

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 57 audit recommendations embodied in the Calendar Year (CY) 2022 Annual Audit Report (AAR), 33 were implemented, and 24 were not implemented but reiterated in Part II of this Report. The details are presented as follows:

Reference	Observations	Recommendations	Status/Actions Taken
CY 2022 AAR, Audit Observation (AO) No. 1, Page 44	The going concern assumption was still used/adopted by Armed Forces of the Philippines Retirement and Separation Benefits (AFPRSBS) as basis in the preparation of its financial statements (FS) for the year ended December 31, 2022, and its comparative period despite its imminent liquidation pursuant to Memorandum Order (MO) No. 90 which directs the abolition of the AFPRSBS and privatization of its subsidiaries. The continued presentation and measurement of the account balances in this manner is not in consonance with the Revised Conceptual Framework for Financial Reporting (CFFR), Philippine Accounting Standards (PAS) 1, and PAS 10.	a. Prepare the FS and its comparative period using the liquidation basis of accounting; and b. Make appropriate disclosures in the Notes to FS taking into consideration the provisions under Paragraph 25 of PAS 1.	Both recommendations are not implemented The AO is reiterated with modification under Observation No. 1, Part II of this Report. This observation was first raised in the AAR for CY 2022.
CY 2022 AAR, AO No. 2, Page 49	The FS of AFPRSBS and that of its other subsidiaries where it has investments totaling P1.116 billion were not consolidated. Accordingly, the parent and subsidiary reciprocal account balances were not all eliminated, contrary to the pertinent provisions of Philippine	a. Prepare the consolidated FS to include the assets, liabilities, and results of operations of all the subsidiaries in compliance with the provisions of PFRS 10; b. Eliminate all parent and	All recommendations are implemented.

Reference	Observations	Recommendations	Status/Actions Taken
	Financial Reporting Standards (PFRS) 10 – Consolidated Financial Statements, thus, casting doubt on the reliability and accuracy of the financial condition and results of the operations of the AFPRSBS as at and for the year ended December 31, 2022.	<p>subsidiary reciprocal account balances during the process of consolidation to ensure accurate presentation of the Investment in subsidiaries presented under the Other non-current assets account in the FS;</p> <p>c. Conduct an inventory of the assets of the subsidiaries with investment costs totaling P1.116 billion;</p> <p>d. Prepare/update the corresponding FS of the aforesaid subsidiaries; and</p> <p>e. Take actions to officially dissolve the non-operating/closed subsidiaries' corporate life and liquidate the assets accordingly.</p>	
CY 2022 AAR, AO No. 3, Page 52	The Allowance for Impairment computed using a method other than that required under PFRS 9 – Financial Instruments, resulted in the overstatement by undetermined amounts of the Receivables, Loans Receivables, Installment Contract Receivable (ICR) and Investment in bonds stated at P859.370 million, P1.091 billion, P325.778 million and	<p>a. Provide allowance for impairment for the AFPRSBS' financial assets based on expected credit losses (ECL);</p> <p>b. Secure Board's approval to set up any additional provisions to recognize the said impairment on financial assets; and</p>	<p>All recommendations are not implemented.</p> <p>The AO is reiterated with modification under Observation No. 1, Part II of this Report. This observation was first raised in the AAR for CY 2021 and reiterated in CY 2022.</p>

Reference	Observations	Recommendations	Status/Actions Taken
	P2.349 billion, respectively, as at December 31, 2022.	c. Update/revise the Policy No. CPO-001-2017 on providing allowance for probable losses and writing-off of accounts be to comply with the requirements of PFRS 9.	
CY 2022 AAR, AO No. 4, Page 55	The accuracy and fair presentation of the members' contributions (MCs) Payable and Estimated Liability on Earnings of MCs accounts in the FS amounting to P1.285 billion and P785.431 million, respectively, as at December 31, 2022, could not be established due to the presence of unreconciled amount of P116.560 million between the General Ledger (GL) and Subsidiary Ledger (SL) balances.	a. Reconcile the Integrated Financial Management System (IFMS) SLs with the books of accounts/GL maintained by the Accounting Department (AD) in preparation for the transfer of MCs records to the Government Financial Institution Trustee in accordance with Executive Order (EO) Nos. 590 and 590-A, as amended by MO No. 90; and b. Designate specific personnel who will focus on the reconciliation of accounts including the preparation of the complete schedule and/or list of members with outstanding balances to support the balances of the MCs payable and the Estimated liability on Earnings of MCs accounts.	Not implemented The AO is reiterated with modification under Observation No. 2, Part II of this Report. This observation was first raised in the AAR for CY 2018 and reiterated in CYs 2019 to 2022. Implemented
CY 2022	The correctness and fair	a. Reconcile the	Not implemented

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AAR, AO No. 5, Page 58	presentation of the balances of the Real estate inventories and the Landbanking assets accounts with net carrying values of P3.531 billion and P1.748 billion, respectively, as at December 31, 2022 could not be ascertained due to: a) Unreconciled variances between the total land area per records and actual inventory of Transfer Certificates of Title (TCTs) amounting to P84.442 million; and b) Unrecorded seven (7) projects/ properties consisting of 120 TCTs in the books, contrary to Paragraph 2.23 of the Revised CFFR, and Section 112 of Presidential Decree (PD) No. 1445.	remaining variances between the total land area per physical inventory of TCTs with those recorded under the Landbanking assets account to ensure correctness of the account balance;	The AO is reiterated with modification under Observation No. 3, Part II of this Report. This observation was first raised in the AAR for CY 2018 and reiterated in CYs 2020 to 2022.
		b. Prioritize the submission of the updated reconciliation pertaining to Landbanking assets account for the Audit Team to validate and verify the nature of the remaining variance totaling P84.442 million;	Not implemented The AO is reiterated under Observation No. 3, Part II of this Report. This observation was first raised in the AAR for CY 2018 and reiterated in CYs 2020 to 2022.
		c. Record in the books of the AFPRSBS the listed/identified assets based on the result of the reconciliation that are duly supported with proofs of ownership;	Implemented
		d. Facilitate the cancellation of Installment Sales Contracts with past due accounts; and	Implemented
		e. Derecognize from the books of the AFPRSBS, the unpaid property purchased from Bulaong Enterprises, unless ownership or real rights could already be	Not implemented The AO is reiterated under Observation No. 3, Part II of this Report. This observation was first raised in the AAR for CY 2018 and reiterated in CYs 2020

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		established.	to 2022.
CY 2022 AAR, AO No. 6, Page 63	The net values of Investment in real estate – landbanking and industrial park and Acquired assets accounts of AFPRSBS totaling P2.092 billion as at December 31, 2022 are still valued using the cost model despite the issuance of MO No. 90 which directs the abolition of the AFPRSBS and to sell all its real estate assets. Likewise, the same accounts were not classified and presented as Assets Held for Sale under current assets. Consequently, the continued measurement, classification, and presentation of the account balances in this manner is not in consonance with Paragraph 15 of PAS 1, and Paragraphs 6 and 15 of PFRS 5. Thus, the balances could not be relied upon affecting the fair presentation of the accounts in the FS.	a. Reclassify the Investment in real estate – landbanking and industrial park and Acquired assets accounts as Held for sale under current assets and revalue the same at lower of its carrying amount and fair value less cost to sell in accordance with Paragraph 15 of PFRS 5; and b. Make appropriate disclosures in the Notes to FS in accordance with PFRS 5 specifically describing the following: i. A description of the non-current asset; and ii. A description of the facts and circumstances of the sale, or leading to the expected disposal, and the expected manner and timing of that disposal.	All recommendations are not implemented. The AO is reiterated with modification under Observation No. 1, Part II of this Report. This observation was first raised in the AAR for CY 2022.
CY 2022 AAR, AO No. 7, Page 67	The reliability and fair presentation of the balances of ISR – Current and ISR-past due accounts in the FS totaling P325.778 million as at December 31, 2022 could not be relied upon due to: a) variance between the GL and SL	a. Expedite the reconciliation of P22.371 million net variance between the GL and SL of the ISR account; and b. Comply with the current/non-current	Both recommendations are not implemented. The AO is reiterated under Observation Nos. 1 and 6, Part II of this Report. This observation was first raised in the AAR for CY 2022.

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	balances of the SLs and schedule of PE; and c) failure to conduct proper disposal of unserviceable properties, contrary to Paragraph 15 of PAS 1, National Budget Circular No. 425, and Section 111 of PD No. 1445.	the variances between the GL and the SL balances amounting to P6.531 million as at December 31, 2022 and submit copies of the updated and reconciled SLs and GL to the Audit Team for verification;	
		c. Comply strictly with the “One Time Cleansing” procedures under Commission on Audit (COA) Circular No. 2020-006 dated January 31, 2020 to facilitate reconciliation of PE accounts;	Implemented
		d. Effect the necessary adjusting entries, if any, to reflect the correct balance of the PE account in the FS, once reconciliation of the PE accounts is completed; and	Not implemented The AO is reiterated under Observation No. 7, Part II of this Report. This observation was first raised in the AAR for CY 2021 and reiterated in CY 2022.
		e. Dispose all unserviceable assets in accordance with the appropriate disposal guidelines.	Not implemented The AO is reiterated under Observation No. 7, Part II of this Report. This observation was first raised in the AAR for CY 2021 and reiterated in CY 2022.
CY 2022 AAR, AO No. 10, Page 75	Deposits and/or Advances made to Manila Electric Company (Meralco) for the installation of extension lines and/or additional	a. Retrieve/produce all documents relative to the advances and/or deposits made to Meralco and make	All recommendations were implemented.

Reference	Observations	Recommendations	Status/Actions Taken
	<p>facilities from CYs 2006 to 2019 totaling P23.872 million of which, P16.057 million or 67.27 per cent remained unrefunded, contrary to Sections 2.6.1 and 2.6.2 of the Distribution Services and Open Access Rules (DSOAR) on Modifications and New Physical Connections and signed agreements, depriving the AFPRSBS of additional funds for its operations. Moreover, the accuracy of the total balance in the Summary of Meralco Disbursements and Refunds (MDR) provided by Management is doubtful due to: a) exclusion of some items that were included in the AO in CY 2014 AAR; b) presence of unadjusted item that was recorded twice with the same reference number; c) deduction of refunds from the summary but without supporting documents; and d) offsets recorded in the SL but not included in the summary, thus casting doubt on the accuracy of the reported amount in the Summary of MDR.</p>	<p>personal representation with Meralco for the status of service connection for each project completed to determine the propriety of a refund;</p> <p>b. Provide the Audit Team of the supporting documents for any offsets made in CY 2014 and prior years (PYs), if any;</p> <p>c. Expedite validation of the Summary of MDR to determine the reasons for the exclusion of some items in the list of those included in the CY 2014 AAR;</p> <p>d. Adjust immediately the item that was recorded twice with the same reference number;</p> <p>e. Submit the Official Receipts (ORs) and/or other documents to support the amount of P2.403 million which allegedly have been refunded by Meralco;</p> <p>f. Explain why offsets were recorded in the SL but not included in the Summary of MDR; and</p>	

Reference	Observations	Recommendations	Status/Actions Taken
CY 2022 AAR, AO No. 11, Page 81	<p>The timely abolition/liquidation of the AFPRSBS pursuant to MO No. 90 did not push through as expected as there was delay brought about by the absence of: a) Implementing Rules and Regulations (IRR) issued by the Governance Commission for GOCCs (GCG); b) updated winding down/Liquidation Plan (LP) as approved by the GCG; c) clearance from the GCG to dispose major assets through public bidding; and d) cut-off date to close the books of accounts and material misstatements of the various account balances in the FS. Likewise, the 2018 approved LP was not strictly implemented and closely monitored. Consequently, the delay in the liquidation process is not in accordance with the public policy considerations for the abolition of Government-Owned and Controlled Corporations (GOCCs) under Section 4.2 of GCG MC No. 2015-03 vis-à-vis RA No. 10149.</p>	<p>g. Determine if there are other offsets made against unpaid electric bills.</p> <p>a. Closely coordinate with the GCG and request for the possible issuance of the IRR for the appropriate implementation of MO No. 90;</p> <p>b. Prepare and submit updated LP to GCG for approval;</p> <p>c. Submit periodic report to Board of Liquidators (BOL) to closely monitor the progress of the actions taken;</p> <p>d. Communicate to GCG the concerns, challenges and limitations encountered during the winding down of AFPRSBS;</p> <p>e. Sit down with the GCG for the proper and necessary practical procedures in the disposal of its major assets through public bidding;</p> <p>f. Furnish the Audit Team with the certified photocopies of the minutes of the meetings and resolutions of the Technical Working Group (TWG); and</p>	All recommendations were implemented.

Reference	Observations	Recommendations	Status/Actions Taken
		g. Determine and recommend the Agency that will receive the remaining assets of the AFPRSBS upon the cut-off date.	
CY 2022 AAR, AO No. 12, Page 91	The purchases of buyers covered by Contracts to Sell with AFPRSBS are unsecured as several TCTs relating to various ISR-current and ISR-past due accounts amounting to P4.307 million and P19.544 million, respectively, were neither found during the inventory of TCTs nor among the TCTs released in CY 2022, contrary to Section 111 of PD No. 1445 and Section II.A.2.f of AFPRSBS Policy No. CPO-001-2017.	<p>a. Update the SLs of ISR-current and ISR-past due accounts by identifying those customers tagged as “various accounts”;</p> <p>b. Coordinate with the Internal Records Management Department (IRMD) to determine the exact details of the ISR-current and ISR-past due accounts tagged with “no data”;</p> <p>c. Require the AD and the IRMD to reconcile the list of the TCTs released with that of the ICR schedule; and</p> <p>d. Ensure that all the individual balances reflected in the ISR have corresponding TCT to secure buyers’ ownership over the property in case of full payment.</p>	<p>All recommendations are not implemented.</p> <p>The AO is reiterated with modification under Observation No. 13, Part II of this Report. This observation was first raised in the AAR for CY 2022.</p>
CY 2022 AAR, AO No. 13, Page 94	Dormant Accounts Receivable (AR) totaling P960.928 million have remained outstanding for 11 to more than 20	a. Exhaust all available remedies to collect all long outstanding/dormant/past due	<p>Not implemented</p> <p>The AO is reiterated under Observation No. 4, Part II of this Report.</p>

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	years, thus, deprives the AFPRSBS of funds for its accelerated refund and payment of other obligations, contrary to COA Circular No. 2016-005.	accounts and ensure proper documentation of accounts to coordinate with debtors concerned;	This observation was first raised in the AAR for CY 2019 and reiterated in CY 2022.
		b. Devise other options and if warranted, resort to legal means to enforce settlement of accounts including those pertaining to PYs without request for write-off;	Not implemented The AO is reiterated under Observation No. 4, Part II of this Report. This observation was first raised in the AAR for CY 2019 and reiterated in CY 2022.
		c. Submit to the Audit Team copies of Demand/Collection Letters and/or other documents to support efforts exerted to collect the dormant accounts; and	Implemented
		d. Request authority from COA to write-off dormant receivables as provided for under COA Circular No. 2016-005, when all collections efforts have failed and the accounts are considered non-recoverable.	Not implemented The AO is reiterated under Observation No. 4, Part II of this Report. This observation was first raised in the AAR for CY 2019 and reiterated in CY 2022.
CY 2022 AAR, AO No. 14, Page 98	The AFPRSBS did not strictly comply with the guidelines in the grant and liquidation of cash advances for official travel as it was not supported by approved Itinerary of travel and revised Itinerary of travel, respectively,	Prepare and submit the itinerary of travel prior to the grant of cash advance and its revision after each official travel is completed, when there are changes in the initial itinerary and/or the previous	Implemented

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CY 2022 AAR, AO No. 15, Page 99	<p>when the previous approved itinerary was not followed, contrary to COA Circular No. 2012-001 and COA Circular No. 96-004.</p> <p>The AFPRSBS did not strictly comply with the prescribed rules and regulations and rates of expenses and allowances for official local travels of government personnel as there were: a) excessive claims for hotel accommodations and meals during travel amounting to P57,713; b) reimbursement of the cost of gasoline/fuel in the amount of P8,701, although there was no proof that government service vehicle was used; and c) inclusion of payment of tips and gratuities in the amount of P2,883 which are unnecessary expenditures under COA Circular No. 2012-003 dated October 29, 2012.</p>	<p>itinerary of travel was not followed.</p> <p>a. Direct the AD to ensure that only the authorized allowable daily travel expenses are considered in the grant and liquidation of cash advances in accordance with EO No. 77 to avoid incurrence of audit suspension and/or disallowance;</p> <p>b. Instruct the AD to ensure that no reimbursement of the cost of gasoline and fuel shall be allowed if a private vehicle is used.</p> <p>c. Require the concerned employees/officers to refund the amount of P2,883 which are considered unnecessary expenditures under COA Circular No. 2012-003 dated October 29, 2012; and</p> <p>d. Instruct the AD to ensure that only valid and authorized allowable expenses are included in the Liquidation Report of Cash Advances granted for travelling expenses to avoid</p>	All recommendations were implemented.

Reference	Observations	Recommendations	Status/Actions Taken
CY 2022 AAR, AO No. 16, Page 104	Procurements for the construction of electrical room and connections, and services of a licensed electrical engineer amounting to P7.853 million and P40,000, respectively, were included in the 2021 AFPRSBS' Supplemental Corporate Operating Budget (COB) but not included in the AFPRSBS' Annual Procurement Plan (APP) for CY 2022, contrary to Section 7.2 of the 2016 Revised IRR of RA No. 9184.	the incurrance of audit suspension and/or disallowances. Ensure that all succeeding projects to be implemented by the AFPRSBS are included in the approved APP to comply with Section 7.2 of the 2016 Revised IRR of RA No. 9184.	Implemented