



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City  
**CORPORATE GOVERNMENT AUDIT SECTOR**  
**CLUSTER 2 – SOCIAL SECURITY**

June 28, 2024

**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, 2023 and 2022.

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 of the AFPRSBS for the years ended December 31, 2023 and 2022 due to non-compliance with the liquidation basis of accounting in the preparation of financial statements despite its adoption as disclosed in Note 2 to the financial statements. Such basis requires that the assets must be presented and measured at their estimated realizable values and liabilities at their settlement amounts, and must be appropriately disclosed in the Notes to Financial Statements. Such non-compliance that have pervasive effects to the AFPRSBS' financial statements are manifested in the:

- Non-classification of its non-current assets to current assets amounting to P4.978 billion and P4.873 billion as at December 31, 2023 and 2022, respectively, and its non-current liabilities to current liabilities amounting to P237.299 million and P277.033 million as at December 31, 2023 and 2022, respectively.
- Non-compliance with the forward-looking expected losses as prescribed under PFRS 9 – *Financial Instruments* in the provisioning of impairment loss on financial assets on Loans and Receivables stated at P2.786 billion and P3.073 billion, Lease Receivables of P244.953 million and P228.750 million, Other Receivables of P1.157 billion and P559.826 million; and Investment in Bonds of P2.297 billion and P2.349 billion, as at December 31, 2023 and 2022, respectively.
- Non-valuation of properties and/or assets with total carrying amounts of P5.880 billion and P5.575 billion as at December 31, 2023 and 2022, respectively, to their estimated values; and liabilities amounting to P237.299 million and P277.033 million as at December 31, 2023 and 2022, respectively, to their estimated settlement amounts.

The Auditor likewise included the following as basis in modifying the opinion because they were not able to obtain sufficient appropriate evidence to ascertain the accuracy and reliability of the balances of the identified material accounts below. The status of records of AFPRSBS did not permit the Audit Team to apply alternative audit procedures, thus, they were not able to determine whether any adjustments on the balances of the affected accounts, as presented in the financial statements, were necessary.

- There are unreconciled variances of P600.270 million and P116.560 million as at December 31, 2023 and 2022, respectively, between the General Ledger (GL) and Subsidiary Ledger (SL) balances of Members' Contribution (MCs) Payable and Estimated Liability on Earnings of MCs accounts.
- There are unreconciled variances of 415,573 square meters of raw lands with an equivalent cost of P383.637 million as at December 31, 2023 and 548,564 square meters of raw lands with an equivalent cost of P589.355 million as at December 31, 2022 between the total land area per Transfer Certificates of Title (TCT) and those recorded in the Real Estate Inventories and 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. Reclassify all non-current assets and non-current liabilities as current to reflect the liquidation and winding down status of its operations;
- b. Apply in the provisioning of impairment losses on financial assets the forward-looking expected losses as prescribed under PFRS 9 – *Financial Instruments*;
- c. Present the assets at estimated realizable value and the liabilities at reasonably estimated settlement amounts; and
- d. Provide appropriate disclosures on the accounts in the Notes to FS pursuant to the liquidation basis of accounting.

*On the variance between the GL and SL balances of the MCs Payable and estimated Liability on earnings of MC accounts*

Exert more effort in reconciling the Integrated Financial Management System (IFMS) SLs with the books of accounts/GL maintained by the Accounting Department (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 Executive Order Nos. 590 and 590-A, as amended by Memorandum Order No. 90.

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

- a. Establish a clear timeline for the reconciliation process to immediately address the variance between the total land area per physical inventory of TCTs and those recorded under the Real Estate Inventories and Investment in Real Estate-Landbanking Assets accounts;

- b. Submit updated reconciliation pertaining to both Real Estate Inventories and Investment in Real Estate – Landbanking Assets accounts to allow the Audit Team to validate the completeness of the real estate properties of AFPRSBS; and
- c. Derecognize from the books the unpaid property purchased from Bulaong Enterprises, unless ownership or real rights can be established.

The following are the other significant audit observations and recommendations that need immediate action:

1. Pertinent provisions of Republic Act (RA) No. 9184, known as the “Government Procurement Reform Act”, and its Revised Implementing Rules and Regulations (RIRR) were not complied with, which prevented transparency, competitiveness, efficiency and economy in the process of procurement for various Programs, Activities, and Projects (PAPs).

We recommended that Management require the Bids and Awards Committee Secretariat and the Technical Working Group to:

- a. Strictly conform with the prescribed guidelines of Government Procurement Policy Board in the preparation of the Annual Procurement Plan (APP) to specifically indicate the period when each procurement activity will be done and the mode of procurement for every PAP, particularly on the alternative mode to be used;
  - b. Ensure compliance with the schedule of procurement activities specified in the APP to facilitate the efficient conduct of procurement and to avoid delays;
  - c. Ensure that all changes in the APP are consolidated and reflected in the Revised APP for approval by the HoPE, as required under Section 7.4 and Item IV.A of Annex H of the IRR of RA No. 9184;
  - d. Consolidate similar projects/requisitions and adopt competitive bidding or appropriate alternative procurement method;
  - e. Adhere to the conditions provided for resorting to negotiated procurement through emergency cases and SVP pursuant Items V.D.2 and V.D.8 of Annex H of the RIRR of RA No. 9184;
  - f. Ensure timely posting of the Notice of Award, Notice to Proceed and Contracts in the PhilGEPS within 10 days from issuance thereof; and
  - g. Submit contracts and its complete bidding documents to the Audit Team within five working days from execution thereof.
2. The real estate inventories covered by Contract to Sell amounting to P4.189 million have no corresponding TCTs on file, contrary to Section 111 of PD No. 1445 and Section II.A.2.f of AFPRSBS Policy No. CPO-001-2017, thus, prolonging the transfer of titles to the concerned buyers.

We recommended that Management:

- a. Update the SLs of Installment Sales Receivable (ISR) account by identifying those customers tagged as “various accounts”;
- b. Require the AD and the Internal Records Management Department to reconcile the list of the TCTs released with that of the ISR schedule; and
- c. Ensure that all the individual balances reflected in the ISR have corresponding TCTs to secure buyers’ ownership over the property in case of full payment.

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 18, 2024, are discussed in detail in Part II of the report.

In a letter of even date, we requested the President and Chief Executive Officer of the AFPRSBS to take appropriate actions on the recommendations contained in the report and to inform this Commission of the actions taken thereon 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  
The Presidential Management Staff, Office of the President  
The UP Law Center  
The National Library



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**CLUSTER 2 – SOCIAL SECURITY**

June 28, 2024

**COL. NORMAN C. LEGASPI**

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

Dear **President and CEO Legaspi:**

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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 18, 2024, 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  
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 2022 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

