommended that Management undertake the following:</p> <p>a. prepare complete subsidiary ledgers for the Accounts Receivables - Visitorial Fee and Deferred Credits - Harmonization accounts and reconcile its balances with those in the schedule and the</p>	<p>Partially Implemented.</p> <p>Other retiree-members recorded in the books not having subsidiary ledgers are continuously being completed in the manually hand written ledgers.</p>



REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	<p>supported with complete subsidiary ledgers (SL). Likewise, most of the balances of the SLs did not tally with the amount reported in the schedules.</p> <p>In addition, no subsidiary ledgers were maintained per bank for Management Fee Receivable amounting to P11.449 million thus, casting doubts on the validity of the amount reported in the financial statements, contrary to Sections 29 and 59 of P.D. 1445 and paragraph 38 of the Framework for the Preparation and Presentation of the Financial Statements.</p>	<p>the Financial Statements; and</p> <p>b. maintain subsidiary ledgers per accredited private bank to ensure proper monitoring of the Receivable - Management Fee.</p>	<p>Soft copies of these ledgers are complete and being updated daily.</p> <p>Partially Implemented with server file.</p> <p>Reconciliation with the accounts found in all accredited banks SL as against the reports from the Financial Management Division are still for updating. Additional manpower are needed due to resignations by some of our staff performing the manual encoding of retiree-members with accounts with the accredited private banks. This must be prioritized in order to follow the recording of aggregate amount of deposits with corresponding management fees paid by banks.</p>
AAR 2014 AO No. 4 Page 26	4. The accuracy, validity and reliability of the balance of the Property Plant and Equipment (PPE) account amounting to P34.355 million is doubtful in view of the non-reconciliation of the balance per books	<p>We recommended that Management:</p> <p>a. exert effort in reconciling the balances of the Property Inventory Report vis-à-vis the balance of PPE per accounting records as of December 31, 2014;</p>	<p>Partially Implemented.</p> <p>Reconciliation of physical inventory with PRA books was not fully done due to unfinished inventory of</p>

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	<p>and the results of the inventory count; non-maintenance of subsidiary ledgers; inability to reclassify unserviceable items to Other Assets account; and the non-issuance of the Acknowledgment Receipt of Equipment (ARE) to some employees who are in actual custody of the equipment/property .</p>	<p>b. maintain subsidiary ledgers for all Property, Plant and Equipment;</p> <p>c. prepare an Inventory and Inspection Report of Unserviceable Properties (IIRUP) listing down all defective and unserviceable properties subject to disposal;</p> <p>d. pending disposal, prepare a JEV to reclassify unserviceable properties to Other Assets account; and</p>	<p>properties as of December 31, 2014. Inventory counting of all physical properties was done but the designation of the but the designation of the identified items did not completely match with the Acknowledgment Receipt of Equipment (ARE) of employees due to unfinished issuance of ARE to all employees.</p> <p>Partially Implemented.</p> <p>Subsidiary ledgers for the PPE items in Satellite Offices are all done but the items in the HO are still for completion.</p> <p>Fully Implemented.</p> <p>Fully Implemented per JEV#2080470 dated 04/30/14.</p>

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		<p>e. identify the persons who are in actual custody of the equipment and require the property officer to issue an Acknowledgment Receipt of Equipment (ARE) to establish accountability and monitoring thereof.</p>	<p>Partially Implemented.</p> <p>Satellite offices employees are updated with their ARE. Employees in the Head Office are still in process.</p>
<p>AAR 2014 AO No. 5 Page 30</p>	<p>5. Unrecorded deposits, bank debits and prior year's deposit in transit as of December 31, 2014 in the amount of P8.818 million, P0.534 million and P2.931 million respectively, resulted in the understatement of the Cash, Expenses and Retained Earnings accounts contrary to Section 10 of the Framework for the Preparation and Presentation of Financial Statements issued by the Accounting Standards Board.</p>	<p>We recommended that Management:</p> <p>a. re-study the procedure in the recording of collections from clientele to ensure that all deposits in PRA's accounts are properly recorded on time and reconciled with bank records;</p> <p>b. exert extra effort in tracing and analyzing the unrecorded</p>	<p>Partially Implemented.</p> <p>Unrecorded and unidentified bank transactions that are long outstanding were temporarily lodged to Deferred Credits and Charges account. Coordination with Land Bank of the Philippines is necessary to trace the records of these long outstanding unrecorded bank transactions. Affected accounts in 2014 to present are being monitored and updated closely upon occurrence of the transactions.</p> <p>Partially Implemented.</p>

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		<p>deposits and debits and come up with appropriate documentations; and</p> <p>c. provide the necessary adjusting entries in the accounting records to update the accounts affected and come up with updated balances.</p>	<p>Partially Implemented.</p> <p>Temporarily lodged to Deferred Credits and Deferred Charges account per JEV# 2080880 dated 03/31/15.</p>
<p>AAR 2014 AO No. 6 Page 33</p>	<p>6. The reliability of the balance of the Supplies Inventory account in the amount of P5.337 million as of December 31, 2014 cannot be ascertained due to the discrepancy noted between the balance per books and the stock position reports in the amount of P448,775.59, thus, a variance of P4.89 million. In addition, an abnormal negative balance of Supplies Inventory – Accountable Forms amounting to P0.739 million was also noted contrary to paragraphs 25, 27, 30, 31, and 33 of the Framework for the Preparation and Presentation of Financial Statements.</p>	<p>We recommended that Management:</p> <p>a. exert extra efforts in reconciling the balances per stock position report and the accounting records and prepare adjusting entries to present accurate balance of the accounts;</p> <p>b. ensure that all receipts and issuance of supplies are accounted, and recorded; and</p>	<p>Not Implemented.</p> <p>Items found in the stock position report are still in reconciliation procedures with the balances found in the financial statements.</p> <p>Partially Implemented.</p> <p>For the FY 2014, all Office Supplies items with issuances and receipts are monthly monitored by the Supply Officer with corresponding reconciliation with the accounting unit in treating specific items with their proper Office Supplies account classifications.</p>

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		<p>c. verify if there were unauthorized issuances of supplies otherwise, it has to be investigated and appropriate sanction be imposed.</p>	<p>Fully Implemented. All items issued are all verified thoroughly by the Supply Officer. Proper recording with the books for the previous years is still in process.</p>
<p>AAR 2014 AO No. 7 Page 36</p>	<p>7. The Accounts Payable (A/Ps) account balance of P24.157 million as of December 31, 2014 included payables that have been long outstanding from two to five years amounting to P4.054 million which were not reverted to the Retained Earnings contrary to the guidelines prescribe under the DBM-COA Joint Circular No. 99-6 dated November 13, 1999 implementing Executive Order No. 109 on the reversion of accounts payable.</p>	<p>We recommended that Management take action of the following:</p> <p>a. comply with the procedural guidelines as stated under the Joint Circular as follows:</p> <ol style="list-style-type: none"> <li>1. review and analyze all recorded payable accounts that remained outstanding for two years or more;</li> <li>2. prepare the corresponding Journal Entry Voucher (JEV) and revert to Retained Earnings, all A/Ps that remained outstanding for two years duly supported by a List of A/Ps reverted;</li> </ol> <p>b. All A/Ps that were reverted to R/E may be considered for</p>	<p>Fully Implemented.</p> <p>Fully Implemented. per JEV# 2080911 dated 04/30/15.</p> <p>Not Implemented.</p>

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		<p>payment upon determination, through administrative processes of the existence, validity and legality of the claims, subject to the following procedures:</p> <ol style="list-style-type: none"> <li>1. the claimants shall take the initiative to file their request with the PRA.</li> <li>2. the claimants shall submit pertinent documents such as: approved contracts; proof that services had been rendered; proof that assets and other properties had been delivered; projects have been completed and accepted by the PRA and other documents to prove the validity and legitimacy of their claims.</li> <li>3. upon establishment of the proof of validity to settle the claim, such shall be supported with a certified copy</li> </ol>	

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		<p>of the JEV showing that the A/P had been reverted to CROU/R/E and a justification for the non-payment of the claims during the past years.</p> <p>c. In addition, subsidiary ledgers shall be maintained for all A/Ps reverted to R/E for monitoring purposes and for future reference in case payments will be/had been made.</p>	Not Implemented.
AAR 2014 AO No. 8 Page 38	<p>8. For CY 2014, PRA incurred total expenditures amounting to P166.317 million without a Department of Budget and Management (DBM) approved Corporate Operating Budget (COB), inconsistent with Sections 3.1 and 6.4 of Corporate Budget Circular No. 20 dated April 27, 2005. The 2013 Reenacted COB was not amended to include the release of funds for payment of salaries as a result of the implementation of</p>	<p>We recommended that Management:</p> <p>a. strictly comply with the requirements set under Corporate Budget Circular No. 20 dated April 27, 2005, specifically Sections 3.0 to 3.2 and 6.4 thereof;</p> <p>b. justify and/or explain the noncompliance of the abovementioned Budget Circular and the unauthorized/unapproved budget for CY 2014 without prejudice to any liability of the concerned officer/s for the noncompliance;</p>	<p>Fully Implemented.</p> <p>Fully Implemented.</p>

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	<p>the PRAs Rationalization Plan.</p> <p>Since PRA was operating on a Reenacted 2013 COB, it had disbursed an excess amount of P13.506 million and P105.362 million on all items of expenditures for Personal Services (PS) and various Maintenance and Other Operating Expenses (MOOE) respectively, without the required confirmation of the said excess expenditures by the DBM.</p>	<p>c. have the Approved Reenacted budget amended to include the release of funds for the payment of salaries and other related expenses as a result of the implementation of the PRAs Rationalization Plan including expenditures for Capital Outlay;</p> <p>d. secure confirmation on the said expenditures from the DBM; and</p> <p>e. reconcile inconsistencies in the Budget report with that in the FS or as recorded by the Accounting Unit.</p>	<p>Fully Implemented.</p> <p>Fully Implemented.</p> <p>Fully Implemented.</p>
<p>AAR 2014 AO No. 9 Page 43</p>	<p>9. Results of the cash count conducted at the PRA's Satellite Offices (PSOs) revealed delayed submission and processing of the replenishment of revolving/ petty cash fund ranging from one to five months that constrained the Retirees' Assistant Officers (RAO) from using their own personal fund to defray daily expenses of their respective satellite office adversely</p>	<p>We recommended that Management take action of the following:</p> <p>a. implement controls and procedures that will reduce if not totally eliminate the delay in the submission and processing of the RAOs replenishment;</p> <p>b. advise the RAOs to submit regularly the documents for replenishment and the Accounting Division to act/process the same promptly; and</p>	<p>Fully Implemented.</p> <p>Fully Implemented.</p>



REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	affecting the PSOs' operations and delivery of services to the retirees.	c. require the Satellite RAOs to maintain the cash book or any alternative record wherein they can monitor the balance of their petty cash/revolving fund.	Fully Implemented.
AAR 2014 AO No. 10 Page 48	10. PRA has not prepared a submitted a Gender and Development (GAD) Plan and Budget (GPB) aimed to respect, protect and fulfill the rights of women at the socio-cultural, economic and political spheres as set forth under Executive Order (EO) No. 273, and PCW-NEDA DBM Joint Circular No. 2012-01.	We recommended that Management:  a. comply with Executive Order No. 273 and Joint DBM-NEDA Circular No. 2012-01;  b. incorporate and/or allocate a 5 per cent budget for PRA's GAD activities; and  c. thereafter, prepare and submit the required accomplishment report relative to the GAD activities and/or projects implemented in relation to the GADs plans and programs.	Not Implemented.  Fully Implemented.  Fully Implemented.

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### 1. Long, unidentified and undocumented bank transactions affected the reliability, accuracy and fair presentation of Cash in Bank account

The reliability, accuracy, and fair presentation of the Cash in Bank account as of December 31, 2015 could not be ascertained due to long, unidentified and/or undocumented bank transactions aggregating ₱19.329 million contrary to Section 10 of the Framework for the Preparation and Presentation of Financial Statements.

1.1 Section 10, Paragraphs 31 and 38 of the Framework for the Preparation and Presentation of Financial Statements provides:

*“Parag. 31. Reliability*

*To be useful, information must also be reliable. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent.*

*Parag. 38. Completeness*

*To be reliable, the information in the financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance.”*

1.2 Reconciliation between the book and bank balances of the Cash in Bank accounts is absolutely necessary so as to ensure reliability and accuracy of the balances reported in the financial statements.

1.3 As of December 31, 2015, bank reconciliation statements were prepared for all Cash in Bank accounts of the PRA. However, verification of the bank reconciliation statements showed that journal entries were made for the following reconciling items as of December 31, 2014 aggregating ₱12.144 million thus, instead of reconciling these items and recording these to its appropriate accounts, PRA recognized these as Other Deferred Credits and Deferred Charges:

1. Deposit in transit (DIT)	₱ 2,698,543.97
2. Unrecorded Bank Credits	8,854,290.96
3. Unrecorded Debits	590,764.36
<b>TOTAL</b>	<b><u>₱ 12,143,599.29</u></b>

1.4 These reconciling items pertain to prior years, however, we reiterate this observation because we believe that the longer these reconciling items persist in

the books, the higher is the tendency that these will be difficult to reconcile as it will continue to accumulate every year.

1.5 The following tables shown on Annex-I are details of the reconciling items as of December 31, 2014 which were recorded as Other Deferred Credits – Bank Credits for Reconciliation during the year.

1.6 The reconciling items and the accounting entries made to the Other Deferred Credits and Deferred Charges are shown below:

1. Deposit in Transit

Other Deferred Credits	₱2,698,543.97
Cash in Bank	₱2,698,543.97

2. Unrecorded Bank Credits

Cash in Bank	₱8,854,290.96
Other Deferred Credits	₱8,854,290.96

3. Unrecorded Debits

Deferred Charges	₱ 590,764.36
Cash in Bank	₱ 590,764.36

1.7 While the above reconciling items (deposit in transit and unrecorded bank credits) were recorded as Other Deferred Credits and the unrecorded bank debits as Deferred Charges, there were still some reconciling items that existed in the Bank Reconciliation Statement (BRS).

1.8 Most of the reconciling items were already recorded in the books as Deferred Accounts, the Accounting Division’s responsibility to match and/or identify does not cease. Proper documentation is still necessary to support the adjustments of the Deferred Accounts to the proper account.

1.9 Therefore, the charges to the Deferred Accounts on the unidentified or undocumented cash transactions do not reflect the reliability of the Cash in Bank account since the Deferred Account is just a temporary account that requires efforts by the Accounting Division for adjustment to an appropriate account.

1.10 In summary, the unidentified or undocumented cash in bank transactions representing Other Deferred Credits, Deferred Charges, and the reconciling items existing in the Bank Reconciliation Statement (BRS) amounted to ₱11.552 million, ₱0.591 million and ₱7.186 million respectively or a total of ₱19.329 million as shown below:

Undocumented/Unidentified Bank Transactions	Recorded as Deferred Charges	Amount
Deposit in Transit	Other Deferred Credits	₱ 2,698,543.97

<b>Undocumented/Unidentified Bank Transactions</b>	<b>Recorded as Deferred Charges</b>	<b>Amount</b>
Unused Bank Credits	Other Deferred Credits	8,854,290.96
<b>Sub-total</b>		<b>11,552,834.93</b>
Unrecorded Bank Credits	Deferred Charges	590,764.36
Existing Reconciling Items in the BRS		7,185,571.94
<b>TOTAL</b>		<b>₱ 19,329,171.23</b>

**1.11 We recommended that Management:**

- a. Pursue and exert efforts to reconcile the long, unaccounted/unidentified bank transactions in order to adjust to the appropriate account the Other Deferred Credits and Deferred Charges accounts previously recorded;**
- b. Adjust immediately the accounts affected for any items already identified and/or documented so as not to keep the balance of unreconciled items accumulating;**
- c. Institute measures to avoid if not eliminate the recurrence of reconciling items of these nature;**
- d. Coordinate with the bank and other concerned officers for the proper and speedy reconciliation process; and**
- e. Explain the recorded variance of ₱0.879 million.**

**1.12 Management commented that:**

- a. The FMD is in the process of reconciling the long unreconciled/unidentified bank transactions mentioned in the audit observation. It assured the Audit Team that these items pertaining to CYs 2001 to 2013 will be addressed and reconciled properly with Land Bank of the Philippines (LBP).
- b. Items pertaining to CYs 2014 to 2016 are continually monitored daily and unrecorded bank transactions identified from these daily monitoring are communicated correspondingly with LBP for the follow-up of bank debit/credit memos/notices.
- c. PRA will coordinate again with LBP for the measures on how to address and reconcile with PRA books the long unreconciled bank transactions.
- d. The FMD is in great confidence that these long unreconciled bank transactions, although unrecorded in PRA books, are just in need of supporting bank credit/debit memos from LBP and proper reconciliation of these items are just connected with other reconciling items temporarily lodged in the books as bank deferred credits/charges.
- e. With regard to the variance of ₱462,884.80, these represent those items which were issued OR on a later date as shown in the next page.

LBP Dollar Account No. 2204-0086-82 (Unrecorded Bank Credits)			
Date	US Dollar	Php Equivalent	Remarks (Issuance of OR)
08/01/14	\$ 500.00	₱ 22,340.00	OR# 3396893 dated 04/15/15
08/07/14	360.00	16,084.80	OR# 9298747 dated 03/25/
08/26/14	2,060.00	92,040.80	OR# 3396844 dated 04/08/15
08/26/14	500.00	22,340.00	OR# 9298726 dated 03/25/15
12/11/14	360.00	16,084.80	OR# 0944916 dated 01/09/15
12/22/14	3,460.00	154,592.80	OR#s 0944891 and 0944892 both dated 01/06/15 @ 1,400.00 and 2,060.
12/23/14	360.00	16,084.80	OR# 0944938 dated 01/14/15
12/29/14	2,760.00	123,316.80	OR# 2950718 dated 02/13/15
<b>TOTAL</b>	<b>\$ 10,360.00</b>	<b>₱ 462,884.80</b>	

**2. The existence, completeness, accuracy and reliability of the Property, Plant and Equipment account is doubtful due to various deficiencies**

The existence, completeness, accuracy and reliability of the Property, Plant and Equipment (PPE) account with a balance of ₱31.004 million as of December 31, 2015 could not be ascertained due to incomplete inventory taking, absence of inventory reports, inability to reclassify construction in progress account, non-issuance of Acknowledgement Receipt of Equipment (ARE) to some employees who are in actual custody of the equipment/property and non-maintenance of subsidiary ledgers.

- 2.1 Section 490 of Government Accounting and Auditing Manual (GAAM), Volume 1, provides that physical stock-taking is an indispensable procedure for checking the integrity of property custodianship. In all cases, the physical inventory-taking, which is required semi-annually or annually, should be regarded with importance.
- 2.2 As of December 31, 2015, the inventory taking of all properties located at the PRA Head Office (HO) was not completed while no inventory taking was conducted on the two satellite offices located at Clark, Subic Pampanga and Baguio City. Although inventory taking was conducted at the satellite offices of Davao and Cebu, no inventory report was submitted as of this writing.
- 2.3 The existence, accuracy and completeness of these PPE accounts were not established in the absence of the inventory of the PPE items as well as in the non submission of inventory report for inventory conducted at Cebu and Davao Satellite Offices. As of year end, the total PPE reported in the books, which were subject for inventory taking are as follows:

Name of PPE	Cost	Accumulated Depreciation	Net Book Value
Office Building	₱55,389,982.38	₱33,924,321.77	₱21,465,660.61
Other Structures	189,722.48	54,654.21	135,068.27
Leasehold Improvements	516,609.31	95,700.00	420,909.31
Other Leasehold Improvements			120,826.50
Office Equipment	2,614,039.18	2,160,931.79	453,107.39
Furniture and Fixtures	6,466,042.16	5,544,321.14	921,721.02

Name of PPE	Cost	Accumulated Depreciation	Net Book Value
IT Equipment & Software	16,463,230.14	11,513,842.42	4,949,387.72
Library Books			47,789.10
Other Equipment	560,838.03	480,058.12	80,779.91
Motor Vehicles	13,789,398.50	11,973,247.23	1,816,151.27
Other Property & Equipment	2,563,294.12	2,256,424.88	306,869.24
Construction Dev. In Progress	286,200.00		286,200.00
TOTAL			₱31,004,470.34

- 2.4 Furthermore, the inventory reports will serve as management tool in evaluating the status and/or condition of the properties whether or not the property is serviceable or not.
- 2.5 On the observation regarding the non-issuance of ARE, we have already pointed out this issue in our previous year's audit report. To date, this issue remained not fully implemented.
- 2.6 Attention is therefore invited to the pertinent provision of Section 56, Volume II of GAAM, which provides that:
- “xxx equipment issued by the property officer for officials and employees shall be covered by Memorandum Receipt for Equipment (MR), now Acknowledgement Receipt for Equipment (ARE), which shall be renewed every 3<sup>rd</sup> year after issue.”*
- 2.7 Moreover, no subsidiary ledgers were maintained for some PPEs. The importance of subsidiary ledgers cannot be disregarded because these records show the details of the individual items of property plant and equipment. This will allow Management and other financial statement users to get a complete data or history of the property, thus enabling them to use the same in planning and/or decision making.
- 2.8 Section 29 of Presidential Decree(PD) 1445, provides that:
- “Controlling accounts in the general ledger shall be supported by details in the subsidiary ledgers. SLs provide the detailed individual balances making up the general ledger total. SLs support the general ledger and also provide further breakdowns of financial statements totals where desired.”*
- 2.9 We have also noted that the Construction in Progress (CIP) account amounting to ₱286,200.00 was not reclassified to the appropriate PPE account despite the fact that these improvements have long been completed.
- 2.10 The non-reclassification of the CIP account resulted in the understatement of the PPE, Depreciation Expenses, Accumulated Depreciation and overstatement of the CIP accounts.

**2.11 We recommended that Management:**

- a. Maintain subsidiary ledgers for all PPEs;**
- b. Complete the inventory taking of all PRA properties and come up with inventory reports disclosing, among others, the location of the property, the persons accountable or in possession of the property, status and/or condition;**
- c. Prepare report and reconcile the balances of the PPE reported in the books of PRA based on the results of the inventory taking;**
- d. Justify why no inventory taking was conducted at Subic/Clark and Baguio Satellites Offices and the delayed completion of inventory taking at the Head Office as well as the non-submission of the inventory report as of December 31, 2015 for PPEs located at Davao and Cebu Satellite Offices;**
- e. Reclassify the CIP to the appropriate PPE account and provide depreciation thereafter; and**
- f. Issue Acknowledgment Receipt of Equipment to persons who are in actual custody of the equipment.**

2.12 In reply, Management stated the following:

- a. The implementation of maintaining Subsidiary Ledgers for all PPEs already started last year. It was, however, delegated to a Job Order employee who unfortunately decided not to renew her contract with PRA. Management has no choice but to wait for a replacement. Management will be delegating again to another staff to continue the full implementation in compliance with the said Audit Observation Memorandum (AOM).
- b. Within this year, the Authority will exert best efforts to complete the inventory taking of all PRA properties, with the responsibility of Property Custodian/Supply Officer, representative from Finance Division and PRA-Commission on Audit (COA).
- c. The report and reconciled balances of the PPE in the books of PRA will be submitted accordingly after the completion of the inventory taking.
- d. The inventory taking was not conducted at Subic Clark and Baguio Satellite Offices while there was delay in the completion of inventory taking at the Head Office because of the following reasons:
  - d.1 Lack of manpower to perform. The Finance – Accounting Unit has reports and other mandatory tasks to do in order to beat the deadlines, which coincided with the schedules cited in the Office Order.
  - d.2 Unavailability of the Finance representative or of the COA representative on the planned schedules of inventory taking. On the other hand, there

was a written report on the physical inventory of PRA properties at Davao and Cebu Satellite Offices, however, PRA inadvertently missed to provide PRA-COA with a copy. In compliance, Management is providing a copy of the report dated December 16, 2015, signed by the Supply Officer.

- e. The reclassification and the provision of depreciation thereafter of the CIP will be attended as soon as proper documents are obtained from the staff/officers who can give details leading to establish the completion of the project.
- f. ARE were issued to persons who have the custody of the equipment as evidenced by the attached ARE of Davao and Cebu Satellite Offices. The same will be issued to other persons concerned after the completion of the inventory taking at Subic Clark, Baguio and Head Office.

#### Auditors Rejoinder

2.13 Management's claim that one of the reasons why no inventory taking was conducted at Subic, Clark and Baguio Satellite Offices was the unavailability of the COA Representative was incorrect. In fact, one of the Audit Team members had been issued a travel order for this activity. The Audit Team was just waiting for the availability of the Finance Representative. Moreover, the inventory report mentioned in the Management Comments was nowhere to be found. The report being referred could be the one submitted to COA on the inventory/travel conducted and not the Inventory Report on PPEs.

### 3. Unserviceable equipment already disposed but still recorded in the books

**Various unserviceable equipment amounting to ₱306,763 which were disposed and/or donated to a Local Government Unit (LGU) were still recorded in the books thus, overstating the PPE account of the PRA.**

3.1 Section 10, Paragraph 31 of the Framework for the Preparation and Presentation of Financial Statements provides:

*"Parag. 31. Reliability*

*To be useful, information must also be reliable. Information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it either purports to represent or could reasonably be expected to represent."*

3.2 Inspection of the said unserviceable equipment revealed that these were no longer located in the stockroom. Inquiry from the Property Officer disclosed that PRA disposed various unserviceable equipment comprising of 63 items through donation to an LGU. However, no documents were submitted to the Accounting Division pertaining to the receipt and/or acknowledgment of the recipient LGU thus, these unserviceable equipment were still recorded in the books as of December 31, 2015.



3.3 Details of these equipment are shown below:

Equipment Category	Acquisition Cost	Accumulated Depreciation	Net Book Value
IT Equipment	₱2,360,013.98	₱2,119,188.14	₱240,825.84
Office Equipment	401,934.83	359,342.32	42,592.51
Furniture and Fixtures	14,246.20	12,821.58	1,424.62
Other Equipment	219,204.93	197,284.44	21,920.49
<b>TOTAL</b>	<b>₱2,995,399.94</b>	<b>₱2,688,636.48</b>	<b>₱306,763.46</b>

3.4 The non-recording of these unserviceable equipment which have been disposed through donation resulted in the overstatement of the Other Assets account of the PRA.

**3.5 We recommended that Management:**

- a. Require the former Supply Officer to submit the documents relative to the disposal of the subject unserviceable equipment; and**
- b. Effect adjustments in the books upon receipt of the documents relative to the donation.**

3.6 Management commented that the “Other Assets” account found in the PRA books consists of unserviceable PRA properties and equipment subject to disposal as stated in the observation memorandum. These items were already transferred to Brgy. Bagong Pook, Sta. Maria, Laguna dated June 11, 2014 by way of donation. The current Supply Officer already forwarded the supporting documents to the Financial Management Division (FMD) pertaining to the donated items which were only forwarded by the previous Supply Officer as per compliance with the observation memorandum. The FMD will make the necessary reconciliation and adjustments with the “Other Asset” account per lists provided by the Supply Officer as against the attached schedules prepared by the FMD.

**4. Accounts Payable not supported with complete documents**

**Accounts Payable (A/P) in the amount of ₱33.224 million as of December 31, 2015 is of doubtful validity due to the inclusion of various payables amounting to ₱18.874 million which was obligated on December 29, 2015 without complete documentation that will ensure that services have been rendered and goods were received by PRA. Furthermore, there were various payables of two years or more amounting to ₱2.184 million, which were not reverted to Retained Earnings, contrary to Department of Budget and Management (DBM)-COA Joint Circular No. 99-6 dated November 13, 1999 implementing Executive Order No. 109.**

4.1 The Matching Principle & Concept requires that expenses incurred by an organization must be charged to the income statement in the accounting period in which the revenue, to which those expenses relate, is earned.

4.2 Records disclosed that PRA obligated the amount of ₱18.874 million under Journal Entry Voucher (JEV) No. 2081194 dated December 29, 2015 that was supported

by a mere listing of expenditure items incurred by different PRA units/departments and satellite offices during CY 2015.

- 4.3 Since no supporting documents were attached to the JEV in setting up the ₱18.874 million, it creates doubt whether all these obligations were valid and in compliance with the basic principle in recognizing liability.
- 4.4 Although our verification disclosed that ₱15.818 million was already paid in CY 2016, ₱3.056 million was still unpaid as of this writing. This practice could result in the accumulation of payables in the books that was evident with the presence of various stale checks in the past and long outstanding obligations which was reverted back to the Retained Earnings account.
- 4.5 Therefore, complete documentation of the obligated A/P is necessary so as to determine the validity of the A/P recorded.
- 4.6 These A/P which have remained outstanding for two years or more in the amount of ₱2.184 million affected the reliability of the balance reported since these could overstate the Payable account of PRA because if the payees rendered services and delivered the goods to PRA, then they are aware of their receivables from PRA, and there is no reason why not claim the amount due them.
- 4.7 The reversion of the A/P outstanding for two years or more is a reiteration of our prior year's audit observation.
- 4.8 COA-DBM Joint Circular No. 99-6 dated November 13, 1999 provides the guidelines and procedures relative to the reversion of accounts payable. The general guidelines of this Joint Circular states that:

*"3.1 All documented A/Ps of all funds which have remained outstanding for two (2) years, shall be reverted to the Cumulative Results of Operations-Unappropriated (CROU) now Retained Earnings (RE)"*

*3.3 All undocumented A/Ps, regardless of the year they were incurred, shall immediately be reverted to the CROU."*

- 4.9 However, the procedural guidelines of the same Circular assures that A/Ps reverted to RE can still be claimed by the rightful claimants. Some of the procedures to be undertaken are as follows:

*"1. The claimants shall take the initiative to file their request with the agency concerned.*

*3. The claimants shall submit the pertinent documents to prove the validity and legitimacy of their claims."*

**4.10 We recommended that Management:**

- a. **Ensure that all obligations recorded in the book are supported with complete documentation; and**
- b. **Comply with the procedural guidelines as stated under the Joint Circular which we reiterated as follows:**
  - b.1 **Review and analyze all recorded Payable accounts that remained outstanding for two years or more; and**
  - b.2 **Prepare the corresponding JEV and revert to Retained Earnings, all A/Ps that remained outstanding for two years duly supported by a List of A/Ps reverted.**

4.11 Management asserted that some supporting documents in the JEV setting the Accounts Payable were filed in a folder named Certified Obligations 2015. They further asserted that recording of A/Ps was not just by listings but based on the documents submitted by different departments/divisions which were immediately returned to them after recording. Since the documents are original, the FMD preferred to establish and file the A/Ps in listing form so that it will not be very bulky and that the original document will not be lost and the processing of its payment will not be hampered.

4.12 Furthermore, most of the accounts payable which have remained for two years are those payees who are having problems in issuing Official Receipts (OR) as a counterpart of the checks issued. Likewise, the Check Releasing Section is also making follow-up calls in order that the checks will be picked-up. In addition to the actions made, PRA will comply with the recommendations.

**4.13 Auditor's Rejoinder**

It is the Audit Team's position that in order for us to establish validity of the recorded obligations/payables of PRA, a certified true copy of the documents presented by the different units/departments which were returned by the FMD be attached to the JEV setting up the liability of the PRA as of year end.

**5. Interest due to retirees not paid on due date**

**The interest due to retirees representing their share in the interest of their visa deposits amounting to ₱33.872 million was not remitted to them on due date such that a very small portion equivalent to 8.76 per cent or ₱2.969 million only was paid as of December 31, 2015. This slow remittance not only showed minimal compliance with the procedures established by the PRA's Banking Committee (PBC) but also affected the PRA's efficiency and effectiveness to its commitment with retirees.**

5.1 Based on the established procedures prepared by the PBC, all retirees enrolled or registered under the PRA's retirement programs are required to deposit certain

amount in the PRA depository bank otherwise known as “Visa Deposit”. The interest generated out of this deposit was then apportioned to the retirees and PRA at a rate set by the PBC.

5.2 The following steps and/or procedures set by the committee relative to management and distribution of retirees’ interest from their visa deposit was extracted from the PRA’s Process Flow Chart; viz:

- a. The Finance Division will generate a report which will contain the computation of interest payable to retirees with active account in DBP. The percentage of the interest to be given to the retirees is to be predetermined yearly by the PRA Banking Committee. From June 2011 to May 2012, the banking committee established a rate of 0.3 per cent;
- b. A distinct and separate account is to be established in DBP which will be exclusively used as a depository account for the interest to be paid to retirees;
- c. After the account is established, the retirees will be notified that they are entitled to receive the interest;
- d. The retirees will then decide whether the interest will be credited to their account or a separate peso or dollar account in their name will be established with DBP. There will be no direct cash payment to be made to any retiree;
- e. A letter from PRA will be sent to all entitled retirees together with a form they shall use to communicate how they prefer to receive their interest. The notice of interest payment will also be posted in the PRA website; and
- f. The PRA Banking Committee will oversee the disbursement of the interest due to PRA Retirees.

5.3 While PRA’s procedures and/or guidelines are geared towards the proper management and distribution of the interests generated from the retirees visa deposits, we noted that Management did not seek approval from the Board on the established guidelines/procedures prepared by the PBC including the predetermined rate of interest of the retirees’ share if any.

5.4 For Calendar Year (CY) 2015, the percentage share of the retirees was at 0.3 per cent. The percentage given to the retirees was the same as in previous years despite the fact that the percentage of interest rates granted by the bank varies every year as shown on the table below:

Period	Interest Rate
2012	1%
2013	0.75%
2014	1.125%
2015	1.125%

- 5.5 Based on the above procedures, PRA was not fully compliant as evident by the very minimal rate of payment to the concerned retirees since records disclosed the following data:

Particulars	2012	2013	2014	2015	TOTAL
<b>Recorded:</b>					
No. of retirees	668	2,284	3,944	6,267	13,163
Amount	1,930,556.53	5,652,988.42	10,148,042.19	16,140,882.60	33,872,469.74
<b>Payments:</b>					
No. of retirees	12	112	200	255	579
Amount	33,223.29	696,144.74	834,330.57	1,405,152.58	2,968,851.18
<b>Balance:</b>					
No. of retirees	656	2,172	3,744	6,012	12,584
Amount	1,897,333.24	4,956,843.68	9,313,711.62	14,735,730.02	30,903,618.56
<b>Percentage of payment</b>	1.72%	12.31%	8.22%	8.71%	8.76%

- 5.6 The table showed that the percentage of payment to retirees' is not progressing from CY 2012 except for CY 2013, while the number of the recorded retirees entitled to the interest earned was increasing, the lower is the ratio of payment to retirees and the corresponding amount that should have been paid to them was almost non moving at an average of 8.46 per cent from CY 2014 to CY 2015.
- 5.7 Another issue worth mentioning is the opening of a separate account wherein the interest due to the retirees representing their share in the interest of their visa deposits be deposited in separate account so as not to mix up with the account restricted for visa deposits only. Inquiry disclosed that at present, the usual set-up still remained wherein the interest share of retirees is being deposited with the disbursing account thus, the fund is being incorporated with the fund intended for withdrawals and investments.
- 5.8 While a separate account was not yet established for the depository account of the retirees' interest, we have recommended in prior years that the amount representing interest should be transferred to the PRA's dollar savings account. The said amount transferred shall be placed in short term time deposits to earn more interest and this was implemented in CY 2014 until the 3<sup>rd</sup> quarter of CY 2015 only since the interests share of the retirees for the period October 1 to December 31, 2015 amounting to ₱3.544 million remained in the disbursing account of PRA which is intended for the payment of withdrawals or conversion to investments of the required visa deposits.
- 5.9 The issues pointed out were part of the audit observations incorporated in our prior year's audit report. We have reiterated this because no significant improvement have been put in place and the recommendations embodied in our previous report remained not fully implemented.
- 5.10 As of December 31, 2015, the total accumulated balance of Interest Payable to retirees amounted to ₱33.872 million while the total amount paid amounted to ₱2.969 million only, thereby leaving a balance of ₱30.904 million. Therefore, that portion of the amount paid was only 8.76 per cent.

5.11 PRA's effort in distributing and/or remitting such interest of the retirees is significantly needed as this amount continues to accumulate. Also, the slow transfer of this fund to the bona-fide retirees is reflective of the PRA's commitment for the best interest of the retirees.

**5.12 We recommend that Management:**

- a. Ensure that the procedures being set by the banking committee is strictly followed;**
- b. Seek approval from the PRA Board on the procedures established by the PBC as well as the rate of interest to be paid to the retirees;**
- c. Exert appropriate efforts and strategies for speedy payment of the interest due to retirees;**
- d. Submit justification on the late remittance of the retirees' interest of their visa deposits; and**
- e. Request DBP to transfer the amount of ₱3.544 million representing the retirees' share on the interest of their visa deposits and place it in a short term time deposit.**

5.13 Management commented that:

- a. PRA commits an efficient and effective delivery of services to its retirees which was evidenced by the interest on their visa deposits with DBP at a prevailing market rate of 0.3 per cent which is competitive with private banks. Moreover, the Finance Division generates and maintains report containing the computation of the monthly interest/s payable to retirees which serves as proof that PRA religiously establishes the interest due to retirees.
- b. The slow remittance does not substantially affect PRA's efficient and effective commitment for the following reasons:
  - b.1 Lack of interest on the part of some retirees to claim their interest income due to the minimal amount for the first year. This is aggravated by the bank charges upon transfer to their local bank account;
  - b.2 Due to the minimal amount, retirees sometimes discontinue their requests for payment;
  - b.3 Some retirees are not particular about the interest income;
  - b.4 Knowing that PRA guarantees the release of the same when they need it is enough for them to be satisfied with PRA; and
  - b.5 Retirees find it inconvenient and costly to open a dollar savings for US\$500.00 with DBP just for the purposes of interest crediting yearly.

- c. In compliance with the AOM, PRA initiated the following:
  - c.1 Posted the Request for Payment Form (downloadable) in PRA website together with the announcement last CY 2014;
  - c.2 Included the details of interest due to retirees on the Annual PRA Fee (APF) billing sent to them. (with attached billing);
  - c.3 Attached the Request Form for Payment of Interest with the APF billing (with attached Request Form);
  - c.4 Released the visa deposit including interest in full upon cancellation, discontinuance and investment; and
  - c.5 Placement of retirees' share on interest is implemented, PRA just missed to place to a time deposit account the retirees share for the period covered October to December 2015 while waiting for the outcome of the Board meeting.
- d. The composition and functions of the new members of the PRA Banking Committee is now a major concern being elevated to and discussed with Management. The Committee was created purposely to attend to the following:
  - d.1 Introduce and/or amend appropriate procedural processes to ensure effective and efficient services to the retirees subject to the approval of the PRA Board; and
  - d.2 Establish hard and fast rule for the prompt payment of the interest income due to retirees.

## 6. Fund utilization for Personnel Services and Capital Outlays

**The CY 2015 fund utilization for Personnel Services (PS) exceeded the budgeted expenditures by 33.33 per cent totaling ₱11.107 million while the approved budget for Capital Outlay (CO) amounting to ₱52.294 million was under utilized with 0.13 per cent utilization only.**

- 6.1 The Budget Utilization Report (BUR) disclosed the comparison between the approved budget as against the actual utilization during the year. This report serves as a tool for Management in evaluating the extent of their utilization as well as a useful data in forming estimates and decision making.
- 6.2 Based on the BUR, we reviewed the actual fund utilization of the PRA's Corporate Operating Budget (COB) specifically on PS. Our review showed that payment of salaries and other personnel benefits exceeded by ₱11.107 million over the budgeted amount of ₱33.329 million as shown in the next page:

Budget Items	Approved Budget	Actual Expenditures	Variance
Salaries and Wages-Regular	₱ 23,416,000.00	₱ 25,561,326.49	(₱ 2,145,326.49)
Personnel Economic Relief Allowance	1,482,000.00	1,551,255.15	(69,255.15)
Representation Allowance(RA)	770,000.00	1,018,875.01	(248,875.01)
Transportation Allowance(TA)	770,000.00	841,261.22	(71,261.22)
Year-End Bonus	2,086,000.00	2,157,354.50	(71,354.50)
Monetization of Leave Credits	0	6,195,327.00	(6,195,327.00)
Collective Negotiation Agreement (CNA) Incentive	0	1,414,447.25	(1,414,447.25)
Loyalty Pay	35,000.00	105,000.00	(70,000.00)
PEI	1,696,000.00	1,918,926.77	(222,926.77)
Life & Retirement Insurance	2,810,000.00	3,060,224.37	(250,224.37)
PHILHEALTH Contributions	264,000.00	272,262.50	(8,262.50)
Other Personnel Benefits	0	340,093.50	(340,093.50)
<b>TOTAL</b>	<b>₱ 33,329,000.00</b>	<b>₱ 44,436,353.76</b>	<b>(₱11,107,353.76)</b>

6.3 While actual expenditures for PS exceeded the budgeted amount for CY 2015, the expenditures allotted for CO was under utilized because out of the ₱52.294 million approved budget, ₱67,757 or 0.13 percent only was disbursed for the purpose. This significant under application creates an impression, among others, that the authority's procurement process was not effective and the delivery of the services to PRA's clients could have been improved had these projects intended to be done had been implemented.

6.4 The table below shows the breakdown of projects under CO which were not implemented as well as the under utilization of the approved budget:

Budgeted Expenditures	Approved Budget	Actual Expenditures	Under Utilization
Office Building	₱ 6,450,250		₱ 6,450,250
Leasehold Improvements	16,950,050		16,950,050
Furniture and Fixtures	138,000		138,000
Office Equipment	1,691,100	₱ 27,600	1,663,500
Information Technology	26,704,600	37,700	26,666,900
Other Equipment	328,000		328,000
Other Property, Plant and Equipment	32,000	2,457	29,543
<b>TOTAL</b>	<b>₱ 52,294,000</b>	<b>₱ 67,757</b>	<b>₱ 52,226,243</b>



6.5 Moreover, there were disbursements for the following expenses that were not included in the PRA's COB; viz:

Monetization of leave credits	₱ 6,195,327.00
CNA Incentive	1,414,447.25
Other Personnel Benefits	340,093.50
<b>TOTAL</b>	<b>₱ 7,949,867.75</b>

6.6 These were disbursements that were not authorized hence, may be considered as irregular unless a supplemental budget was requested or realignment been approved.

**6.7 We recommended that Management:**

- a. Require the Accounting and Budget Divisions to closely monitor the utilization of funds;**
- b. Assess the expenditures in excess of the budget and those that were not utilized and consider the causes/problems in the preparation of the subsequent COB;**
- c. Justify why the expenditures for PS exceeded the budget by 33.33 per cent;**
- d. Evaluate causes of the under utilization of the approved budget for CO; and**
- e. Submit the approved supplemental budget or realignment if any.**

6.8 In reply, Management commented that:

- 6.8.1 The excess of ₱11.107 million in the PS which was equivalent to 33.33 per cent of the PS budget, was attributed to the following issues encountered in the preparation and utilization of FY 2015 COB:
  - a. Discrepancies were the result of the understated amount submitted to DBM as of August 2015.
  - b. Positions considered in the approved FY 2015 PS do not include those that are filled and vacated prior to the processing of the COB; one of those is the Deputy General Manager (DGM), which was filled during the start of FY 2015 but was vacated by April 2015.
  - c. Monetization of leave credits is not included in the proposed COB since it is already obligated at the end of the year for the monetization in the succeeding fiscal year. Inclusion of the said item in the proposed COB will only be disallowed and will be recommended to be charged to savings.

- d. Amount of ₱1.414 million for Collective Negotiation Agreement (CNA) Incentive is not included in the proposed COB since it is sourced out from savings of certain Maintenance and Other Operating Expenses (MOOE) items and only recorded in the PS expenses since its main purpose is for additional benefit to employees.
- e. The Other Personnel Benefits item amounting to ₱340,094 is composed of the following:

Particulars	Amount
Terminal Leave Benefits	₱ 330,399.86
Additional Maternity Pay	9,693.64
<b>TOTAL</b>	<b>₱ 340,093.50</b>

- f. Payment of Terminal Leave Benefits was intended for the off-setting of several COA disallowances of the retired/resigned employees of PRA.

6.8.2 In the utilization of CO, the bulk is intended for the procurement of Information Technology related programs and equipment and also includes renovation of the current space being occupied by the Head Office and Satellite Offices. The afore-said purposes of FY 2015 CO were not utilized within the year for the reason that the FY 2015 COB was approved only last October 27, 2015. The remaining two months is not enough for PRA to be able to complete the procurement process. CO requirements that are included in the approved FY 2015 COB was already included in the submitted FY 2016 COB.

6.8.3 Request for realignment of the excess in the PS from the savings on MOOE and CO was already submitted to DBM last March 2016. Although until now there was no reply received regarding the above-said request. The accounting and budget divisions will closely monitor the utilization of funds in the succeeding fiscal years.

#### 6.9 Auditor's Rejoinder

- a. The understatement of the amount in the budget must be avoided such that the Budget Officer should consider all necessary data to be able to come up with a realistic budget.
- b. The non-inclusion in the COB particularly the PS for the DGM since this was vacated in April 2015 would show that the preparation and submission of the COB to the Board and DBM was late. PRA should have included in their COB the budget for all plantilla items to avoid submitting an understated amount for PS.
- c. The COB of the PRA should have been submitted earlier to the DBM so that enough time is allotted for DBM's review and approval and for PRA to accomplish the various projects programmed under the CO.

## 7. Variance noted on the payment of Marketers' Fee

The Marketers' Fee reflected in the PRA's Financial Statements (FS) for CY 2015 amounting to ₱45.362 million did not disclose the accurate amount of Marketers' Fee amounting to ₱48.787 million thus, resulted in the understatement of Expenses and Accounts Payable by ₱3.425 million and overstatement of Income by the same amount contrary to Section 10, Paragraph 38 of the Framework for the Preparation and Presentation of the Financial Statements.

- 7.1 Based on the existing policy and procedures approved by the Board of Directors, the PRA is authorized to pay \$500.00 for every retiree enrolled in the PRA's Retirement Programs (PRP).
- 7.2 For CY 2015, records disclosed that the principal retirees who were enrolled in the PRP totaled 2,069. Based on this data, it follows that the amount that should have been recorded as Marketers' Fee should have been ₱48.787 million as computed below:

No. of Enrollees	Marketers' Fee		
	Rate per Enrollee	Exchange Rate	Amount
2,069	US\$500	₱47.16	₱48,787,020.00
Amount booked/recorded			45,362,234.25
<b>Difference</b>			<b>₱ 3,424,785.75</b>

- 7.3 The amount reported in the FS represents the Marketers' Fee during the year based on the CY 2015 enrollees plus the amount obligated at year-end. However, it casts doubt why the amount recorded was not the actual expenditures for marketers' fee amounting to ₱48.787 million.
- 7.4 The discrepancy should be looked into since this did not only affect the accuracy and reliability of the Expenses and Payable accounts but also the Net Income reported in CY 2015. The principle of matching cost against revenue had not been followed since the expenses were not accurately reported at the time it was incurred contrary to Paragraph 38 of the Framework for the Preparation and Presentation of the Financial Statements which provides:

*"Parag.38 . Completeness*

*xxx To be reliable, the information in the financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading and thus unreliable and deficient in terms of its relevance."*

### 7.5 We recommended that Management:

- a. Reconcile the amount of discrepancy between the amount that have been reported as expenditures against the amount reported in the financial statements as of December 31, 2015; and

**b. Provide the necessary adjustment so as to reflect the accurate amount of Marketers' Fee, Income and Accounts Payable accounts in the FS.**

7.6 Management commented that:

- a. In the current process for the payment of Marketers' Fee, the FMD does not have enough access to monitor during year-end if there are still unpaid obligations for the said purpose. Processing of such payment is only based on the requests endorsed by the Marketing and Resident Retiree Servicing Departments (RRSD).
- b. During closing of PRA books, all departments are advised to request for the inclusion in the Certified Obligations if there are still unpaid transactions made in the current year. In relation to this, during January-February 2016, the FMD continued to receive vouchers for payment of prior years' Marketers' Fee. This is the main reason why payment of Marketers' Fee being recorded for CY 2015 does not match the total corresponding number of SRRV Principals enrolled by Marketers.
- c. There are some instances wherein the Marketers encounter problems complying certain requirements for the claim of Marketers' Fee. These include delayed payments in the accreditation/renewal fee and completion of documentary requirements for accreditation as Marketer. Also based on the submitted Budget Utilization Request (BUR) approved COB level, the payment of Marketers' Fee amounted only to ₱45.362 million. With this amount, FMD was forced to include the excess obligation in the CY 2016 expenditures and limit payments of Marketers' Fee for CY 2015.
- d. Adjustments to reflect the accurate amount of Marketers' Fee, Income and Accounts Payable in the FS is no longer possible since accounting books for CY 2015 are already closed.

7.7 Auditor's Rejoinder

- a. We maintain our audit observation that the Marketer's Fee recorded in the books was understated by ₱3.425 million.
- b. Moreover, it is the Audit Team's position that once the retiree is already enrolled in the Program and the corresponding SRRV already issued to the retiree, the Marketer concerned should be entitled to the Marketer's Fee of US\$500.
- c. As to some Marketers encountering problems on certain requirements, FMD should obligate the Marketer's Fee payable to them since services had already been rendered. Release of the said fee shall only be made upon compliance of requirements.

## 8. Implementation of the Gender and Development

**PRA spent ₱22,406 only or 1.02 per cent of ₱2.190 million for the implementation of Gender and Development (GAD) activities, programs and/or projects for CY 2015, contrary to Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA) and DBM Joint Circular No. 2012-01.**

- 8.1 GAD programs and activities are to be incorporated in the overall plans and programs of all government agencies as mandated under the PCW, NEDA and DBM Joint Circular No. 2012-01. This Program aimed to respect, protect and fulfill the rights of women at the socio-cultural, economic and political spheres and also promote awareness on the rights of every person with due regard to his or her gender.
- 8.2 For CY 2015, records disclosed that PRA implemented partially GAD programs and/or activities as follows:
- a. Gender Sensitivity Training of facilitators attended by two PRA employees;
  - b. Association of Southeast Asian Nations (ASEAN) Gender and Development Forum participated by three PRA Officers; and
  - c. Agency in-house seminar on the topic: Various Philippine Laws for the protection of women and children against violence.
- 8.3 The cost incurred relative to the aforementioned activities amounted to ₱22,406. This amount represents only 1.02 per cent of the budget for GAD which means that there was a significant under utilization of the budget and a very minimal compliance to the pertinent provisions of PCW, NEDA and DBM Joint Circular No. 2012-01 which among others, provides:

### “6.0 COSTING AND ALLOCATION OF THE GAD BUDGET

*6.1 At least five per cent (5%) of the total agency budget appropriations authorized under annual GAA shall correspond to activities supporting GAD plans and programs. The GAD budget shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO), and personal services (PS)...”*

- 8.4 In our review of the Annual Gender and Development Plan for FY 2015, we have noted that there were many essential activities embodied therein but were not undertaken.
- 8.5 In as much as this directives have been issued and became effective since 2012, and PRA, being one of the GOCCs subject and covered by this Circular, we find it imperative to impose compliance and implementation of this Joint Circular in adherence to the advocacy of the government in protecting the rights, providing awareness, and uplifting the welfare of every person/employee.

**8.6 We recommended that Management:**

- a. **Comply with PCW, NEDA, and DBM Joint Circular No. 2012-01 on Gender and Development; and**
- b. **Implement the GAD activities, programs and projects that will promote awareness on the rights of every employee/person at PRA with due regard to his or her gender.**

8.7 Management commented that the reasons of not undertaking some essential activities indicated in the Annual Gender and Development Plan and Budget for CY 2015 are the following:

- a. Installation and maintenance of a Play Area within PRA Lounge. This Project was not feasible due to the pending renovation of the newly acquired (rented) office spaces where the proposed Play Area will be placed.
- b. Other trainings and Seminars. Due to International Standard Organization (ISO) 9001 Accreditation requirement of the Governance Commission for GOCC for the CY 2015, the Authority prioritized the Conduct of Seminars and Trainings on (ISO) 9001:2008 Quality Management System which was held from June to December 2015.

**9. Summary of Total Suspensions, Disallowances, and Charges as of Year-End:**

Audit Action	Beginning Balance, January 1, 2015	Issued	Settled	Ending Balance, December 31, 2015
Suspensions	₱ 930,744.89	0	₱ 5,000.00	₱ 925,744.89
Disallowances	7,158,246.83	0	1,545,171.75	5,613,075.08
Charges	0	0	0	0
Total	₱ 8,088,991.72	0	₱ 1,550,171.75	₱ 6,538,819.97

## 1. DEPOSIT IN TRANSIT:

Date of Reconciling Items	Amount as of December 31, 2014	Amount Recorded as Other Deferred Credits
<b>a. LBP CA Account No. 0052-1054-63 (Makati)</b>		
Nov. 11, 2010	₱ 108,146.52	The total amount of ₱371,867.44 was recorded as Other Deferred Credits during the year.
Feb. 9, 2011	1,578.47	
Apr. 6, 2011	10,500.72	
Mar. 18, 2011	150.00	
Sept. 1, 2011	10,699.18	
Jan. 27, 2012	25,170.93	
Nov. 15, 2012	9,839.36	
Aug. 13, 2012	1,263.46	
Sept. 20, 2012	21,117.00	
Jan 29, 2012	1,747.08	
Nov. 12, 2013	69,010.13	
Dec. 11, 2013	1,313.40	
Dec. 26, 2013	111,331.19	
<b>Sub-total</b>	<b>₱ 371,867.44</b>	
<b>b. LBP CA Account No. 0052-1054-63 (Davao)</b>		
Dec. 17, 2008	₱ 1,070.00	The total amount of ₱5,515.94 was recorded as Other Deferred Credits during the year.
Jan. 8, 2009	960.63	
Oct. 20, 2010	433.75	
Oct. 26, 2010	1,293.30	
Oct. 27, 2010	432.26	
Dec. 20, 2010	1,326.00	
<b>Sub-total</b>	<b>₱ 5,515.94</b>	<b>₱ 5,515.94</b>
<b>c. LBP CA Account No. 2204-0086-82 (Makati)</b>		
2010	₱ 1,340.40	The total amount of ₱2,320,401.03 was recorded as Other Deferred Credits during the year.
2011	11,279.91	
2012	761,498.21	
2013	1,463,280.91	
2014	83,001.60	
<b>Sub-total</b>	<b>₱ 2,320,401.03</b>	<b>₱ 2,320,401.03</b>
<b>d. LBP CA Account No. 0144-0205-53 (Cebu)</b>		
Nov. 2010	₱ 44.68	The total amount of ₱759.56 was recorded as Other Deferred Credits during the year.
Apr. 2012	714.88	
<b>Sub-total</b>	<b>₱ 759.56</b>	<b>₱ 759.56</b>
<b>TOTAL</b>	<b>₱ 2,698,543.97</b>	<b>₱ 2,698,543.97</b>

## 2. UNRECORDED DEPOSITS or UNRECORDED BANK CREDITS:

Date of Reconciling Items	Amount as of December 31, 2014	Amount Recorded as Other Deferred Credits	Variance
<b>a. LBP CA Account No. 0052-1054-63</b>			
2001	₱ 13,093.10	The total amount of ₱3,459,860.58 was recorded as Other Deferred Credits during the year	0
2002	16,106.45		0
2003	57,473.00		0
2004	19,361.75		0
2005	33,643.74		0
2006	45,630.34		0

Date of Reconciling Items	Amount as of December 31, 2014	Amount Recorded as Other Deferred Credits	Variance
2007	116,275.88		0
2008	133,158.64		0
2009	278,577.14		0
2010	425,837.73		0
2011	173,771.95		0
2012	399,944.86		0
2013	328,561.49		0
2014	576,180.51		0
2015	842,244.00		0
<b>Sub-total</b>	<b>₱ 3,459,860.58</b>	<b>₱ 3,459,860.58</b>	<b>0</b>
<b>b. LBP FX Account No. 0086-82</b>			
2003	₱ 2,680.80	₱ 2,680.80	0
2006	3,127.60	3,127.60	0
2007	1,653.16	1,653.16	0
2008	90,498.00	90,498.00	0
2009	133,107.98	133,107.98	0
2010	278,642.79	278,642.79	0
2011	1,453,184.83	1,453,184.83	0
2013	1,466,764.43	1,466,764.43	0
2012	1,115,793.35	1,115,793.35	0
2014	576,595.40	113,710.60	462,884.80
2015	735,266.84	735,266.84	0
<b>Sub-total</b>	<b>₱ 5,857,315.18</b>	<b>₱ 5,394,430.38</b>	<b>₱ 462,884.80</b>
<b>TOTAL</b>	<b>₱ 9,317,175.76</b>	<b>₱ 8,854,290.96</b>	<b>₱ 462,884.80</b>

### 3. UNRECORDED DEBITS

The bank reconciliation statements of the two bank accounts of PRA also disclosed unrecorded debits amounting P0.591 million which were recorded as Deferred Charges – Bank Debits for Reconciliation as shown on the table below:

Date of Reconciling Items	Amount as of December 31, 2014	Amount Recorded as Deferred Charges
<b>a. LBP CA Account No. 0052-1054-63</b>		
2009	₱ 2,631.50	The total amount of ₱469,133.78 was recorded as Deferred Charges during the year.
2010	192,767.30	
2011	188,829.98	
2013	7,000.00	
2014	21,000.00	
2015	56,905.00	
<b>Sub-total</b>	<b>₱ 469,133.78</b>	<b>₱ 469,133.78</b>
<b>b. LBP CA Account No. 2204-0086-82</b>		
2013	₱ 1,321.18	The total amount of ₱121,630.58 was recorded as Deferred Charges during the year.
2014	120,309.40	
<b>Sub-total</b>	<b>₱ 121,630.58</b>	<b>₱ 121,630.58</b>



Date of Reconciling Items	Amount as of December 31, 2014	Amount Recorded as Deferred Charges
TOTAL	₱ 590,764.36	₱ 590,764.36
GRAND TOTAL		₱ 12,143,599.29