



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

**CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 2 - SOCIAL SECURITY**

May 30, 2025

THE BOARD OF LIQUIDATORS

AFP Retirement and Separation Benefits System
424 Capinpin Avenue, Camp General Emilio Aguinaldo
Quezon City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS) for the years ended December 31, 2024 and 2023.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and the Status of Implementation of Prior Years' Audit Recommendations.

The Auditor rendered an adverse opinion on the fairness of presentation of the financial statements (FS) of the AFPRSBS as at and for the years ended December 31, 2024 and 2023 due to the following:

- a. Non-valuation of properties and/or assets with total carrying amounts of P8.268 billion and P8.177 billion as at December 31, 2024 and 2023, respectively, to their estimated net realizable values; and liabilities amounting to P248.684 million and P237.299 million as at December 31, 2024 and 2023, respectively, to their estimated settlement amounts;
- b. Non-classification of its non-current assets to current assets amounting to P5.633 billion and P4.978 billion as at December 31, 2024 and 2023, respectively, and its non-current liabilities to current liabilities amounting to P248.684 million and P237.299 million as at December 31, 2024 and 2023, respectively;
- c. Non-recognition of obligation for the unpaid membership dues to the Riviera Golf Club, Inc. (RGCI), as a result of the Supreme Court's decision nullifying the AFPRSBS' exemption to pay the said membership dues, understated the Payables and Expenses accounts and overstated the Retained Earnings account all by undetermined amounts as at and for the years ended December 31, 2024 and 2023;

- d. Improper recognition, classification, and measurement/valuation of the investments in four golf and country clubs recorded at P999.722 million and P1.003 billion as at December 31, 2024 and 2023, respectively, under Inventories, instead of Investments, despite retaining voting rights, overstated the Inventories account and understated the Investments account both by undetermined amounts;
- e. The accuracy of the members' contributions (MCs) recorded under MCs Payable account amounting to P1.215 billion and P1.226 billion as at December 31, 2024 and 2023, respectively, could not be established due to the presence of unreconciled amount of P531.001 million for CY 2024 and P600.270 million for CY 2023, between the General Ledger (GL) and Subsidiary Ledger (SL) balances. Likewise, the interests earned from MCs recorded under Estimated Liability on Earnings of MCs account amounting to P768.298 million and P771.325 million as at December 31, 2024 and 2023, respectively, are doubtful due to the unavailability of details of the account balance; and
- f. There are variances of 183,592 square meters with an equivalent cost of P242.628 million as at December 31, 2024 and 415,573 square meters of raw lands with an equivalent cost of P383.637 million as at December 31, 2023, between the total land area per Transfer Certificates of Title and those recorded in Inventories-Others and Investment in Real Estate-Landbanking Assets accounts.

For the above observations that caused the issuance of an adverse opinion, we recommended that Management:

On the non-compliance with the liquidation basis of accounting in the preparation of FSs

- a. Present the assets at estimated net realizable values and the liabilities at reasonably estimated settlement amounts;
- b. Classify all non-current assets and non-current liabilities under current to reflect the liquidation and winding down status of AFPRSBS operations;
- c. Provide appropriate disclosures on the accounts in the Notes to FS pursuant to the liquidation basis of accounting; and
- d. Expedite the appraisal process to avoid further delays in the proper valuation and presentation of the accounts in the FS.

On the non-recognition of obligation for the unpaid membership dues to the Riviera Golf Club, Inc. (RGCI)

- a. Recognize the total unpaid membership fees in the books as at December 31, 2024; and
- b. Expedite the negotiation with the RGCI on the determination of reasonable amount of unpaid membership dues.

On the recognition, classification, and measurement of the investments in four golf and country clubs as Inventories, instead of Investments

- a. Reclassify and recognize the club shares acquired from Riviera Sports and Country Club, Inc. and RGCI as Investments in Associates, pursuant to Paragraphs 3, 5, 6, and 10 of PAS 28;
- b. Reclassify and recognize the club shares acquired from Eastridge Golf Club, Inc and Orchard Golf and Country Club, Inc as Financial Assets at FVPL, pursuant to Paragraph 4 of PFRS 9; and
- c. Provide the appropriate disclosures in the Notes to FS in accordance with the reclassification.

On the variance between the GL and SL balances of the MCs Payable and lack of details of the Estimated Liability on Earnings of MCs

- a. Exert more effort in reconciling the Integrated Financial Management System' SLs with the books of accounts/GL maintained by the AD, and in preparing the details of the remaining earned interests that have not yet been refunded to the members, in preparation for the transfer of MCs records to the Government Financial Institution Trustee, in accordance with EO Nos. 590 and 590-A, as amended by MO No. 90; and
- b. Strengthen its internal control over the accounting of MCs transactions, including enhanced verification processes, and improved coordination with relevant agencies to facilitate a more efficient reconciliation.

On the variance between the recorded total land area and actual inventory of TCTs

- a. Conduct a comprehensive reconciliation of the land area per records against the actual inventory of TCTs;
- b. Identify and investigate the cause of the variance to determine whether it stems from record-keeping errors, missing documentation, or unrecorded transactions;
- c. Establish a clear timeline to immediately address the identified cause of variance between the total land area per physical inventory of TCTs and those recorded under the Inventories-Others and Investment in Real Estate-Landbanking Assets accounts; and
- d. Submit an updated reconciliation pertaining to both Inventories-Others and Investment in Real Estate – Landbanking Assets to allow the Audit Team to validate the completeness of the real estate properties of AFPRSBS.

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

1. The BOL approved the separation of all 79 AFPRSBS employees without retaining the personnel necessary to effectively wind down its corporate affairs, resulting in hiring 63

violation of Section 3(b) and (i) of MO No. 90 and Commission on Audit-Department of Budget and Management Joint Circular No. 2, series of 2020, Section 4(5) of PD No. 1445, thus, exposing the AFPRSBS to legal and financial risks, including potential irregularities in the disposal of funds and/or property, loss of accountability in preserving, managing, and disposing its remaining assets, and ultimately, prolonging its abolition and liquidation.

We recommended that Management:

- a. Strictly comply with Section 3(b) and 3 (i) of MO No. 90 on maintaining sufficient number of qualified personnel to perform liquidation activities;
 - b. Take immediate action to rectify the improper designation of COS personnel as signatories for various AFPRSBS transactions;
 - c. Expedite the request to the GCG for the regularization of nine personnel to fill critical positions in the LT; and
 - d. Propose the designation of the members of the BOL as authorized signatories in the disbursement and/or investment transactions. Otherwise, postpone or suspend the placement of funds in Money Market Placements and fund transfer transactions until the GCG approves the regularization of the nine personnel.
2. The designated AO responsible for the treasury operations was reemployed under COS status, which eventually led to the cancellation of its fidelity bond protection upon separation from service, contrary to Section 3 (b) of MO No. 90, Section 101 of PD No. 1445 and Paragraphs 4.1.1, 4.11 and 7.3 of Treasury Circular (TC) No. 02-2019, thus, losing accountability for funds and, exposing the AFPRSBS to the risk of not being indemnified in cases of loss, fraud, dishonesty or irregularity.

We recommended that Management:

- a. Transfer to the Administrator the accountability for the treasury operations while the request for regularization of the nine COS personnel is pending with the GCG;
- b. Follow-up the status of the letter to the GCG seeking guidance for the regularization of the nine COS personnel; and
- c. Secure a fidelity bond from the Bureau of the Treasury under the account of the Administrator or its designated regular officer pursuant to TC No. 02-2019.

The above and other audit observations together with the recommended courses of action, which were discussed by the Audit Team with the concerned Management officials and staff during the exit conference conducted on March 28, 2025, are discussed in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached as Annex A) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


DIGNA CRESCENCIA G. FILLER
Officer-in-Charge

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned and Controlled Corporations
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May 30, 2025

RODERICK A. LUNA

Administrator

AFP Retirement and Separation Benefits System

424 Capinpin Avenue, Camp General Emilio Aguinaldo

Quezon City

Dear **Administrator Luna**:

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The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

AFP RETIREMENT AND SEPARATION BENEFITS SYSTEM
Quezon City

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Year 2023 and Prior Years
As at _____

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

Agency sign-off:

Name and Position of Agency Officer

Date

Note: Status of Implementation may either be a) Implemented (I); or b) Not Implemented (NI).