



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

## **INDEPENDENT AUDITOR'S REPORT**

### **THE BOARD OF LIQUIDATORS**

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

### **Report on the Audit of the Financial Statements**

#### *Adverse Opinion*

We have audited the financial statements of AFP Retirement and Separation Benefits System (AFPRSBS), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including material accounting policy information.

In our opinion, because of the significance of the matters discussed in the *Bases for Adverse Opinion* section of our report, the accompanying financial statements do not present fairly, the financial position of AFPRSBS as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with the Philippine Financial Reporting Standards (PFRSs) under the liquidation basis of accounting.

#### *Bases for Adverse Opinion*

The liquidation basis of accounting in the preparation of financial statements as at and for the years ended December 31, 2024 and 2023 was not complied with 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 net realizable values and liabilities at their settlement amounts, and appropriately disclosed correspondingly in the Notes to Financial Statements. The non-compliance that affected the fair presentation of the AFPRSBS' financial statements are manifested in the:

- (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 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.

Moreover, the balances of the affected accounts in the financial statements as at and for the years ended December 31, 2024 and 2023 are misstated due to:

- a. Non-recognition of obligation for the unpaid membership dues to the Riviera Golf Club, Inc. (RGCI), as a result of the Supreme Court's (SC) decision nullifying the AFPRSBS' exemption to pay the said membership dues that understated the Payables and Expenses accounts and overstated the Retained Earnings account all by undetermined amounts.
- b. 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, that overstated the Inventories account and understated the Investments account both by undetermined amounts.

On the other hand, 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. Similarly, 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. The status of records of AFPRSBS did not permit us to apply alternative audit procedures. Consequently, we were unable to determine whether any adjustments on the balances of the above-mentioned accounts, as presented in the financial statements, were necessary.

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

#### *Emphasis of Matter*

We draw attention to Note 2 to the financial statements in relation to Note 11.1. On April 19, 2016, the Board of Liquidators (BOL) approved the stoppage of the collection of five per cent members' contributions (MCs) and the accrual of interests thereon effective

March 31, 2016, as per Board Resolution (BR) No. SPL-01-2016. The implementation of Accelerated Refund of MCs was approved by the BOL on June 13, 2018. Consequently, it was approved by the GCG *En Banc*, subject to several conditions, per letter from GCG dated September 7, 2018. Policies and procedures for the implementation of the Accelerated Refund Program were established in coordination with Armed Forces of the Philippines Units. This covers the refund of contribution to an estimated 105,200 members for a period of three years. The AFPRSBS commenced the pay-out of Accelerated Refund in January 2019, thus, effectively stopping the granting of Advance Refund Loans. As at December 31, 2024, a total of P12.494 billion in principal and interests was refunded to 115,930 members/claimants.

We further draw attention to Note 2 to the financial statements which describes that pursuant to MO No. 90, the AFPRSBS continues to engage in various business activities necessary to wind down its operations. These include, among others, the management of funds and investments in real estate projects and foreclosed assets. In late CY 2016, the AFPRSBS submitted its Liquidation Plan (LP) to the Governance Commission for GOCCs (GCG), stating that its primary objective was to raise P16 billion to be able to refund all the MCs within three years or by December 31, 2019. However, the GCG clarified in its letter dated March 29, 2019 that the three-year period to liquidate a dissolved corporation can be extended until the liquidation is fully complete. In August 2024, the AFPRSBS submitted its updated LP to the GCG wherein they will continue refunding the remaining members' contributions and liquidating its assets until their eventual transfer to the identified GFI. The updated LP also indicates that AFPRSBS will continue to engage third-party service providers for the preservation and maintenance of its remaining real estate assets, pursue land use conversion for certain rawland properties, and complete its deliverables for the ongoing projects. Furthermore, the AFPRSBS acknowledged that it cannot fully dispose of all its assets; thus, some of the real estate assets and equities intended for turnover to the identified GFI have already been determined.

We likewise draw attention to Note 31 to the financial statements, which describes the uncertainties related to pending cases in several courts involving various claims against the AFPRSBS.

Our opinion is not modified in respect of these matters.

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

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

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

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

#### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the AFPRSBS' internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the System's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the AFPRSBS to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the AFPRSBS to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Report on Other Legal and Regulatory Requirements**

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information in Note 30 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the financial statements. Such supplementary information is the responsibility of management of the AFPRSBS. The supplementary information has been subjected to the auditing procedures applied in the audit of the financial statements. Because of the significance of the matters discussed in the Bases for Adverse Opinion section of our report, it is inappropriate to, and we do not express an opinion on the supplementary information referred to above.

### **COMMISSION ON AUDIT**

  
**LIZA S. DELA CRUZ**  
Supervising Auditor

March 28, 2025