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, 2014

PHILIPPINE RETIREMENT AUTHORITY
ANNUAL AUDIT REPORT FOR CY 2014

EXECUTIVE SUMMARY

Introduction

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

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

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

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

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

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

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

At the beginning of the year, PRA has a total of 23,859 retiree-members, 12,227 of whom are principals and the remaining 11,632 are dependents. However, a cumulative total of 4,788 have enrolled during the year while 832 members have cancelled their membership, leaving a total of 27,815 members as at the end of CY 2014, consisting of 14,374 principal and 13,441 dependents.

As at year end, there were 216 accredited marketers that contributed significantly to the total enrollment by 2,068 members as against the 360 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:

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

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

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

Scope of Audit

The audit covered the operations of PRA for CY 2014. 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 2014 and 2013. (in Philippine Pesos)

	2014	2013	Increase (Decrease)
Financial Position			
Assets	P 6,854,974,631	P 4,606,984,831	P 2,247,989,800
Liabilities	5,781,897,672	3,706,994,061	2,074,903,611
Equity	P 1,073,076,959	P 899,990,770	P 173,086,189
Financial Performance			
Revenue	P 552,038,533	P 450,007,205	P 102,031,328
Expenses	262,069,791	209,010,774	53,059,017
Excess of Revenue over Expenses	P 289,968,742	P 240,996,431	P 48,972,311

For the year 2014, PRA generated a gross income of P480.014 million and incurred operating expenses of P168.588 million. Net income after tax reached P289.969 million as at year end.

PRA contributed to the financial coffers of the government through the payment of income taxes amounting to P93.481 million and the remittance of dividends to the National Treasury amounting to P121.307 million.

Also, PRA accumulated a total amount of US$84.336 million visa deposits placed at DBP by the end of the year, net 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 a modified opinion on the fairness of the presentation of the financial statements of the PRA for the year 2014 for reasons stated in the Independent Auditor's Report in Part I of the Report.

Summary of Significant Audit Observations and Recommendations

1. **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 supported with complete subsidiary ledgers (SL). Likewise,**

most of the balances of the SLs did not tally with the amount reported in the schedules.

In addition, no subsidiary ledgers were maintained per bank for Management Fee Receivable amounting to 11.449 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.

We recommended that Management:

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 Financial Statements; and

b. maintain subsidiary ledgers per accredited private bank to ensure proper monitoring of the Receivable - Management Fee.

2. **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 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.**

   We recommended that Management:

   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;

   b. maintain subsidiary ledgers for all Property, Plant and Equipment;

   c. prepare an Inventory and Inspection Report of Unserviceable Properties (IIRUP) listing down all defective and unserviceable properties subject to disposal;

   d. pending disposal, prepare a JEV to reclassify unserviceable properties to Other Assets account; and

   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.

3. **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 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.**

We recommended that Management:

a. re-study the procedure in the recording of collections from clienteles to ensure that all deposits in PRA's accounts are properly recorded on time and reconciled with bank records;

b. exert extra effort in tracing and analyzing the unrecorded deposits and debits and come up with appropriate documentations; and

c. provide the necessary adjusting entries in the accounting records to update the accounts affected and come up with updated balances.

4. Summary of total Suspensions, Disallowances, and Charges as of year-end:

Audit Action	Beginning Balance, January 1, 2014	Issued	Settled	Ending Balance, December 31, 2014
Suspension	P 1,640,198.80	-	P 709,453.91	P 930,744.89
Disallowances	7,222,063.48	-	63,816.65	7,158,246.83
Charges	-	-	-	-
Total	P 8,862,262.28	-	P 773,270.56	P 8,088,991.72

5. Status of Implementation of Prior Years' Audit Recommendations

Of the 22 prior years' audit recommendations embodied in the previous year's Annual Audit Report, 14 were fully implemented, six were partially implemented and two were not implemented.

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF TRUSTEES
Philippine Retirement Authority
29th floor 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, 2014, and the Statement of Income and Expenses, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a Summary of Significant Accounting Policies and Other Explanatory 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 generally accepted accounting principles and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with 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 financialstatements, whether dueto fraudor error. In making those risk assessments, theauditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design auditprocedures that are appropriateinthecircumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Qualified Opinion

We considered the following in forming our audit opinion:

1. The Accounts Receivable – Visitorial Fee (VF), and Management Fee, and Deferred Credits – Harmonization Fees accounts with balances of P36.82 million, P11.45 million and 4.63 million, respectively, as of December 31, 2014 were not supported with complete subsidiary ledgers (SLs). Likewise, most of the SLs balances did not tally with the amount reported in the schedules. In addition, no subsidiary ledgers were maintained per bank for management fee receivable amounting P11.45 million thus, casting doubts on the validity of the amount reported in the Financial Statements, contrary to Sections 29 and Section 59 of P.D. 1445 and par. 38 of the Framework for the Preparation and Presentation of the Financial Statements.

2. 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 and the results of the inventory count; and non-maintenance of subsidiary ledgers; failure to reclassify unserviceable items to Other Assets account.

3. Unrecorded deposits, bank debits and prior year's deposit in transit as of December 31, 2014 in the amount of P8.818, P0.534 and P2.931 millions, 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.

4. 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.

Qualified Opinion

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Philippine Retirement Authority as of December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with generally accepted 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 17 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
Audit Team D, Cluster VI
Corporate Government Sector

July 14, 2015

PHILIPPINE RETIREMENT AUTHORITY
BALANCE SHEET
December 31, 2014
(With corresponding figures for CY 2013)
(In Philippine Peso)

	Notes	2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	2a & 3	931,490,414	734,952,240
Receivables - Net	2b & 4	22,960,992	24,784,693
Interests receivable		892,446	-
Due from officers/employees-current		-	62,773
Investments - Current	5	190,602,000	175,602,000
Inventories	7	5,336,599	4,864,417
Prepaid expenses	6	2,837,366	3,123,012
Other current assets	8	1,632,095	1,641,977
		1,155,751,912	945,031,112
Non-current Assets			
Cash Deposits from Retirees - Restricted	17	5,646,762,221	3,591,650,324
Investments -Non Current	5	14,998,012	30,987,907
Property and equipment - Net	2c & 9	34,354,850	36,865,403
Receivables-disallowances and charges		1,335,721	1,335,662
Due from officers/employees-prior years		1,072,349	1,072,349
Other receivables	10	392,803	42,074
Other assets		306,763	-
		5,699,222,719	3,661,953,719
TOTAL ASSETS		**6,854,974,631**	**4,606,984,831**
LIABILITIES AND EQUITY			
Current Liabilities			
Inter-agency payables	11	17,527,308	16,497,686
Deferred credits	12	73,183,431	57,724,453
Accounts payable		24,151,931	32,735,398
Due to officers and employees		3,621,393	7,959,999
DBP Consolidated Interest Payable		16,167,889	6,854,177
Other payables		475,338	379,316
Due to other funds		8,161	46,885
Trust Liabilities	17	5,646,762,221	3,584,796,147
LIABILITIES		**5,781,897,672**	**3,706,994,061**
Paid-in capital/equity		63,217,089	63,217,089
Retained earnings		1,009,859,870	836,773,681
EQUITY		**1,073,076,959**	**899,990,770**
TOTAL LIABILITIES AND EQUITY		**6,854,974,631**	**4,606,984,831**

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, 2014
(With corresponding figures for CY 2013)
(In Philippine Peso)

	Notes	2014	2013
INCOME			
Income from operations:	2d		
Management/Conversion fees		129,888,295	137,200,347
Passport and visa application fees		184,503,512	132,068,711
Annual PRA Fees		130,650,982	80,960,406
Harmonization Fees		3,688,834	3,827,949
Inspection/Visitorial fees		22,982,897	23,357,307
ID/Registration fees		4,265,275	5,018,169
Affiliation/Accreditation fees		2,218,662	1,558,147
Processing/Service fees		892,251	826,705
Other service income		922,801	529,330
Gross income		480,013,509	385,347,071
OPERATING EXPENSES			
Personal services		36,610,015	28,321,170
Maintenance and other operating expenses		131,973,071	105,035,480
Financial expenses - bank charges		5,758	4,403
Total operating expenses		168,588,844	133,361,053
TOTAL OPERATING INCOME		**311,424,665**	**251,986,018**
Other Income (Expense):			
Interest income - Regular		10,146,503	11,574,470
Interest Income - DBP Dollar Placements		35,021,438	28,068,111
Miscellaneous Income		178,491	179,719
Gain / (Loss) on foreign exchange	14	26,678,592	24,837,834
NET INCOME BEFORE TAX		383,449,689	316,646,152
Income tax		-93,480,947	-75,649,721
NET INCOME AFTER TAX		**289,968,742**	**240,996,431**

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, 2014
(With corresponding figures for CY 2013)
(In Philippine Peso)

	Note	Paid-in-capital/ Equity	Retained Earnings	Total Equity
Balance, January 1, 2013		63,217,089	597,665,987	660,883,076
Net Income for the FY 2013		-	240,996,431	240,996,431
Obligated for C.N.A. 2008 & 2009	13	-	(1,888,737)	(1,888,737)
Balance, December 31, 2013		63,217,089	836,773,681	899,990,770
Net Income for the FY 2014			289,968,742	289,968,742
Dividend on FY 2013 Net Income			(121,307,471)	(121,307,471)
Reversal Leave Credits FY 2011-2013			4,642,414	4,642,414
Obligated for C.N.A. 2008 & 2009			(217,496)	(217,496)
Balance- As of December 31, 2014		**63,217,089**	**1,009,859,870**	**1,073,076,959**

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, 2014
(With corresponding figures for CY 2013)
(In Philippine Peso)

	Notes	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of income		362,826,147	357,989,788
Collection of receivables		127,395,366	30,048,806
Transfer of Consolidated Interest (PRA's Share)		51,173,239	35,642,727
Gain on foreign exchange	14	55,428,014	38,809,802
Interest Income		9,510,263	11,179,191
Receipt of trust liabilities		415,841	474,259
Refund of Cash Advances		1,036,363	-
Receipt of Payables		11,646,037	20,344
Payment of guaranty deposits		-109,187	-10,000
Remittance of GSIS/Pag-IBIG/withholding taxes/others		-	-659,938
Purchase of office supplies		-1,882,010	-2,487,904
Release of cash advances (Due from officers/employees)		-5,044,444	-938,443
Payment of payables		-33,496,501	-10,636,797
Loss on foreign exchange	14	-28,943,910	-8,901,133
Payment of income tax		-84,817,285	-64,144,755
Payment of operating expenses		-145,893,354	-99,774,127
Refund of Deferred Credits		-1,303,466	-
Payment of Dividends	13	-121,307,471	-85,267,675
Net cash provided by operating activities		**196,633,642**	**201,344,145**
CASH FLOWS FROM INVESTING ACTIVITIES			
Maturity of investment in bonds and high yield deposits		980,656	-15,404,701
Purchase of property and equipment:			
Library books		(310)	-
Furniture and Fixtures		(59,500)	-
Office equipment		-71,558	-2,122,442
Other Machineries & Equipment		-84,036	-39,169
Information technology (IT) equipment and software		-860,720	-934,764
Net cash provided by/(used in) investing activities		**-95,468**	**(18,501,076)**
NET INCREASE IN CASH AND CASH EQUIVALENTS		**196,538,174**	**182,843,069**
CASH AND CASH EQUIVALENTS, BEGINNING		**734,952,240**	**552,109,171**
CASH AND CASH EQUIVALENTS, ENDING	2a & 3	**931,490,414**	**734,952,240**

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).

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

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

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

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

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

2. Summary of Significant Accounting Policies

a. Cash and cash equivalents

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

b. Provision for doubtful accounts

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

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

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

c. Property and equipment

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

Assets	Estimated Life
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:

	2014	2013
Cash in Bank-Forex, Time Deposits	860,398,581	680,046,513
Cash in Bank-Forex, Savings Account LBP	47,871,221	44,012,619
Cash in Bank-Peso, Current Account LBP	3,015,097	4,662,182
Cash in Bank-Peso, Current Account LBP Cebu Branch	3,646,846	2,067,862
Cash - Collecting Officers	2,302,329	2,007,723
Cash in Bank-Forex, Savings Account LBP Cebu Branch	4,621,776	1,541,474
Cash in Bank-Forex, Savings Account DBP	9,256,217	373,908
Petty Cash Fund	274,227	145,738

	2014	2013
Cash in Bank-Peso, Savings Account DBP	104,120	94,221
	931,490,414	**734,952,240**

4. Receivables - Net

This account consists of:

	2014	2013
Current Assets:		
Visitorial fees (VF)	36,824,900	37,123,079
Management fees	11,448,651	12,322,151
Harmonization fees	459,468	459,467
DBP Retirees' Deposit	0	0
Allowance for doubtful accounts-VF	(25,772,027)	(25,120,004)
	22,960,992	**24,784,693**

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

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

Minimum Qualifying Deposit:

Age	From	To
35 to 49 years old	US$ 75,000	US$ 50,000
50 years old and above	US$ 50,000	US$ 20,000

Visitorial Fees:

Amount of Deposit Converted	Annual VF Collected
US$ 20,000	US$ 500 or its peso equivalent
US$ 50,000	US$ 750 or its peso equivalent

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

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

b. **Management fees receivable** represents accruals of estimated fees due from PRA accredited banks equivalent to 1.5% of the outstanding daily balance of retirees' deposits.

c. **Harmonization fees** are amounts collected pursuant to Board Resolution No. 92 series of 2007, otherwise known as the harmonization of the old and new schemes of deposit. A management fee of 1.5% per annum is levied by PRA on the retiree in consideration for the release of the amounts in excess of the required deposit under the modified SRD scheme.

5. Investments

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

Details are as follows:

	2014	**2013**
Current		
Investments in high yield deposit	190,602,000	175,602,000
	190,602,000	**175,602,000**
Non-current		
Held to maturity-investment in bonds (long term)	14,398,012	30,387,907
Investment in stocks	600,000	600,000
	14,998,012	**30,987,907**

6. Prepaid Expenses

This account consists of:

	2014	**2013**
Deferred charges	2,362,710	2,648,356
Other prepaid expenses	474,656	474,656
	2,837,366	**3,123,012**

7. Inventories

This account consists of:

	2014	2013
Office supplies inventory	5,253,049	4,780,867
Other office supplies	83,550	83,550
	5,336,599	**4,864,417**

8. Other Current Assets

This account consists of guaranty deposits or amounts deposited with service providers/suppliers to guarantee performance of obligation, such as PLDT, lessors of the buildings occupied by the Authority, and others. However, major composition of the guaranty deposits was paid to BDO UNIBANK, INC representing Security deposit (3 months and parking).

9. Property and Equipment - Net

The details of the account are shown below:

	Land and Building	**Office/IT Equipment, Furniture, Fixtures and Others**	**Motor Vehicles**	**Total**
Cost:				
Balance, January 1, 2014	56,503,341	30,261,599	13,788,798	100,553,738
Additions	-	1,375,277	600*	1,375,877
Disposals	-	(2,995,400)	-	(2,995,400)
Balance, December 31, 2014	**56,503,341**	**28,641,476**	**13,789,398**	**98,934,215**
Accumulated Depreciation:				
Balance, January 1, 2014	31,103,200	21,896,403	10,688,732	63,688,335
Additions	1,502,701	1,343,823	733,142	3,579,666
Disposals	-	(2,688,636)	-	(2,688,636)
Balance, December 31, 2014	**32,605,901**	**20,551,590**	**11,421,874**	**64,579,365**
Net book value, Dec. 31, 2014	**23,897,440**	**8,089,886**	**2,367,524**	**34,354,850**
Net book value, Dec. 31, 2013	**25,400,141**	**8,365,196**	**3,100,066**	**36,865,403**

*****Reclassification of refund for repairs and maintenance per OR#2451870 09/17/12.

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:

	2014	2013
Management fees receivable	3,450,556	3,450,556
Other receivables	1,471,604	1,386,448
Allowance for doubtful accounts	(4,529,357)	(4,529,357)
	392,803	**307,647**

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

11. Inter-agency Payables

The accounts represent the amount of last quarter income tax payable to the BIR and The Bureau of Immigration for the processing of retiree's visa, required to be paid in 2014 and 2015, consisting of:

	2014	2013
Due to BIR	17,011,193	16,028,141
Due to other NGAs	516,115	469,545
	17,527,308	**16,497,686**

12. Deferred Credits

This account consists of:

	2014	2013
Application fees	49,499,750	35,973,621
Visitorial fees	16,142,185	16,018,795
Harmonization fees	4,634,100	4,201,437
Retirees' ID	2,725,952	1,348,828
Other deferred credits	178,444	178,444
Bids and Awards	3,000	3,328
	73,183,431	**57,724,453**

13. Dividends Paid

Fifty per cent (50%) of the current net earnings after tax is deductible from retained earnings and payable to the Bureau of the Treasury (BTr) pursuant to Republic Act 7656. Dividends for FY 2013 in the amount of ₱120,662,426.22 was paid on April 4, 2014 and June 10, 2014 amounting to ₱ 60,000,000.00 and ₱ 61,307,470.63 respectively, with a net over remittance of ₱ 645,044.41. The over remittance will be deducted from the dividends due to be paid in 2015 for the FY 2014.

14. Gain/ (Loss) on Foreign Exchange

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

15. Membership Dues and Contributions to Organizations

The account represents payment of condominium and canteen dues for the 29th floor PRA-owned and leased units 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 deposit 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 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	5,646,762,221
Funds Held in Trust-Retirees' Deposit	5,646,762,221
Difference	-

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 shown in the next page:

a. Withholding Taxes:

The details of total withholding taxes for the year ended December 31, 2014 are as follows:

Compensation and benefits	P 4,169,282.96
Creditable (Expanded)	7,476,957.51
Creditable (VAT)	4,071,654.83
TOTAL	**P 15,717,895.30**

b. Income Tax Return:

The details of total Income Tax Return for the year ended December 31, 2014 are as follows:

Quarter	Income Tax Expense	Creditable withholding tax on Mgmt Fees	Net Amount Paid	Check#	Date
1st Qtr	27,878,291.54	1,701,572.93	26,176,718.61	2582931	May-14
2nd Qtr	23,914,207.02	2,034,847.36	21,879,359.66	2603076	Aug-14
3rd Qtr	24,677,255.40	2,065,602.54	22,611,652.86	2621664	Nov-14
4th Qtr	17,011,192.62	2,264,411.42	14,746,781.20	2641802	Apr-15
	93,480,946.58	**8,066,434.25**	**85,414,512.33**		

AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. Long outstanding accounts receivable

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.

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.

1.1 Board Resolution No. 19 , Series of 1996. dated August 27, 1996, provides that:

> *"Retirees who fail or refuse to pay the PRA visitorial fee for three (3) consecutive years shall be subject to the Bureau of Immigration's blacklisting and/or visa cancellation. Their dependents/spouses, if any, are not exempted from these sanctions".*

1.2 In the course of our review of records, we have noted that the total receivable for Visitorial Fee has accumulated with a very low percentage of collection.

1.3 Analysis of the account revealed that a total of 14.761 million or 40.09 per cent of the total receivables pertain to collectible accounts for more than nine years. Management failed to collect such accounts beyond the prescribed period of three (3) consecutive years as provided under PRA Resolution No. No. 19, series of 1996.

1.4 The details of these long outstanding receivables- visitorial fees are shown below:

Age of Receivable	Total Receivable	Per cent to Grand Total
2005 and below	14,761,353.90	40.09
2006	4,217,892.65	11.45
2007	5,218,099.42	14.17
2008	5,970,700.14	16.21
2009	3,001,810.79	8.15
2010	1,139,509.77	3.10
2011	350,278.28	0.95
2012	293,103.53	0.80
2013	586,995.66	1.59
Sub total	**35,539,744.14**	
2014	1,285,155.64	3.49
TOTAL	**36,824,899.78**	**100.00**

1.5 Management asserted that they have already provided appropriate action on the said receivables by sending demand letters, billing documents and publications in the newspaper of national circulation, bearing the names of the retirees and the consequence and/or penalties if said delinquency accounts are not settled. However, records disclosed that publication of retirees was done only on March 8, 2015 in three (3) newspapers of general circulation. Such substantial amount remained dormant and unsettled as of December 31, 2014, thereby casting doubts as to whether or not the sanctions as provided under Board Resolution No. 19 series of 1996 have been implemented.

1.6 Aside from the above-quoted Board Resolution, the Agreement executed by and between PRA and the Retirees also provides:

> *"xxx upon my conversion of my Dollar Time Deposit into investment, under the PTRA program, I must comply with the following:*
>
> 1. *To pay the authority, by way of visitorial fee, the amount equivalent to US360.00 per annum of the total amount of Philippine Peso equivalent of the foreign currency deposit converted to investment to be paid annually on the date of withdrawal/conversion of deposit to investment; and*
>
> 2. *To abide by the rules and regulations of the PRA and the PRA Board of Trustees.*
>
> SHOULD I FAIL TO COMPLY WITH/SETTLE THE ABOVE REQUIREMENTS AND OBLIGATIONS, I AM WILLING TO ACCEPT SANCTIONS THAT MAYBE IMPOSED UPON ME BY THE AUTHORITY INCLUDING THE IMMEDIATE CANCELLATION OF MY SRR VISA (INCLUDING THAT OF MY FAMILY) AND THE INCLUSION OF MY NAME IN THE BUREAU OF IMMIGRATION'S BLACKLIST."

1.7 Further verification of the Schedule of Accounts Receivable- Visitorial Fee, showed the following data: names of the delinquent retirees; the annual VF; year or period covered; the total receivable as of Dec. 31, 2014; the amount of receivable in a particular year, etc. Although such significant data were incorporated in the schedule, what we are more concerned is the status of the account and/or management action on the individual account of the delinquent retirees. Such schedule failed to include a “Remarks” column wherein the status of the account and the actions of the management are disclosed. Such report would have been useful for the management in evaluating and assessing its action as a basis for future management's decision.

1.8 A Management's Investment, Evaluation and Monitoring Team can provide the retirees' whereabouts and such other valuable information on their present status so that it could be traced and verified by the said team and be able to inform management of the possibility of the collection of their past due accounts.

1.9 Moreover, the results of the verifications, inspection, and/or confirmation conducted by the monitoring team, if there is any, is also a useful information that will pave the way in updating the record of retirees under the PRA's Program. Furthermore, this will establish PRA's assertion that these investments converted from their required visa deposits are existing at any given time.

1.10 We recommended that Management:

a. **exert effort to implement the sanctions as provided under the agreement to encourage the retirees to settle their VF delinquency accounts;**

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;**

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; and**

1.11 Management commented that:

a. they will revisit their implementing rules and regulations concerning the procedural guidelines involving visitorial fees collected from the retirees.

b. it considers retiree-members delinquent when they fail to renew their PRA IDs, and are necessarily unable to pay their financial obligations in PRA. The possible reasons for their delinquency are numerous and are mostly outside the control of PRA. These may include possible death not reported to PRA, retirees already staying outside the Philippines, no longer interested nor making use of their Special Resident Retirees Visa (SRRV) yet were not able to formally cancel them, or those who have not visited the country for a long time but without intention to cancel. In all these cases, information on their status is not easily available. The Resident Retirees Servicing Department (RRSD), specifically the Servicing Division, is the primary unit responsible for the monitoring of the retirees and handling of PRA IDs. The renewal of PRA IDs serve as a primary tool of keeping in touch on the current status of every retiree, thus non-renewal thereof leaves PRA with no information on retiree member's current status. For non-renewing retiree members, non-presentation of updated PRA ID put themselves at risk of being held in airport and subjected to passport confiscation by the Bureau of Immigration.

c. they signified their intention to maximize the output of the Monitoring Team, originally designated per Board Resolution No. 072, series of 2008 as "Special Monitoring/Visitorial Group", and further strengthened per Office Order PRA-ANF-2009-09-029 with the subject of strengthening collection of visitorial fees (which directed the Investment Monitoring Unit of the RRSD on the listing of retirees with investment according to location, areas of investment and their status), reports on the ocular inspections and whereabouts of the retirees/investments concerned that were done during the calendar years of 2009 up to 2010 were religiously provided to the management. Additional steps were also actually performed as to the sanctions to be provided to the delinquent retirees with outstanding visitorial fee receivables.

d. the Audit Team was informed that there were endorsements to the Bureau of Immigration for the reported blacklisting of delinquent retirees with subsequent cancellation of their SRRV as being replied back by the Bureau. It appeared that the continuance of such controls was not done concurrently with those new investments in the new deposit scheme resulting to untimely action and response to the status of these retirees.

e. the audit recommendation of the Audit Team shall be considered by adding a "Remarks" column in the subsidiary ledgers of every retiree. They also informed the Team that with the help of the respective divisions/teams concerned and the Investment Monitoring Team from the RRSD, additional controls on the monitoring aspect and relative measures to be adhered upon are to be discussed thoroughly with the management. Furthermore, the Management emphasized their efforts relative to their continuous billing procedures and sending of reminder letters to these concerned retirees, and the publications done in the newspaper dated March 8, 2015. They assured the Audit Team that these matters will be addressed in the most serious manner possible for the reassurance and reevaluation of these long term receivables.

f. the accumulation of the long overdue accounts was due primarily on the previous practice of PRA to continuously record accrued accounts receivables, taking note of the ongoing billing procedures, without complete informed status of these retirees/investments (which is uncontrollable in nature).

Auditor's Rejoinder

1.12 The Audit Team advised Management to intensify their efforts and use strategies that will improve their collections of these long overdue receivables from the retirees.

2. Inconsistent recording of Accounts Receivable – Visitorial Fee (A/R-VF)

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.

2.1 In the review / evaluation of the A/R – VF, we have noted the discontinuance of the recording and/or recognition of the receivable pertaining to the subsequent years of delinquency. It was learned that, although the receivables were not recognized in the books, PRA includes all the amounts due in their statement of account in all those years that the account remained uncollected.

2.2 We consider this inconsistent recording as 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 which provides:

"Parag.22 In order to meet their objectives, financial statements are prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. xxxx

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."

2.3 The effect of not recognizing the receivable understated the income of the PRA for the year, and recognizing it only upon collection is contrary to the accrual basis of accounting.

2.4 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.

Management comment:

2.5 Management asserted the conservative approach in recognizing revenue and setting-up of accounts receivable from the visitorial fees instead of accrual basis of accounting. They believe that the approach of applying conservatism lies more on the manner of analyses given to every retiree, recognizing their current situation and status of their relative investments, with emphasis on the difference between members of good standing as against delinquent retirees. We consider these factors important beyond merely recording the unpaid fees triggered by the passage of time
.

2.6 they further argued that if they will continue to recognize these corresponding revenues even if the probabilities of collection are highly improbable defeats the purpose of conservatism. This will add up to more additional doubtful accounts receivable, may report increased income which is unrecognizable in nature, and increase net worth of the PRA with uncertainty as to its realization. This will also entail increase in income tax payment, and undue increase in dividends remittances if allowance for bad debts are to be considered.

Auditor’s Rejoinder

2.7 The Audit Team maintain its stand on the use of accrual basis of accounting and for Management continuously book up the receivables-visitorial fee due from the retirees because the Audit Team consider these receivables as valid claims of PRA which is supported with company's policy and Deed of Undertaking executed by and between the PRA and the concerned retirees.

2.8 The principle of conservatism may not be applied for management inability to collect, however, we advise the management to intensify their efforts and use strategies to collect the said receivables.

3. Non-maintenance of a complete subsidiary ledgers

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 supported with complete subsidiary ledgers (SL). Likewise, most of the balances of the SLs did not tally with the amount reported in the schedules.

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.

3.1 Section 29 of P.D. 1445 otherwise known as the State Audit Code of the Philippines the maintenance of subsidiary ledgers provides:

> *"Section 29: the 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."*

Likewise, Section 58 thereof also emphasize the importance of reconciliation of these records and we quote:

. *"58 Audit of assets - the examination and audit of assets shall be performed with a view to ascertaining their existence, ownership, valuation and encumbrances as well as the propriety of items composing the respective asset accounts;* ***determining their agreement with records; proving the accuracy of such records*** *xxxx (emphasis supplied)"*

3.2 Our audit of the above mentioned accounts disclosed the following:

a. Account Receivable- Visitorial Fee

This represents receivables from retirees who have converted their pre-requisite deposits into active investments at the rates ranging from 0.5 to 1.5% of the amount converted amounting P36.82 million as of year end.

We have noted that there were discrepancies between the balances of the Subsidiary Ledgers and that of the Schedules. Out of the 185 sample of retirees' accounts verified, 61 or 32.97 per cent were supported with SLs while 124 or 67.70 per cent were not supported with SLs. Further, the variance noted between the SLs and the Schedules amounted to P1,064,100.86 since the SL balance was P1,639,479.40 while that of the schedules was P575,378.54 only.

The accounts receivable – visitorial fee consist of more than 1,015 retirees and the noted variance comprised 32.97 per cent of the samples amounting to 1.064 million, it is possible that if all SLs and schedules will be compared, the variance of this account will be even higher.

b. Deferred Credits – Harmonization Fee

This account is the unearned portion of the amount collected from the retirees based on the harmonization of the old and the new schemes of deposit. This is levied by PRA on the retiree in consideration for the release of the amounts in excess of the required deposit under the Modified Special Reduced Deposit (SRD) scheme amounting to 4.634 million as of year-end.

This account has to be monitored in order to take up the income portion of the amount collected in advance and update the balance of the deferred credits account.

Variances were also noted in our review of the subsidiary ledgers and schedules, such that out of the one hundred seventy (170) retiree's accounts verified, sixty five (65) or 38.23 per cent were not supported with SLs, while 105 or 61.76 per cent were supported with SLs. A variance of P870,401.39 was noted.

This account remained in the books despite the lapse of considerable time. The transaction credits pertain to CYs 2009-2013, thus, should have been earned already and therefore, should have been recognized as income with a corresponding adjustment to the deferred account.

c. Accounts Receivable - Management fee

These are receivables from various private accredited banks for the management of the required visa deposits of retirees which is equivalent to 1.5 per cent per annum of its outstanding monthly balance amounting to P11,448,651.03 as of December 31, 2014.

Review of the account revealed that the Accounting Division did not maintain subsidiary ledgers for each private bank maintaining the retirees' deposits. The balance of the account was compared with the amount taken from the schedule prepared by the accounting. Although such schedule reflect the breakdown of the servicing banks and the corresponding receivable from them, the schedule does not show the details of the receivables' beginning and ending balances or by every accredited private bank. Maintenance of Subsidiary Ledgers per bank would enable management to monitor easily the balances of their receivables from the concerned banks.

Our inquiry with the Accounting Division disclosed that they booked up receivable account based on the statement and/or summary list submitted by the bank instead of the data or list from the PRA's database. The amount therefore recorded in the book may not be the final amount yet that has to be recorded as receivable unless it is reconciled with the data sourced-out from the PRA. The total management fee based on the record of PRA has to be the amount to be billed to the servicing banks and this amount is the one to be taken up as receivable. A reconciliation is necessary wherein the amount taken up as receivable has to be matched with the summary list submitted by the banks.

d. Although the above-mentioned accounts were supported with schedules showing the individual balances of the retirees in the case of visitorial fees and balances per bank in the case of management fee, the audit team is concerned more on the details behind these balances. It is therefore imperative that PRA maintain completely subsidiary ledgers which support the balances in the schedule and finally the amount reported in the financial statements.

e. Under this condition, the discrepancies in the figures in the three reports, in addition to the non-maintenance of complete SLs, casts doubts on the accuracy and fair presentation of the Receivable - Visitorial and Management Fee as well as the Deferred Credits accounts in the financial statements.

f. Further, another pertinent provision of the Framework for the Preparation and Presentation of the Financial Statements which was issued by the Board of Accountancy and Accounting Standards Board, states:

> *"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."*

3.3 We recommended that Management:

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 Financial Statements; and

b. maintain subsidiary ledgers per accredited private bank to ensure proper monitoring of the Receivable - Management Fee.

3.4 Management commented that:

a. the financial records of the retirees concerning Visitorial Fees Receivables and Harmonization Fees Deferrals, and with the accredited banks concerning the Management Fees due from these banks are being looked into;

b. the SLs serve as our monitoring tool which reflect the receivables due from the retirees for collection and billing purposes, while the schedules reflect the actual recording of income and receivables from these fees;

c. the recording of income recognition for those retirees with delinquency in payments is being discontinued;

d. on the Deferred Harmonization Fees, the listed amounts in the AOM are subject to further reconciliation. The cited differences, whenever they are due to be recognized as income are to be reclassified to their corresponding income accounts;

e. the management fees collected from the banks is again being dealt with great prudence. Reconciliation procedures are being done and creation of subsidiary ledgers on the banks is now currently exercised. At the current time, continued billing procedures are still exercised and being prioritized as far as collection procedures are concerned;

f. Management agreed to comply with the Audit Team's recommendations and assured the team of their continued support to every observation whenever applicable and necessary.

4. Accuracy, validity and reliability of the balance of the PPE account is doubtful due to various deficiencies

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 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.

4.1 Non-reconciliation of the book balance with the results of the inventory count.

Section 490 of the 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.

a. Sound internal control requires that whenever an inventory is being conducted, all discrepancies between physical and book balances must be investigated and cleared immediately. If necessary, written explanation shall be required from persons liable.

b. An inventory team was created to conduct physical inventory and ocular inspection of all properties of PRA including its satellite offices. The Inventory Team came up with a report reflecting the individual items which were categorized as to the location/area and indicating the name of person who are in custody thereof. However, no reconciliation was made between the physical count and the book balance of the following PPE amounting toP34,354,850.91:

Name of PPE	Cost	Accumulated Depreciation	Net Book Value
Office Building	P55,389,982.38	P32,466,108.53	P22,923,873.85
Other Structures	189,722.48	44,092.05	145,630.43
Leasehold Improvements	516,609.31	95,700.00	420,909.31
Other Leasehold Improvement	120,826.50	-	120,826.50
Office Equipment	2,586,439.18	2,141,206.55	445,232.63
Furniture and Fixtures	6,466,042.16	5,348,052.62	1,117,989.54
IT Equipment & Software	16,425,530.14	10,352,893.06	6,072,637.08
Library Books	45,332.10	-	45,332.10
Other Equipment	554,838.03	469,801.75	85,036.28
Motor Vehicles	13,789,398.50	11,421,873.82	2,367,524.68
Other Property & Equipment	2,563,294.12	2,239,635.61	323,658.51
Construction Dev. In Progress	286,200.00	-	286,200.00
TOTAL	P98,934,214.90	P64,579,363.99	P34,354,850.91

c. While we appreciate Management in conducting the inventory of all its properties the problem now lies on the reconciliation of such Inventory Report with the records of the accounting which posted a balance of P34.355 million. As presented, the inventory report only disclosed the description of the item and quantity. Most of the items listed does not bear the serial numbers and property numbers as well as the date of acquisition and the acquisition cost.

d. As a result, the accuracy and reliability of the account balances cannot be established due to the non-reconciliation between the inventory and accounting records.

4.2 Non-maintenance of Subsidiary Ledgers

Section 29 of 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.

a. This is a reiteration of prior year's audit observation that the PPE items were not supported with subsidiary ledgers particularly the Property, Plant and Equipment Ledger Card (PPELC) showing the breakdown of these property or equipment. The PPELC which is supposed to be maintained by the accounting unit is the support record or subsidiary ledger of the respective PPE accounts.

b. In order to ensure that all items of equipment recorded in the book are existing and all equipment found per inventory taking conducted are completely recorded in the book, these two separate records must be reconciled. For control purposes, any difference should be immediately examined and verified.

4.3 Failure to reclassify unserviceable items to Other Assets account

a. During the inventory count, we observed that there were various items which were found defective and/or subject for disposal namely: IT equipment and motor vehicle at the PRA Head Office, various furniture and fixtures in Cebu and Batangas Satellite Offices, etc. These items are still included in the PPE account since these were not yet reclassified to Other Assets.

b. The non-reclassification of unserviceable PPEs to Other Assets Accounts resulted in the overstatement of the PPE and understatement of Other Assets accounts.

4.4 Non-issuance of the Acknowledgment Receipt of Equipment (ARE) to some employees who are in actual custody of the equipment.

Section 56, Volume II of the GAAM requires that 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 3rd year after issue.

a. However, these AREs are not renewed/updated resulting in the difficulty in reconciling the books of accounts against the physical inventory count, and, in monitoring the whereabouts of property and the accountable person.

b. Based on the inventory report, we have noted that there were group of items which were lodged to the accountability of the head of section or division. Although the concerned accountable officer/s named in the report has not been issued yet the Acknowledgement Receipt of Equipment (ARE), the procurement officer has to identify the particular employees who are in actual custody thereof to whom the same shall be issued the ARE.

4.5 We recommended that Management:

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;

b. maintain subsidiary ledgers for all Property, Plant and Equipment;

c. prepare an Inventory and Inspection Report of Unserviceable Properties (IIRUP) listing down all defective and unserviceable properties subject to disposal;

d. pending disposal, prepare a JEV to reclassify unserviceable properties to Other Assets account; and

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.

4.6 Management commented that:

a. Recommendations from the audit observations are being noted and applied. As to the extent of the PRA Inventory Team's effort on the physical count and examination, routinely recurring problems were itemized and analyzed, thus resulting to a harder task of conducting such complete reconciliation due to the limited workforce and time.

b. Bookkeepers were assigned from time to time on the said maintenance of subsidiary ledgers, but they admitted that the SL's done were just immediate responses to the protocol that should be undertaken, initially created but not continued, but humbly reiterate that the workforce needed on such controls and updates to the books is deficient thus resulting to the non-continuance of the bookkeeping procedures.

c. They manage to assign certain personnel who will handle this task, and as of this writing, this person is currently updating the equipment ledger cards. Rest assured that the compliance with the bookkeeping procedures and ledger cards may update the book balances and will match concurrently with the existing equipment of the PRA.

d. The Leasehold Improvements, Other Leasehold Improvements, Library Books and Construction/Development in Progress accounts are to be traced. Rest assured that we will reclassify, immediately, if needed.

e. The Office Equipment and IT Equipment and Software accounts are the ones with schedule but are not reconciled with the Financial Statement (FS) figures as to their completeness and proper classification which are still for reconciliation and documentations tracing.

f. Other PPE accounts are supported with schedules per FS figures but require further verification as to their physical inventory counting and inspections. The result of inventory counting and reconciliation are still in process.

g. In addition to the noted deficiency, update of all ARE may not be done immediately, Memorandum Receipt (MR) of equipment were not yet forwarded by the former Supply/Property Officer to the incumbent personnel in charge.

h. The Accounting Unit and the incumbent Supply/Property Officer explained that MRs previously issued to the users of the equipment may shorten the conduct of reconciliation procedures as these MRs are the declaration of specific equipment to be retraced against the physical count and book balances with the concerned users. A memorandum from the Admin and Finance Services Department Manager has been issued to the former Supply/Property Officer with regard to the preparation of the ARE based on the MRs previously issued. With this memorandum, the incumbent Supply/Property Officer may finish the updating of the ARE.

i. With regard to the 2014 unserviceable properties identified, the certified Inventory and Inspection Report of Unserviceable Property (IIRUP) is not yet forwarded to the accounting unit as of this date, which resulted to non reclassification of the unserviceable properties to Other Assets during the year. Reclassification will be done immediately as soon as the needed IIRUP is forwarded to the Accounting Unit.

5. Unrecorded deposits, bank debits and prior years' deposit in transit.

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.

5.1 Our audit of the cash account revealed that there were various deposits acknowledged by PRA's depository banks which were not yet recorded in the books of PRA as of December 31, 2014. Likewise, there were also bank debits appearing in the bank statements that remained unrecorded in the books due to lack of concrete information and documentations. These unrecorded deposits pertained not only for the current year but also to prior years starting 2001 while the bank debits covered CY 2008 up to CY 2014.

5.2 The breakdown of these unrecorded deposits, bank debits and deposit in transit are shown below:

Bank Accounts	Unrecorded Deposits	Unrecorded Debits	Deposit in Transit
LBP CA Account No. 0052-1054-63	P2,617,616.58	P412,228.78	P377,383.38
LBP FX Account No. 2204-0086-82	5,122,048.34	121,630.59	2,552,616.83
LBP FX Account No.0144-0205-53 –	1,078,009.90	-0-	759.56

CEBU			
TOTAL	**P8,817,674.82**	**P533,859.37**	**P2,930,759.77**

5.3 As shown on the above table, the bulk of the unrecorded deposits was for LBP FX Account 2204-0086-82 notably for the years 2011 to 2013 amounting to P5,122,048.34, while the material unrecorded bank debits pertains to LBP CA Account No. 0052-1054-63 mostly for the years 2010 and 2011. The LBP FX Account No.0144-0205-53 – CEBU revealed unrecorded deposits of P1.078 million for CYs 2008 to 2014 while the bulk of the deposit in transit was for LBP FX Account No. 2204-0086-82 amounting 2.55 million for the years 2010-2013.

5.4 These unrecorded items affects the reliability, accuracy, and fair presentation of the financial statements of the PRA particularly on the years these bank debits were reflected by the bank and when these income were earned in the case of unrecorded deposits.

5.5 The following relevant provisions of the Framework for the Preparation and Presentation of the Financial Statements which was issued by the Board of Accountancy and Accounting Standards Board, viz;

> *"Parag.22 In order to meet their objectives, financial statements are prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. xxxx*
>
> *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."*

5.6 Inquiry disclosed that one of the main reasons why such unrecorded deposits and bank debits persist in the PRA's books is because, such were not supported with sufficient documents and/or records aside from the bank statements. These unrecorded items if not addressed in due time will probably keep on increasing as what reflected in the preceding tables.

5.7 Although, we appreciate the efforts of the PRA Accountant in tracing and retrieving the documents, and his willingness to work back to the prior years, we find it proper if management will study the most effective and/or appropriate procedures that will ensure that all collections deposited in the banks are properly identified and supported with documents as part of the standard requirements.

5.8 With regards to the unrecorded debits, the Management should have started tracing and investigating the nature of the bank debits by conferring it with the bank regarding the basis of their recordings and require the bank concerned to issue the corresponding debit memo for any debits reflected in the bank account of PRA.

5.9 We recommended that Management:

a. re-study the procedure in the recording of collections from clienteles to ensure that all deposits in PRA's accounts are properly recorded on time and reconciled with bank records;

b. exert extra effort in tracing and analyzing the unrecorded deposits and debits and come up with appropriate documentations; and

c. provide the necessary adjusting entries in the accounting records to update the accounts affected and come up with updated balances.

5.10 Management commented that:

a. The bank reconciliation statements, containing basically of the said unrecorded deposits, unrecorded bank debits and prior year's deposits in transit, may practically be seen as bulky in nature in terms of unreconciled items with long due dates and still outstanding. However, we are doing our best in identifying the specific date and amounts, and reporting such reconciling items per bank transaction. All reconciling items are reported in order to pinpoint on which particular transactions are to be retraced against the documentation and recording of our depository banks.

b. The reconciliation and booking procedures are continually done in accordance with the mandated and generally accepted accounting principles, and once identified, the items are to be reclassified according to the nature of the transaction, them being as expense, income, deferred expense or income accounts. But the proper delegation on the monitoring side cannot be done due to the lack of manpower. Additional staff is assigned to our accounting unit to religiously reconcile from time to time with our depository bank the transactions that are unrecorded per PRA's books and potential reconciling items in nature. Also citing our application for accreditation to "ISO 9001:2008 Quality Management Systems Requirements" as one of the criteria for the PRA's 2015 performance scorecards, we may reevaluate further our procedures in proper documentation for common bank transactions.

c. Lastly, in order to match our Cash in Bank balances per book as to their bank balances, we prepared a Journal Entry Voucher No. 2080880 dated March 31, 2015 to temporarily reclassify the bank reconciling items still subject for verification as to their nature.

d. Journal entry voucher contains credits to "Other Deferred Credits – Bank Credits for Reconciliation" account for Unrecorded Bank Credits with corresponding reversal debits in case of outstanding collections for bank confirmation of deposit (Deposit in Transit); and debits to "Deferred Charges – Bank Debits for Reconciliation" account for Unrecorded Bank Debits.

6. **Reliability of the balance of Supplies Inventory Account**

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.

6.1 Below are relevant provisions under the Framework for the Preparation and Presentation of Financial Statements.

Qualitative Characteristics of Financial Statements

Parag. 25. Qualitative characteristics are the attributes that make the information provided in financial statements useful to users. The four principal qualitative characteristics are understandability; relevance, and comparability.

Relevance

Parag. 27 To be useful, information must be relevant to the decision-making needs of users. Information has the quality of relevance when it influences the economic decisions of users by helping them evaluate past, present or future events or confirming, or correcting, their past evaluations.

Materiality

Parag. 30 The relevance of information is affected by its materiality. Information is material if its misstatement (i.e., omission or erroneous statement) could influence the economic decisions of users taken on the basis of the financial information.

Reliability

Parag. 31 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 or could reasonably be expected to represent.

Faithful Representation

Parag. 33 To be reliable, information must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent.

6.2 Records showed the following balances as generated from the stock position reports prepared by the Supply Officer and other Accountable Officer's vis-à-vis the balances of the general ledgers as reflected in the financial statements at year end:

Code	Account Title	Per GL	Per Stock Position Report	Variance
151a	Office Supplies Inventory-Regular Supplies	704,697.77	203,133.23	501,564.54
151b	Office Supplies Inventory-IT Supplies	1,392,531.30	71,011.86	1,321,519.44
151c	Office Supplies Inventory-ID Supplies	3,784,390.31	64,150.00	3,720,240.31
151d	Office Supplies Inventory-Accountable Supplies	(628,570.00)	110,480.50	(739,050.50)
169	Promotional Supplies Inventory	72,777.90		72,777.90
169a	Promotional Supplies Inventory	10,772.10		10,772.10
	TOTAL	**5,336,599.38**	**448,775.59**	**4,887,823.79**

6.3 As shown above, the balances of supplies inventories that remained in stock as of December 31, 2014 was notably lesser by P4,887,823.79 as compared with the balances as reflected in the financial statements. Inquiry disclosed that the balances of the promotional supplies accounts 169 and 169a have long been outstanding and carried over in the books and no stock position reports were maintained by the supply officer because all supplies related to promotions were recorded as outright expense.

6.4 The above table likewise disclose the balances of Regular Supplies and IT supplies amounting P.704 million and P1.39 million, respectively. However, the stock position reports showed balances of P203,133.23 and P71,011.86 or a difference of P.501 million and P1.32 million respectively.

6.5 Furthermore, our review of the Agency's general ledgers revealed that for the year 2014, no issuances of ID supplies were recorded in the books. Such circumstance created doubts because PRA's operation is normally associated with the issuances of IDs to its retirees/clienteles after the required VISA had been issued to them. Although no issuances were recorded in the books, it was evident that there were subsequent purchases which were made during the year in addition to the huge balance of ID supplies as of December 31, 2013 which amounted to P3.23 million. Details of receipts and issuances of IDs for the year are shown below:

Date	Receipts	Issuances	Balance as of 12.31.14
Beginning balance			3,233,228.78
January	0	0	3,233,228.78

February	68,499.20	0	3,301,727.98
Date	**Receipts**	**Issuances**	**Balance as of 12.31.14**
March	82,000.00	0	3,383,727.98
April	57,250.00	0	3,440,978.00
May	0	0	3,440,997.98
June	0	0	3,440,997.98
July	0	0	3,440,997.98
August	68,912.33	0	3,509,910.00
September	86,000.00	0	3,681,910.00
October	188,500.00	0	3,784,390.31
November	0	0	3,784,390.31
December	0	0	3,784,390.31

6.6 On the other hand, the supplies inventory account - accountable forms has an abnormal negative book balance of (P739,050.50) as of December 31, 2014. However, when we verified the stock position report, it shows a balance of P110, 480.50. Such abnormal balance adds doubt on the reliability of inventory balance reflected in the Financial Statements of the PRA and, thus, inconsistent with the provisions of the Framework for the Preparation and Presentation of Financial Statements.

6.7 We recommended that Management:

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;

b. ensure that all receipts and issuance of supplies are accounted, and recorded; and

c. verify if there were unauthorized issuances of supplies otherwise, it has to be investigated and appropriate sanction be imposed.

6.8 Management commented that:

a. They have noted the observations and we will comply with the recommendations.

b. Management acknowledge the variances found in the Supplies Inventory Accounts and informed the Audit Team that these are currently under reconciliation by the Supply Officer and the Accounting. A staff was assigned to deal with the reconciliation procedures together with the maintenance of subsidiary ledgers and analyze every office supply purchased and issuances made.

c. We were also informed that corresponding journal entries will be made in the current fiscal year for the items needed for reclassifications and adjustments.

7. Long Outstanding Accounts Payable

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.

7.1 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 provides:

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

7.2 However, the procedural guidelines of the same Circular assures that A/Ps reverted to CROU 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.*
>
> *2. The claimants shall submit the pertinent documents to prove the validity and legitimacy of their claims.*

7.3 Review of the schedule supporting the A/P account as of December 31, 2014 disclosed that 16.78 per cent or P4,053,680.40 of the account balance of P24,156,868.48 have remained outstanding for two to five years. Ageing of the A/P is as follows:

Period of Transaction	Age of the Account	Amount
2006	5 years	P 218.74
2010	4 years	1,559,954.83
2011	3 years	867,868.96
2012	2 years	1,625,637.87
Subtotal		**4,053,680.40**
2013	1 years	1,561,113.11
2014	-	18,542,074.97
TOTAL		**P 24,156,868.48**

7.4 These A/Ps refer to the amounts obligated for payments to various creditors for services rendered to the PRA, marketers representing marketers' fees and persistency bonuses, which, as of year-end had not demanded or filed their claims against the PRA. There were also some creditors and marketers who were already issued several checks, however, the checks issued became stale since the claimants failed to claim the same within a period of six months. Thus, the amounts representing the stale checks were reverted to accounts payable.

7.5 Since these payables existed in the books for such a long period of time, it therefore casts doubts on whether or not the claimants were aware that they have receivables from the PRA.

7.6 The non reversion by the PRA of the A/Ps which remained outstanding for two to five years is inconsistent with the guidelines as prescribed under the DBM-COA Joint Circular No. 99-6 dated November 13, 1999.

7.7 We recommended that Management:

a. comply with the procedural guidelines as stated under the Joint Circular as follows:

1. review and analyze all recorded payable accounts that remained outstanding for two years or more;

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;

b. All A/Ps that were reverted to R/E may be considered for payment upon determination, through administrative processes of the existence, validity and legality of the claims, subject to the following procedures:

1. the claimants shall take the initiative to file their request with the PRA.

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.

3. upon establishment of the proof of validity to settle the claim, such shall be supported with a certified copy 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.

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.

7.8 Management prepared Journal Entry Voucher No. 2080911 dated April 30, 2015 to adjust the identified accounts payable due to various payees which remained outstanding for two years as of December 31, 2014. Analyses of the remaining outstanding accounts payable are consequently being handled with prudence. Whenever there are claims for such payables, the requirements provided in the guidelines will be complied. Other accounts that will need reclassification entries will be done and entered in the books accordingly.

8. Utilization of the Corporate Operating Budget

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 the PRAs Rationalization Plan.

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 (see table below).

8.1 Sections 3.0 to 3.2 and 6.4, Corporate Budget Circular (CBC) No. 20 dated April 27, 2005, provides that:

3.0. General Guidelines and Policies:

3.1. GOCCs/GFIs shall prepare and submit their COBs to the Department of Budget and Management (DBM) prior to the beginning of the ensuing year. The COB shall consist of estimates of financing sources and expenditures for current operating and capital outlays.

3.2. The COB should reflect estimates of receipts from all sources to support the level of proposed expenditures clearly supported by assumptions, programs or projects.

6.4. In both cases, the COB of each GOCCs/GFIs for the ensuing year shall be approved before the end of the current year.

8.2 Government budgeting is important because it enables the government to plan and manage its financial resources to support the implementation of various programs and projects that best promote the development of the country. Through the budget, the government can prioritize and put into action its plans, programs and projects within the constraints of its financial capability as dictated by economic conditions. The change of time and other external factors may warrant variation of budget from year to year. Therefore, the budget plan or estimate has to be restudied and approved by the appropriate level of authority to ensure the proper mix of costs and services and to meet the current financial requirements in the fulfillment of agencies' purpose and/or objectives.

8.3 Inquiry disclosed that the COB for CY 2014, together with other related budget documents, were submitted to the Department of Budget and Management (DBM) on the latter part of December 2014. However, these were not received/accepted by the DBM because of late submission by the PRA and the fact that the said COB did not have the approval of the Board of Trustees/Directors. Therefore, PRA did not have a DBM approved 2014 COB nor a COB approved by its Board.

8.4 The submission of the PRA to the DBM in December 2014 only was inconsistent with the provisions stated under Section 3.1, CBC No. 20 dated April 27, 2005, on the preparation and submission of the COB to the DBM prior to the beginning of the ensuing year and Section 6.4 of the same Circular that the COB of each GOCC/GFI for the ensuing year shall be approved before the end of the current year.

8.5 Based on the said Circular, PRAs 2014 COB should have been approved by the DBM before December 31, 2013, and therefore, the said COB should have been also prepared and submitted to the DBM earlier than December 2013 to give them ample time to review/evaluate the COB prior to its approval.

8.6 Since the PRA had no approved COB for CY 2014, the Board of Trustees in a meeting dated February 12, 2015, resolved the adoption of the Reenacted CY 2013 Approved COB for CY 2014 in the amount of P 180,342,000.00 through Board Resolution No. 06, series of 2015, dated February 12, 2015.

8.7 It therefore leaves room for doubt why such a basic and significant requisite was not complied with up to the end of the year, which was supposed to be in December 31, 2013.

8.8 In the review of the PRAs fund utilization for CY 2014 as compared with the CY 2013 reenacted budget, the Audit Team noted the following:

a. While total fund utilization of P166,316,504.84 in CY 2014 did not exceed the CY 2013 reenacted budget of P180,018,398.13, however, some expenditures items exceeded the budget.

b. All items of expenditures under Personal Services exceeded the budget of P23,104,000.00 by P13,506,014.59 since actual expenditures amounted to P36,610,014.59. This was due to the filling up of vacant positions in CY 2014 relative to the approval by the Governance Commission for GOCCs (GCG) of the Rationalization Plan (RP) of the PRA in October 2013 wherein PRAs existing plantilla positions was increased by 39.

c. The Approved Reenacted CY 2013 Budget was not amended to include payment of salaries and other related expenses as a result of the PRAs implementation of the Rationalization Plan.

d. Actual expenditures for various MOOE were incurred in excess of the CY 2013 reenacted budget in the amount of P105,364,659.42**.** Such huge variance is attributable among others, to the budget for direct cost-delivery of services amounting P77,635,824.85 and marketing expense amounting P26,500,669.92 which were not itemized, thus the actual expenditure items used by the accounting could not be properly matched.

e. Excess expenditures for both PS and MOOE were not confirmed by the DBM to make the said disbursements deemed authorized and regular.

f. Other discrepancies were also noted when we compared the CY 2014 actual expenditures items between the figures reflected in the FS with the comparative details reported by the Budget Officer as follows:

e.1 P2,062,867.50 was reported as Life & Retirement Insurance Premium (LRIP) per budget but recorded as a year-end bonus by the accounting;

e.2 The amount of P2,581,961.65 was reported as LRIP by the accounting but recorded in the report of the Budget as Pag-ibig contributions;

e.3 Philhealth contributions amounting P231,318.75 per accounting was reported as ECC contributions per budget.

e.4 The following 2014 expenditures for Personal Services were reflected in the details of Personnel Services as reported by the Budget Officer. As noted, the amount of P1,642,967.50 was reported twice by the Budget officer as Performance Based Bonus and at the same time as cash gift. However, the accounting treated these expenditures as one single expenditure item known as "Other Bonuses and Allowances".

CNA Incentive	1,007,107.00
Performance Based Bonus	1,642,967.50
Loyalty Pay	70,000.00
Productivity Enhancement Bonus	280,500.00
Cash Gift	1,642,967.50
TOTAL	P4,643,542.00

e.5 As to the MOOE, inconsistencies in the use of the expenditure title or caption were noted, thus entailing difficulty in matching the actual MOOE item to the specific budget, sample of which is as follows:

Per budget, the following budget items appeared as shown below:

Direct cost	77,000,000.00
Marketing Expenses	26,500,000.00
TOTAL	P103,500,000.00

e.6 However, per FS, the following have been reflected as follows:

Other MOE-BI Fees	26,920,510.00

Other MOE-Marketer's Fee	46,545,193.34
Advertising Expenses – Marketing	18,106,613.95
TOTAL	P91,572,317.63

e.7 With regard to the Capital Outlay, the following items appeared in the 2013 reenacted budget, but these items remained unutilized, which somehow affected PRA's operations and services to its clients in general. These items are as follows:

Office building renovation	1,200,000.00
Information Technology	11,082,927.20*
Motor Vehicles	4,000,000.00
Office Equip., Fur. & Fixtures	2,720,286.27*
Other Equipment	180,000.00
Other PPE	76,100.00
TOTAL	P19,259,313.47

*balance of unutilized budget

8.10 We recommended that Management:

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;

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;

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;

d. secure confirmation on the said expenditures from the DBM; and

e. reconcile inconsistencies in the Budget report with that in the FS or as recorded by the Accounting Unit.

8.11 Management commented that:

a. The COB of a GOCC is the Agency's authority to disburse necessary funding of the operational requirements for the delivery of the services being offered. Based on Section 6.1 of CBC no. 20 dated April 27, 2005 "GOCCs/GFIs shall prepare and submit their COBs to the DBM prior to the beginning of the ensuing fiscal year. The COB shall consist of estimates of financing sources and expenditures for current operating and capital outlays" wherein PRA has failed to comply due to the following reasons:

a.1 Lack of FY 2014 Board Approved COB. Although last July 10, 2014 the proposed FY 2014 COB was already routed to the Board of Trustees (BOT) for their approval. Apparently certain issues had caused the approval of the FY 2014 COB to be on-hold.

a.2 The BOT conducted only one (1) Board meeting for FY 2014 that was held last April 24, 2014. During this period the preparation of the proposed FY 2014 COB was still on-going.

a.3 Deadline of submission of the FY 2014 COB was last November 15, 2014, wherein PRA submitted the said document last December 2014 without a Board Approval. The delayed submission and lack of Board Resolution approving the proposed FY 2014 COB resulted to the disapproval of the said request.

b. Discrepancies that were observed in the submission of the comparative figures of FY 2013 re-enacted and FY 2014 actual expenditures shall be settled as follows:

b.1 For the PS, items shown below are the adjustments consistent with the FS figures:

Amount	Initial Submission	Corrected Entries
P 2,062,867.50	LRIP	Year-end Bonus
P2,581,961.65	ECC	LRIP
P231,318.75	PhilHealth	ECC

- For the Cash Gift, the amount of P1,642,967.50 was mistakenly indicated wherein the amount of P300,500.00 should be the accurate figure for the actual utilization of the said PS item.

b.2 For the MOOE items, Direct Cost and Marketing expenses are detailed as follows:

Particulars		2014 (Actual)
A.	**Direct Costs:**	
	BI Fees	26,920,510
	Medical Examination Fees	3,776,500
	NBI Clearance Fees	-
	Visa sticker and ID cards	393,621
	Marketer's Fees	46,545,193
	Annual Persistency Bonus	-
	Sub total	**77,635,824.85**
B.	**Marketing Expenses**	
	Travelling Expenses	
	Local	500,000.00
	Foreign	2,800,000.00
	Advertising and Promotion Expenses	
	Advertising	22,000,000.00
	Promotions	9,000,000.00
	Representation	234,500.00
	Postage & Deliveries	750,000.00
	Sub total	**35,284,500.00**
TOTAL		**112,920,324.85**

8.12 As illustrated on the above-cited MOOE items, under the Direct Cost are payments of BI, Medical Examination and Marketer's fees. This also includes procurement of Visa Stickers and ID Cards. Meanwhile for the Marketing Expenses, it covers several MOOE items like Travelling (Foreign & Local), Advertising, Promotions, Representation and Postage & Deliveries.

8.13 For FY 2014, it was observed that certain PS & MOOE items in the COB are not consistent with the terms being used in the Financial Statements (FS). In this regard, by FY 2015 the PS & MOOE items shall have a standardized term to be used in the COB and FS to avoid confusion and misrepresentation as far as users in auditing sections are concerned.

8.14 To comply with the COA's recommendations, the PRA shall observe the improvements in the activities involving the preparation of COB. This shall involve the submission of the Board approved COB consistent with the policies set under Executive Order no. 518 requiring GOCCs to submit the said document before the start of the fiscal year.

8.15 In addition, PRA will submit to DBM a request for confirmation on the actual budget utilization for FY 2014 in accordance with CBC no. 20 dated April 27, 2015. PRA will also request for the approval of the Board of Trustees on the realignment of funds in the excess utilization of PS. The implementation of the Rationalization Plan caused the FY 2013 re-enacted level of PS to be insufficient in covering expenses of FY 2014.

8.16 Management assured the Audit Team that they will conceptualize a new systematic approach on the budget preparation of PRA in compliance with the Government policies, rules and regulation.

9. Delayed submission and processing of replenishment of revolving fund in PRA's Satellite Offices.

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 affecting the PSOs' operations and delivery of services to the retirees.

9.1 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 has established satellite offices in Davao, Cebu, Clark, Subic, and Baguio. These are manned by the RAO. Moreover, to better serve the needs of the retirees in these areas and for the RAO to discharge his/her functions, a petty cash/revolving fund was granted to the RAOs except for Baguio.

9.2 The Audit Teams cash count of the revolving fund maintained by the RAOs revealed that they were delayed in the submission of their replenishment reports/documents for one to two months. The said delay was aggravated by a long period of processing by the Accounting Division.

9.3 To establish the long delayed submission and processing of replenishment of the petty cash fund by the RAOs, the Audit Team obtained the following transactions of the satellite offices:

A. Cebu Satellite Office

Period covered	Date replenishment submitted	No. of days delayed in the submission of the replenishment documents	Date Replenished/ Check Date	No. of days delayed in processing of replenishment	Amount Requested for replenishment
Jan. 2014	Mar. 13, 2014	41	Aug. 12, 2014	152	P4,090.00
Feb. 2014	May 21, 2014	82	Aug. 12, 2014	83	6,554.63
Jun. 2014	July 4, 2014		Sept. 2, 2014	60	7,843.00
Mar 2014	Aug. 7, 2014	129	Nov. 25, 2014	110	6,043.00
Apr. 2014	Aug. 8, 2014	100	Sept.12, 2014	35	4,312.50
July 2014	Sept. 3, 2014	34	Nov. 28, 2014	86	10,509.80
TOTAL					**P39,352.93**

9.4 As can be gleaned from the above table, the RAO submitted the replenishment documents late by 41-129 days and the PRA Head Office particularly the Accounting Division, processed the same from 35-152 days after the said documents were submitted.

9.5 Likewise, the table below shows the expenses of the Cebu Satellite Office that were submitted to PRA-HO but were not replenished as of December 3, 2014, the date of examination. The delayed replenishment ranged from 31-86 days. The table also disclosed expenses amounting to P21,370 covering the period Sept-Nov. 2014, that were still in the custody of the RAO for 32 to 63 days as of cash count date.

Period covered	Date replenishment submitted	No. of days delayed in the submission of the replenish-ment documents	Date Replenished/ Check Date	No. of days delayed in processing of replenishment	Amount Requested for replenishment
May 2014	Oct. 3, 2014	125	12/19/2014	77	P10,759.74
June 2014	Nov. 14, 2014	137	12/17/2014	33	5,395.25
July 2014	Sept. 3, 2014	34	11/28/2014	86	10,509.80
July 2014	Nov. 27, 2014	119	12/29/2014	32	6,927.00
Aug. 2014	Nov. 28, 2014	89	12/29/2014	31	6,584.88
Sub-total					**P40,176.67**
Sept. 2014	not yet submitted for replenishment	63	not yet submitted for replenishment	not yet submitted for replenishment	5,991.81
Oct. 2014		32			8,148.92
Nov.2014					7,229.50
Sub-total					**P21,370.23**
Total					**P61,546.90**

B. Davao Satellite Office

Period covered	Date replenishment/ submitted	No. of days delayed in the submission of the replenish-ment documents	Date Replenished/ Check date	No. of days delayed in process-ing of replenish-ment	Amount Requested for replenish-ment
Aug. 2014	Nov. 11, 2014	72	Not yet replenished As of Dec. 2 2014	21	P3,337.10
Sept. 2014	Nov. 11, 2014	42		21	5,519.69
Oct. 2014	Dec. 09, 2014	39			1,695.00
Oct. 2014	Not yet submitted for replenishment	49			8,883.00
Nov. 4, 2014		28			8,547.64
Total					**P27,982.43**

9.6 The table showed delayed submission of the RAO from 28 to 72 days, while the processing of the replenishment lasted for 21 days.

C. Clark and Subic Satellite Offices

Period covered	Date replenishment/ submitted	No. of days delayed in the submission of replenishment documents	Date Replenished /Check date	No. of days delayed in processing of replenishment	Amount Requested for replenishment
Dec. 1-12,2014					P5,924.00
Nov. 2014	Dec. 1, 2014	13		13	11,553.00
Jan 21-Oct 22	Dec. 1, 2014	40		14	10,895.00
Mar. 4-Oct.29	Dec. 1, 2014	33		14	7,038.00
Mar 4-Oct. 25	Dec. 1, 2014	37		14	8,970.50
Total Liquidation					**P38,456.50**
Total not replenished as of Dec. 2014					**P44,380.50**

9.7 The above table shows total of P38,456.50 liquidation which were already submitted by the Satellite Office. However as of December 15, 2015, these were not replenished. Meanwhile, a total of 5,924.00 covering the expenses for Dec. 1-12 were still not submitted.

9.8 Interview with the RAOs revealed that replenishment documents were transmitted by the RAOs to the Deputy General Manager (DGM) and the latter forwarded the same to the Accounting Division. Then, the Accounting Division verifies the completeness and validity of the supporting documents. If the supporting documents were found incomplete and not in order, it calls the attention of the RAO either thru phone or other means of communication.

9.9 Accordingly, there were instances when documents for replenishment were put on hold if the deficiencies were not yet complied by the RAO. However, in some instances, the replenishments were allowed, the net of the amount set aside was subject to submission of the required documents.

9.10 The span of time to wait for the RAO to submit the lacking requirements, is one of the factors that contributed to the delayed replenishment by the RAOs. Likewise, delayed submission of the replenishment documents by the RAOs was also considered as a big factor in the delayed replenishment. However, the RAOs averred that the delayed submission was caused among others by the voluminous tasks and its lack of personnel to do the administrative works since the satellite offices were manned by only two (2) personnel, namely: the RAO and its driver.

9.11 Further, examination and review of the satellite offices' transactions disclosed deficiencies as follows:

a. Cash book was not maintained by the RAOs to record the disbursements from their petty cash/revolving fund and to reflect the daily balances of their accountabilities at any given time, except for the RAO at Cebu Satellite Office wherein an alternative record is being maintained to record her disbursements and also to monitor the same.

b. Replenishment check was deposited to the account of the RAO and withdrawals thereof were made thru their ATMs. This indicates weakness in internal control because the ATMs are in the personal accounts of the RAOs, thus, it allows, if not, encourages the RAOs to spend the same for personal purpose.

c. Although we are not discounting the use of ATMs as an alternative and one of the most convenient ways of cash custodianship and disposition, what we are concerned about is the mingling of the cash for official use with that of the personal funds of the RAOs since no cashbook and other alternative records were maintained showing the daily balance of their accountability.

d. The RAOs used their own money to defray the expenses of their respective satellite office due to the delayed submission of replenishment documents by them as well as the delayed processing of their replenishment.

e. Furthermore, no revolving fund was granted to Baguio Satellite Office since CY 2012 and so it casts doubt on how the daily expenses of the said Office were met without such revolving fund.

f. In view of the above deficiencies, the Audit Team opined that:

f.1 The use of the personal fund by the RAOs could compromise or adversely affect the quality of the PSOs' operations and delivery of services to the retirees.

f.2 The non-maintenance of cash book by the RAOs resulted in them not being aware of the daily balance of their petty cash/revolving fund. Thus, they are not exerting effort to submit their replenishment documents immediately to the Deputy General Manager and had them processed by the accounting division.

f.3 The use of personal ATMs of the RAOs in sending the replenished amount out of their petty cash/revolving fund may result or pave the way to fund misapplication, to the disadvantage of the retirees.

9.12 We recommended that Management:

a. implement controls and procedures that will reduce if not totally eliminate the delay in the submission and processing of the RAOs replenishment;

b. advise the RAOs to submit regularly the documents for replenishment and the Accounting Division to act/process the same promptly; and

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.

9.13 Management commented that:

a. they took notes on the recommendations and have come up with certain points in relation to Satellite Offices' (SO) Petty Cash Fund (PCF) replenishment. We copy furnished the AOM to the respective Retirees' Assistance Officer (RAO) of the four SOs and have received their comments and issues;

b. the issued check vouchers of various petty cash fund replenishments to the SOs were examined and noted the dates indicated therein on how long each check vouchers were processed. It acknowledged the deficiency, both of the SOs and in the Head Office on the delays of processing of the replenishment checks;

c. the concerns of the RAOs on the volume of daily tasks are cited in their replies, greatly affect the processing of PCF replenishment. The FMD on the other hand, receives the PCF documents after endorsement from the Office of the Deputy General Manager (ODGM). Upon estimating the number of days covered from which the documents are in transit up to the receipt from the ODGM, it was noted that considerable number of days are also consumed thus resulting in an extended time for the FMD to process such replenishments;

d. lack of manpower in Cebu SO and the need of additional orientation of disbursing functions for the Subic/Clark and Davao SOs are the main reasons for such delayed PCF replenishments. The respective RAOs admit that they are in dilemma as to how they will handle their replenishment procedures efficiently; and

e. a coordination & consultation meeting on satellite operations was held last Jan. 20-21, 2015, which involved, operation reorientations and full discussion by the FMD on the provisions about the common government transactions specifically in PCF custodianship and rulings. The FMD also provided manuals for these transactions, raised common issues, gave support tools on how the SOs can better manage their PCF in accordance with government rules and regulations, and reiterated that maintaining cash books and having cash boxes are vital and mandatory in handling their PCF.

10. Non preparation of a Gender and Development (GAD) Plan and Budget

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.

10.1 The policy guidelines on Gender and Development are as follows:

a. The Philippine Constitution recognizes the fundamental equality before the law of women and men. The Magna Carta of Women (MCW) or RA 9710 and other laws enshrine this policy.

b. Executive Order (EO) No. 273 (Approving and Adopting the Philippine Plan for Gender-Responsive Development [PPGD 1995 -2025] mandates agencies to incorporate and reflect GAD concerns in their agency performance commitment contracts, annual budget proposals, and work and financial plans.

c. Pursuant to the MCW and the General Appropriations Act (GAA), all government departments, including their attached agencies, offices, bureaus, state universities and colleges (SUCs), government-owned and controlled corporations (GOCCs), local government units (LGUs) and other government instrumentalities shall formulate their annual GAD Plans and Budget (GPBs) within the context of their mandates to mainstream gender perspective in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five per cent **(5%) of their total budgets**. The computation and utilization shall be implemented in accordance with the specific guidelines provided therein. (emphasis supplied).

d. The Medium Term Expenditure Framework, which includes the Sector Effectiveness and Efficiency Review and Organizational Performance Indicator Framework, requires agencies to formulate their Major Final Outputs (MFOs) and to link their GAD objectives,, programs, activities and projects (PAPs) to their MFOs.

10.2 Our audit revealed that PRA has yet to develop the plans and programs in line with the guidelines set in the foregoing Joint DBM and NEDA Circular. Likewise, no budget was allocated for this purpose in CY 2013 and in the CY 2014 re-enacted budget which was approved by the Board on February 12, 2015.

10.3 In as much as these directives have been issued and became effective since CY 2013, PRA, being one of the GOCCs subject and covered by this policy, is enjoined to comply and implement this program in adherence to the advocacy of the government in protecting the rights and uplifting the welfare of women.

10.4 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.

10.5. During the exit conference, Management informed the Audit Team that various seminars and trainings were already undertaken since CY 2013, however, no budget was specifically allocated for GAD but the training cost was taken from the regular MOOE. For calendar year 2015 proposal, budget for GAD was already incorporated.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 22 prior year's audit recommendations embodied in the previous year's Annual Audit Report, 14 were fully implemented, six were partially implemented, and two were not implemented.

REFERENCE	OBSERVATION	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
2013-01-19	**The accuracy, reliability and completeness of Property, Plant and Equipment (PPE) account balance of P100.554 million is not assured in view of the non-maintenance of subsidiary ledgers; the variance of P5.355 million between the balances in the financial statements and those in the individual schedules of PPE items; absence of schedules for PPE items of P.452 million; inability to conduct physical inventory; non-adjustment of the cost of completed improvements to PPE account; non-reclassification of unserviceable items costing P2.667 to Other Assets account; and the non-provision of depreciation expense for IT equipment amounting to P2.122 million.**	We recommended that Management take action of the following:	
		a. Conduct physical inventory taking of all its PPEs and reconciles the Inventory Reports with the book balances.	Partially Implemented An Inventory Committee was created and started conducting inventory on the last quarter of 2014, reconciliation with the books is still in progress and in coordination with the property officer.
		b. Reclassify the completed project to PPE, Office Building-Condominium Unit;	Not Implemented The Financial Management Division is exerting their efforts to locate the voucher(s) in which the Construction-in-Progress account came from, in order to adjust and depreciate properly.
		c. Provide depreciation expense reckoned from the date of	Not Implemented The Financial Management Division is exerting

		completion and prepare the necessary adjustments in the books;	their efforts to locate the voucher(s) in which the Construction-in-Progress account came from, in order to adjust and depreciate properly.
		d. Draw a journal entry voucher to reclassify unserviceable properties to Other Assets account to fairly present these in the Authority's financial statements, pending its disposal;	Fully Implemented JEV#2080470 dated April 30, 2014 was prepared to reclassify unserviceable properties to Other Assets account.
		e. Monitor these properties to prevent further deterioration in order to generate higher returns from its sale;	Fully Implemented We have hired one staff and assigned her the PPE to update the SL and monitor the movements of PPE.
		f. Recognize the depreciation expense on the newly acquired IT Equipment in accordance with NGAS policy in order to present a reliable balance of the IT Equipment, depreciation expense and the related accumulated	Fully Implemented Depreciation expense was already provided under JEV#s 2080411, and further reconciliation/adjusting entries per JEV#s 2080495, 2080496, & 2080497.

		depreciation accounts in the financial statements; and g. Maintain subsidiary ledgers for all PPE accounts so that periodic reconciliation between the general ledger and subsidiary ledgers could be done so as to reflect an accurate balance of the accounts.	 Partially Implemented We have hired one staff and assigned her the PPE to update the SL and monitor the movements of PPE. The SLs and GLs of various PPE accounts are all subject to actual comparison with the physical inventory taken, reconciliation procedures are still in progress.
2013-02-25	**The use of the Cash Deposits from Retirees-Restricted account in the recognition of retirees' share on interest earned from their required visa deposits resulted in the overstatement of the said account in the amount of P6,854,176.92 and disclosed a variance between Cash Deposits from Retirees–Restricted and Funds Held in Trust–Retirees' Deposits by the same amount. Likewise, these interests were erroneously recorded as Trust Liabilities under Funds Held in Trust-DBP Consolidated Interest**	We recommended that Management undertake the following: a. Request DBP to transfer retirees' share on interest earned from visa deposits to PRA's dollar savings account so that the balance of the Cash Deposits from Retirees-Restricted account will reflect the accurate total visa deposits of retirees as of balance sheet date.	 Partially Implemented Management is working for the revision of the enrolling system and integrates the opening of retiree's separate account for their share in the interest.

	Payable instead of Interest Payable.	b. Require the Finance Management Division to prepare a journal entry voucher (JEV) reclassifying the entry made amounting to P6,854,176.92 from Cash Deposits from Retirees-Restricted to Cash in Bank-DBP Dollar Savings Account since the former represents the visa deposits only of the retirees; and c. Reclassify the entry made from Funds Held in Trust-DBP Consolidated Interest Payable to Interest Payable in the amount of P6,854,176.92;	Fully Implemented This was reclassified under JEV#2080472 dated April 30, 2014. Fully Implemented This was reclassified under JEV#2080472 dated April 30, 2014.
2013-03-27	**Guaranty Deposits amounting to P1,641,976.60 included the amount of P355,744.40 the refund of which was not demanded by PRA despite the fact that the purpose(s) of these deposits had long been satisfied and their corresponding contracts have long been terminated. The non-refund deprived**	We recommended that Management undertake the following: a. Demand for the immediate collection of refundable deposits with various lessors/suppliers; b. Require the Accounting and	 Fully Implemented The Waterfront Cebu City had paid P79,068.20 under OR#5226150 dated May 30, 2014. Partially Implemented

	the PRA of the benefits or use of the said amount. Likewise, P30,000 of the said amount was erroneously charged to guaranty deposits instead of expenses	Administrative Divisions to join efforts in the monitoring of these deposits as soon as they are due for refund; and c. Prepare an adjusting entry to correct the amount of P30,000 which was erroneously recorded as guaranty deposits instead of expenses.	Monitoring of various guaranty deposits are being analyzed and Waterfront Cebu City had already complied with the initial procedures/follow-ups made by the Admin and Finance Dept. Fully Implemented This was taken under JEV#2080471 dated April 30, 2014.
2013-04-28	**Full payment of interest of the retirees' share with regard to interest earned on the requisite visa deposits was not given priority. Due to lack of monitoring and minimal notice sent to retirees, only P.729 million out of P7.584 million or 9.62 per cent was released. In terms of the number of retirees, only 124 out of the 2,952 retirees or 4.20 per cent were paid their shares**	We recommended that Management intensify its efforts in providing interest payments to a greater number of retirees. Furthermore, it is suggested that Management implement the procedures in the payment of interests.	Partially Implemented The process of RRSD includes informing retirees that they will receive interest on their visa deposit upon completion of 1year. Further, management is working for the revision of the enrolling system and integrates the opening of retiree's separate account for their share in the interest.
2013-05-31	**Cash advances amounting to**	We reiterated our recommendations that	

	P327,619.48 were not liquidated within the prescribed period contrary to Sections 4.1.3 and 5.1.3 of COA Circular 97-002 dated February 10, 1997	Management a. Strictly enforce liquidations as soon as the purpose for which the cash advance had been served;	 Fully Implemented The Financial Management Division is now enforcing strict liquidation and follow-up of the unliquidated Cash advance granted in compliance with Section5.1.3 of COA Circular 97-002.
		b. Observe the prescribed period of 30 and 60 days within which to liquidate cash advances granted for local and foreign travels, respectively in compliance with Section 5.1.3 of COA Circular 97-002;	Fully Implemented Reminder letters are given to those employees with maturing deadlines with regard to cash advance liquidation.
		c. Prepare budget estimates that are realistic enough so that refunds or excess cash advances of great percentage as shown under 6.5 will be avoided and the accountable officer may not be exposed to	Fully Implemented Proper estimates are actually exercised, except for those unforeseen events that may require additional expenditures as to amount.

		possible risk or losses; and d. Require the Finance Division to regularly monitor cash advances with delayed liquidation and enforce its prompt liquidation.	 Fully Implemented Reminder letters are given to those employees with maturing deadlines with regard to cash advance liquidation.
2013-06-32	**The PRA granted cash advances for the purchase of commemorative watches as loyalty memorabilia for employees who had completed continuous and satisfactory service to it for at least 10 years which was inconsistent with the loyalty incentive under the PRA Program on Awards and Incentives for Service Excellence (PRAISE).**	We recommended that Management: a. Stop the practice of granting loyalty memorabilia/incentive by procuring through cash advance to be purchased by the recipients themselves; b. Require the PRAISE Committee to come up with an appropriate award and/or commemorative item or equivalent to be purchased for each loyalty/length of service category such that the said item to be awarded for each category	 Fully Implemented Releasing of cash advances are no longer practiced for the grant of loyalty memorabilia/incentive. Purchase of such awards is now done with the normal procurement procedures by the PRA. Fully Implemented The PRAISE was revised already and it was already submitted to CSC for final approval.

		should be of the same value, kind, style, design, make and quality; and c. Implement the incentive based on a duly approved PRA PRAISE.	 Fully Implemented
2013-07-34	**We reiterate our prior years' audit observation that PRA had not been incorporating plans and programs for Gender and Development (GAD) in its operations contrary to the Philippine Plan for Gender and Development for 1995 – 2025 as approved under Executive Order No. 273.**	We recommended that Management incorporate plans and budget for Gender and Development in compliance with the Philippine Plan for Gender and Development for 1995 – 2025 under Executive Order No. 273.Future Gender and Development Plans shall be guided by Joint Circular No. 2012-01 which provides for the guidelines for the preparation of Annual GAD Plans and Budgets and Accomplishment Reports to implement the Magna Carta of Women and institutionalize the GAD Focal Point System in compliance with Memorandum Circular 2011-01 of the Philippine Commission on Women.	Partially Implemented Renovation for the Quadrant B of the 29th Flr. Citibank Tower (PRA owned space) includes a Breastfeeding station and client children's playroom as required by RA 10028. The budget is still for approval of the board. There were various seminars attended by various PRA staff and officers, and additional seminars for GAD orientation to PRA employees are set for schedule and included in 2015 Plans and Programs of the Administrative Support Division.