

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 44 audit recommendations embodied in the Calendar Year (CY) 2023 Annual Audit Report (AAR), 24 were implemented, 20 were not implemented, of which one was closed and eight were reiterated in Part II of this Report. Details are presented below:

Reference	Audit		Status/Actions Taken
	Observations	Recommendations	
CY 2023 AAR, Audit Observation (AO) No. 1, page 50	The Armed Forces of the Philippines Retirement and Separation Benefits System (AFPRSBS) did not comply with the liquidation basis of accounting adopted in the preparation of its financial statements (FS) as at December 31, 2023 and 2022, as the assets and liabilities of the AFPRSBS are not presented and measured at their estimated net realizable values and settlement amounts, respectively, and the corresponding appropriate disclosures in the Notes to FS have not been made, contrary to the fair presentation mandated by Philippine Accounting Standards (PAS) 1.	<p>a. Reclassify all non-current assets and non-current liabilities under current to reflect the liquidation and winding down status of its operations;</p> <p>b. Apply in the provisioning of impairment losses on financial assets the forward-looking expected losses as prescribed under Philippine Financial Reporting Standards 9 – <i>Financial Instruments</i>.</p> <p>c. Present the assets at estimated realizable value and the liabilities at reasonably estimated settlement amounts; and</p> <p>d. Provide appropriate disclosures on the accounts in the Notes to FS pursuant to the liquidation basis of accounting.</p>	<p>Recommendations a, c and d are not implemented, while recommendation b is closed because the issue will be sufficiently addressed by implementing letter c recommendation.</p> <p>The AO is reiterated under Observation No. 2, Part II of this Report. This observation was first raised in the AAR for CY 2022 and reiterated in CY 2023.</p>

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CY 2023 AAR, AO No. 2, page 55	The accuracy of the balances of Members Contributions (MCs) Payable and Estimated Liability on Earnings of MCs accounts amounting to P1.226 billion and P771.325 million, respectively, as at December 31, 2023, could not be established due to the presence of unreconciled amount of P600.270 million between the General Ledger (GL) and Subsidiary Ledger (SL) balances, and the absence of details of the remaining interest earned from MCs, thus, affecting the fair presentation of the accounts in the FS.	Exert more effort in reconciling the Integrated Financial Management System 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 (MO) No. 90.	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 2018 and reiterated in CYs 2019 to 2023.
CY 2023 AAR, AO No. 3, page 58	The presence of unreconciled variance of 415,573 square meters with a total value of P383.637 million between the total land area per records and actual inventory of Transfer Certificate of Titles (TCTs) of real estate properties, casts doubt on the accuracy and reliability of the balances of Real Estate Inventories and the Investment in Real Estate – Landbanking Assets accounts, contrary to paragraph 15 of PAS 1, thereby affecting the fair	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	Recommendations a and b are not implemented. The AO is reiterated with modifications under Observation No. 5, Part II of this Report. This observation was first raised in the AAR for CY 2018 and reiterated in CYs 2020 to 2023.

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	presentation of the accounts balances in the FS as at December 31, 2023.	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.	Implemented
CY 2023 AAR, AO No. 4, page 62	Receivables totaling P957.480 million remain dormant for 16 to more than 20 years due to ineffective monitoring of the status of receivable accounts, thus, casting doubt on the validity of the account balances, contrary to Paragraph 15 of PAS 1, and depriving the AFPRSBS of funds for the accelerated refund of MCs and immediate settlement of liabilities.	<p>a. Exhaust all available remedies to collect long outstanding/dormant/past due accounts and ensure proper and complete documentation of accounts;</p> <p>b. Devise alternative options and, if warranted, resort to legal means to enforce the settlement of accounts, including those pertaining to prior years' accounts without request for write-off;</p> <p>c. Request authority from the Commission on</p>	<p>All recommendations are not implemented.</p> <p>Of the P960 million in dormant receivables, approximately P763 million, or about 80 percent, pertains to accounts currently under litigation.</p> <p>Around P150 million, or 16 per cent, represents loans, receivables, and advances extended to various subsidiaries and affiliates. Almost all of these accounts have already been provided with allowance for impairment. The managing unit is in the process of evaluating these</p>

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		<p>Audit (COA) to write-off dormant receivables, supported by relevant documents as provided under COA Circular No. 2023-008, when all collections efforts have failed and the accounts are considered non-recoverable;</p> <p>d. Evaluate the collectability of outstanding receivables and accordingly provide additional allowance for impairment loss; and</p> <p>e. Consider the foreclosure of collaterals of secured commercial loans that could no longer be collected.</p>	<p>accounts and will recommend additional provisions or write-offs as necessary.</p> <p>Management is in the process of preparing a recommendation to the Board of Liquidators for the write-off of a receivable from one company, with an outstanding balance of P3.193 million</p> <p>The AO was first raised in the AAR for CY 2019 and reiterated in CYs 2022 and 2023.</p>
CY 2023 AAR, AO No. 5, page 67	<p>The accuracy of the balance of the Unapplied Receipts account amounting to P1.718 million under the Deferred Credits/ Unearned Income account as at December 31, 2023 could not be ascertained mainly due to the presence of unidentified transactions and long outstanding balances</p>	<p>a. Immediately identify the nature of the transactions recorded under the Unapplied Receipts account and make the necessary adjustment to avoid accumulation of unposted transactions; and</p> <p>b. Exert more effort on the tracing and</p>	<p>Both recommendations are implemented.</p>

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	for 11 to 20 years, contrary to Paragraph 15 of PAS 1.	analysis of the forwarded temporary beginning balance to the Unapplied Receipts account.	
CY 2023 AAR, AO No. 6, page 67	The presence of an unreconciled variance totaling P7.586 million between the GL and SL of Installment Sales Receivables (ISR), cast doubt on the accuracy and reliability of the balance of the ISR account totaling P195.466 million as at December 31, 2023, thus affecting the fair presentation of the FS as required by Paragraphs 15 and 16 of PAS 1.	<p>a. Expedite the reconciliation of net variance between the GL and SL of the ISR account; and</p> <p>b. Set a timeline for the said reconciliation of the two accounting records.</p>	<p>Both recommendations are not implemented.</p> <p>The variance is still subject for reconciliation by Management with target completion of June 30, 2025.</p> <p>The AO was first raised in the AAR for CY 2022 and reiterated in CY 2023.</p>
CY 2023 AAR, AO No. 7, page 69	The existence, completeness, and accuracy of the recorded Property and Equipment (PE) account balance with a total carrying amount of P25.394 million could not be ascertained due to: (a) unreconciled variances of P3.777 million between the balances of GL and Report on the Physical Count of Property, Plant and Equipment (RPCPPE); (b) inaccurate provision for depreciation; and (c) non-disposal of	<p>a. AD and General Services Department to reconcile the discrepancy between the accounting records and the RPCPPE;</p> <p>b. Disposal Committee to promptly dispose all unserviceable assets in accordance with the appropriate disposal guidelines;</p> <p>c. AD to effect the necessary adjusting entries, if</p>	<p>Recommendations a, c, and d are implemented while recommendation b is not implemented</p> <p>Not implemented</p> <p>No unserviceable assets were disposed in CY 2024.</p> <p>The AO was first raised in the AAR for CY 2021 and reiterated in CYs 2022 and 2023.</p>

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	unserviceable properties.	any, to reflect the correct balance of the PE account in the FS, once the reconciliation of the PE accounts is completed; and d. Include in the accounting policy the basis of the computation of the residual value to ensure that the monthly depreciation is accurately computed.	
CY 2023 AAR, AO No. 8, page 73	The inclusion of 13th month pay and five days service incentive leave (SIL) amounting to P2.166 million in the payment of the separation pay to five AFPRSBS officials and employees is contrary to Section 4 of MO No. 90, Article 298 (283) of the Presidential Decree (PD) No. 442, otherwise known as Labor Code (LC) and Paragraph 5 of COA Circular No. 2012-003, thus, considered illegal and irregular.	a. Require the concerned employees and officers to refund the overpayment of additional benefits granted to them totaling P2.166 million. Otherwise, appropriate audit action will be undertaken; and b. Discontinue the payment of 13th month pay and cash equivalent of five days SIL as part of separation pay in accordance with Section 4 of MO No. 90 and Article 298 (283) of the LC.	Both recommendations are implemented.
CY 2023 AAR, AO No. 9, page 77	The AFPRSBS continued to maintain depository accounts in Banco De Oro (BDO)	a. Submit the Board Approval Sheet related to the AFPSLAI account	Recommendations a and c are implemented, while recommendations b

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	<p>Unibank, Inc. and Armed Forces and Police Savings and Loans Association, Inc. (AFPSLAI), with balances amounting to P117,530 and P326,250, respectively, as at December 31, 2023, without obtaining prior approval from the Department of Finance (DOF), contrary to the pertinent provisions of DOF Department Circular No. 002-2022, thus, defeating the purpose of Treasury Single Account system intended for better cash management and greater transparency in public financial management.</p>	<p>for the Audit Team to determine the purpose of the opening of such account;</p> <p>b. Expedite the closure of both the BDO and AFPSLAI accounts by setting a definite timeline;</p> <p>c. Secure clearance from the Housing and Land Use Regulatory Board (HLURB) for the release of the passbook of AFPRSBS with AFPSLAI by immediately replacing the collateral with an equivalent or reasonably valued instrument acceptable to the HLURB; and</p> <p>d. Transfer the balance of the depository accounts maintained in private banks to the Land Bank of the Philippines or Development Bank of the Philippines accounts currently maintained by the AFPRSBS.</p>	<p>and d are not implemented.</p> <p>The AO is reiterated under Observation No. 7, Part II of this Report. This observation was first raised in the AAR for CY 2022 and reiterated in CY 2023.</p>
CY 2023 AAR, AO No. 10, page 81	<p>The AFPRSBS has not fully complied with the provisions on the Transparency Seal</p>	<p>a. Instruct the AFPRSBS administrator to ensure the web to full</p>	<p>Both recommendations are implemented.</p>

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	<p>under the General Provisions of Republic Act (RA) No. 11936 or the General Appropriations Act (GAA) for Fiscal Year 2023, thus, the stakeholders have been deprived of relevant information on government transactions that may affect their interests or provide them with benefits.</p>	<p>compliance with the requirements of the Transparency Seal as provided under pertinent provisions of the GAA applicable to the AFPRSBS; and</p> <p>b. Require all concerned units to timely submit the reports needed for uploading or posting in the AFPRSBS website.</p>	
<p>CY 2023 AAR, AO No. 11, page 84</p>	<p>The AFPRSBS is not requiring the submission of a Certificate of Tax Exemption (CTE) from Income Tax and Withholding Tax as part of the clearance of the officials and employees who are due for separation, and neither notified the employees of their termination at least 30 days before the effectivity of the separation from the service nor submit a copy of the Notice of Separation to the Department of Labor and Employment (DOLE), which is not in accordance with the provisions of Bureau of Internal Revenue (BIR) Revenue Memorandum Order (RMO) No. 66-2016 and Article 298 (283) of the LC, respectively.</p>	<p>a. Strictly comply with the requirements of RMO No. 66-2026 and Article 298(283) of the LC;</p> <p>b. Require the officials/employees to secure their respective CTE from the BIR as part of their clearance process; and</p> <p>c. Require the Head of the Human Resource Department to furnish the nearest Regional Office of the DOLE with a copy of the Notice of Separation.</p>	<p>All recommendations are implemented.</p>

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CY 2023 AAR, AO No. 12, page 88	Pertinent provisions of 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).	<p>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;</p> <p>b. Ensure compliance with the schedule of procurement activities specified in the APP to facilitate the efficient conduct of procurement and to avoid delays;</p> <p>c. Ensure that all changes in the APP are consolidated and reflected in the Revised APP for approval by the Head of the Procuring Entity, as required under Section 7.4 and Item IV.A of Annex H of the IRR of RA No. 9184;</p> <p>d. Consolidate similar projects/requisitions and adopt</p>	All recommendations are implemented.

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		<p>competitive bidding or appropriate alternative procurement method;</p> <p>e. Adhere to the conditions provided for resorting to negotiated procurement through emergency cases and Small Value Procurement pursuant to Items V.D.2 and V.D.8 of Annex H of the RIRR of RA No. 9184;</p> <p>f. Ensure timely posting of the Notice of Award, Notice to Proceed and Contracts in the Philippine Government Electronic Procurement System within 10 days from issuance thereof; and</p> <p>g. Submit contracts and its complete bidding documents to the Audit Team within five working days from execution thereof.</p>	
CY 2023 AAR, AO No. 13, page 97	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	<p>a. Update the SLs of ISR accounts by identifying those customers tagged as “various accounts”;</p> <p>b. Require the AD</p>	<p>All recommendations are not implemented.</p> <p>The TCT for one Northmatrix Ville account was already traced, and ICRs for Riviera projects</p>

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	and Section II.A.2.f of AFPRSBS Policy No. CPO-001-2017, thus, prolonging the transfer of titles to the concerned buyers.	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.	amounting to P1.800 million were confirmed as cancelled. Three Orchard accounts, sold in 1995 to 2000 totaling P2.200 million, are still for tracing. Further, the review of ISR accounts is ongoing, based on the list of TCTs released by IRMD for CY 2024. The AO was first raised in the AAR for CY 2023.
CY 2023 AAR, AO No. 14, page 99	The approved fidelity bonds (FBs) of six Accountable Officers were not renewed before the expiration of its effectivity date, contrary to Bureau of the Treasury Circular (TC) No. 02-2019 dated April 25, 2019, thus, the AFPRSBS may not be indemnified in case of loss, fraud, dishonesty, or irregularities during the non-renewal period.	a. Submit the application for renewal of FB to the Bureau of the Treasury way before the expiration of the bond; and b. Designate an alternate officer in the absence of the approving officer for the applications for renewal of FBs.	Both recommendations are implemented.