

AFP - RETIREMENT AND SEPARATION BENEFITS SYSTEM
424 Capinpin Avenue, Camp General Aguinaldo, Quezon City, Metro Manila

AGENCY ACTION PLAN and STATUS OF IMPLEMENTATION
Audit Observations and Recommendations
For Calendar Year 2023
As of October 31, 2024

Ref.	Audit Observation:	Agency Action Plan				Status of Implementation	Reason for Partial/ Delay/ Non-	Action Taken/ Action to be taken (as of September 30, 2024)
		Audit Recommendations	Action Plans	Person/ Dept. Liable	Target Implementation From To			
1	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)	a. Reclassify all non-current assets and non-current liabilities under current to reflect the liquidation and winding down status of its operations;	To evaluate all accounts receivable and provide allowances for all worthless accounts	All Teams/Units	4th qtr 2024	4th qtr 2024	For Implementation	Prescribed report format will be used in the preparation of the year-end FS for CY 2024.
		b. Apply in the provisioning of impairment losses on financial assets the forward-looking expected losses as prescribed under PFRS 9 – Financial Instruments.	To evaluate all accounts receivable and provide allowances for all worthless accounts	All Teams/Units	4th qtr 2024	1st qtr 2025	For Implementation	Accounts to be recommended for additional provisions are currently being reviewed. The System did not provide for Impairment loss on its P2.297B Investments in Bonds in accordance with Section 2.b of Appendix 100 of the Manual of Regulation of Banks.
		c. Present the assets at estimated realizable value and the liabilities at reasonably estimated settlement amounts	To engage the services of an appraiser for the appraisal of all the System's real estate properties/assets. Complete the reconciliation of the real estate inventories.	All Teams/Units	4th qtr 2024	1st qtr 2025	Partially Implemented	Procurement of appraisal services is ongoing. Estimated realizable values on Other Assets being reviewed. <u>On the collectible from RGVDC and its majority shareholder</u> The Management met with Mr. Puyat of GDI to discuss the following: -Collection of the P55M due to RGVDC by GDI -Collection of P14M (including legal interest representing payment by the System of real property taxes for the Batulao property -Garnishment by the Sheriff of the personal accounts of Mr. Rodolfo Valencia Managing Unit to recommend provision of allowance for the balance of P1.962M.
		d. Provide appropriate disclosures on the accounts in the Notes to FS pursuant to the liquidation basis of accounting	To include relevant disclosures in the Notes to FS for CY 2024	ASU	4th qtr 2024	4th qtr 2024	For Implementation	Disclosures will be made in the CY 2024 Financial Statements
2	The accuracy of the balances of 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 P600.273 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.	Reiterate prior years' audit recommendations with modification that Management exert more effort in reconciling the IFMS 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 GFITrustee, in accordance with EO Nos. 590 and 590-A, as amended by MO No. 90.	Review individual SLs of members to determine unposted contributions which could be the main source of the discrepancy.	ASU/MSU	3rd qtr 2024	4th qtr 2024	Ongoing	Reconciliation is ongoing. The ledgers of the members with unrefunded and refunded contributions are being reviewed to determine the unposted contributions. Cleanse those with unrefunded to determine amount for refund and the estimated interests. Will recommend new policy/business process for unrefunded and unposted contributions.



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3	The presence of unreconciled variance of 415,573 square meters (sqm) with a total value of P383.637million between the total land area per records and actual inventory of Transfer Certificates of Title (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 –LandbankingAssets accounts, contrary to paragraph 15 of PAS 1, thereby affecting the fair presentation of the accounts balances in the FS as at December 31, 2023.	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-LandbankingAssets accounts;	Reconciliation of the remaining projects with discrepancies in area is targeted to be completed by 1st half of CY 2025.	ASU/FMU-IRMS	3rd qtr 2024	2nd qtr 2025	Partially Implemented	<p><i>Amount in millions</i></p> <p>RECONCILED:</p> <table border="0"> <tr><td>Riviera</td><td align="right">153 153</td></tr> <tr><td>Eastridge II</td><td align="right">2 193</td></tr> <tr><td>San Lorenzo- Phase I</td><td align="right">6 435</td></tr> <tr><td>General Santos</td><td align="right">2 360</td></tr> <tr><td>Total</td><td align="right">164.141</td></tr> </table> <p>ONGOING:</p> <table border="0"> <tr><td>Green Meadows Ph IA</td><td align="right">34 174</td></tr> <tr><td>Green Meadows Ph I</td><td align="right">48 564</td></tr> <tr><td>Total</td><td align="right">82.738</td></tr> </table> <p>FOR RECONCILIATION:</p> <table border="0"> <tr><td>Mt. Zion</td><td align="right">62 982</td></tr> <tr><td>Riviera-Commercial</td><td align="right">8 275</td></tr> <tr><td>Village East III</td><td align="right">8 255</td></tr> <tr><td>Orchard</td><td align="right">9 589</td></tr> <tr><td>San Lorenzo</td><td align="right">7 655</td></tr> <tr><td>Total</td><td align="right">96.756</td></tr> </table>	Riviera	153 153	Eastridge II	2 193	San Lorenzo- Phase I	6 435	General Santos	2 360	Total	164.141	Green Meadows Ph IA	34 174	Green Meadows Ph I	48 564	Total	82.738	Mt. Zion	62 982	Riviera-Commercial	8 275	Village East III	8 255	Orchard	9 589	San Lorenzo	7 655	Total	96.756
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		b. Submit updated reconciliation pertaining to both Real Estate Inventories and Investment in Real Estate –LandbankingAssets accounts to allow the Audit Team to validate the completeness of the real estate properties of AFPRSBS	To submit schedules to COA once the reconciliation of the projects are completed.	ASU/FMU-IRMS	3rd qtr 2024	4th qtr 2024	Partially Implemented	Please see attached Annex A for the reconciled projects/accounts																												
		c. Derecognize from the books the unpaid property purchased from Bulaong Enterprises, unless ownership or real rights can be established.		REMT/ASU	3rd qtr 2024	4th qtr 2024	Implemented	While awaiting for the update on the account, the investment can be derecognized and charged as receivable from the seller.																												
4	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.	a. Exhaust all available remedies to collect long outstanding/dormant/past due accounts and ensure proper and complete documentation of accounts	To review all existing dormant receivable accounts. Collection notices will be sent to the last known addresses of the borrowers.	All Teams/Units	3rd qtr 2024	4th qtr 2024	Partially Implemented	Out of the P960M Dormant Receivables - P763M or about 80% represents accounts under litigation. There are ongoing cases on the same.																												
		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	To pursue ongoing legal actions/cases against the loan borrowers.	All Teams/Units	3rd qtr 2024	4th qtr 2024	Partially Implemented	About 150M or 15% represents the loans/receivables/advances granted to various subsidiaries and affiliates. Almost all were already provided with allowances. The managing unit is evaluating the accounts and will recommend additional provision for allowances or write-off.																												
		c. Request authority from 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.	To prepare recommendation for write-off of accounts. Available documents will be compiled/consolidated to be used as reference in securing approval for write-off.	All Teams/Units	3rd qtr 2024	4th qtr 2024	Partially Implemented	A recommendation to write-off Superior Pharmacraft account – P3.193M is being prepared. The account is fully provided with allowance																												

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5	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 for 11 to 20 years, contrary to Paragraph 15 of PAS 1.	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	To review transactions affecting the account prior to migration to the new database System.	ASU	3rd qtr 2024	4th qtr 2024	Ongoing	Review of the remaining balance of the Unapplied Receipts account is ongoing.
		b. Exert more effort on the tracing and analysis of the forwarded temporary beginning balance to the Unapplied Receipts account.	To review transactions affecting the account prior to migration to the new database System.	ASU	3rd qtr 2024	4th qtr 2024	Ongoing	Adjustment will be made, as necessary
6	The presence of an unreconciled variance totaling P7.586 million between the GL and SL of 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.	a. Expedite the reconciliation of net variance between the GL and SL of the ISR account	Review individual SLs of the ISR buyers	ASU	3rd qtr 2024	4th qtr 2024	Partially Implemented	For tracing. Prioritized the reconciliation of other balance sheet accounts (Various Allowances, Deferred Credits, Receivables, Payables and Acquired Assets)
		b. Set a timeline for the said reconciliation of the two accounting records.	Reconciliation is targeted to be completed by 1st half of CY 2025	ASU	3rd qtr 2024	2nd qtr 2025	Partially Implemented	
7	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 unserviceable properties.	a. AD and GSD to reconcile the discrepancy between the accounting records and the RPCPPE		ASU/GSU	3rd qtr 2024	4th qtr 2024	Implemented	GSU has already reconciled the discrepancy between ASU's record and the RPCPPE based on the submitted schedule by GSU (Annex B)
		b. Disposal Committee to promptly dispose all unserviceable assets in accordance with the appropriate disposal guidelines	To identify properties that are already considered as unserviceable and are already for disposal	GSU	4th qtr 2024	1st qtr 2025	Not Implemented	Will Comply
		c. AD to effect the necessary adjusting entries, if any, to reflect the correct balance of the PE account in the FS, once the reconciliation of the PE accounts is completed.		ASU/GSU	2nd qtr 2024	3rd qtr 2024	Implemented	The balance between the PPE schedule maintained by ASU vs the GL balance is already reconciled (Annex C)
8	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 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		HRSU	3rd qtr 2024	4th qtr 2024	Implemented	Collection letters were already sent to the concerned employees (Annex D)
		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.		HRSU	3rd qtr 2024	3rd qtr 2024	Implemented	

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9	The AFPRSBS continued to maintain depository accounts in Banco De Oro Unibank, Inc. (BDO) 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 (DC) No. 002-2022, thus, defeating the purpose of Treasury Single Account system intended for better cash management and greater transparency in public financial management.	a. Submit the Board Approval Sheet related to the AFPSLAI account for the Audit Team to determine the purpose of the opening of such account		FMU	3rd qtr 2024	4th qtr 2024	Implemented	The System's account with AFPSLAI was already closed and proceeds of the same (P3M) was remitted to the AFPRSBS per OR No. 7122 dated 05 August 2024. (Annex E)
		b. Expedite the closure of both the BDO and AFPSLAI accounts by setting a definite timeline	To follow-up the status of the System's request from DoF to maintain the BDO account as servicing bank for Iloilo buyers Submit to DOF the requirements related to the request.	FMU	3rd qtr 2024	4th qtr 2024	Partially Implemented	For the BDO account, the System sought again the approval of the DoF to maintain the same to be used as depository account of Green Meadows buyers in Iloilo City. Compliance to requirements is ongoing. (Annex F)
		c. Secure clearance from the 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		FMU	3rd qtr 2024	3rd qtr 2024	Implemented	The collateral with AFGIC was already replaced by DBP CTD No. 1544176 amounting to P2.2M dated 16 April 2024 @ 364 days. (Annex G)
		d. Transfer the balance of the depository accounts maintained in private banks to the LBP or DBP accounts currently maintained by the AFPRSBS.		FMU	3rd qtr 2024	4th qtr 2024	Implemented	The P3M proceeds from the AFPSLAI account was already deposited to the System's DBP account.
10	The AFPRSBS has not fully complied with the provisions on the Transparency Seal under the General Provisions of Republic Act (RA) No. 11936 or the General Appropriations Act (GAA) for Fiscal Year (FY) 2023, thus, the stakeholders have been deprived of relevant information or government transactions that may affect their interests or provide them with benefits.	a. Instruct the AFPRSBS web administrator to ensure full compliance with the requirements of the Transparency Seal as provided under the pertinent provisions of GAA applicable to the AFPRSBS; and		BAC/ASU/LSU/ HRSU	1st qtr 2024	4th qtr 2024	Implemented	The System has already updated the following information in its website: -AFPRSBS Mission -2024 Approved Corporate Budget -2023 Audited FS -Names of Board of Liquidators and Officers -Other Financial Accountability Reports
		b. Require all concerned units to timely submit the reports needed for uploading or posting in the AFPRSBS website.		BAC/ASU/LSU/ HRSU	1st qtr 2024	4th qtr 2024	Implemented	
11	The AFPRSBS is not requiring the submission of a Certificate of Tax Exemption (CTE) from Income Tax and Withholding Taxes 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	a. Strictly comply with the requirements of RMO No. 66-2026 and Article 298(283) of the LC;		HRSU	2nd qtr 2024	3rd qtr 2024	Implemented	
		b. Require the officials/employees to secure their respective CTE from the BIR as part of their clearance process; and		HRSU	2nd qtr 2024	3rd qtr 2024	Implemented	The Certificates of Tax Exemption of the separated employees were already secured from BIR (Annex H)

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	from the service nor submit a copy of the Notice of Separation to the 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.	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.		HRSU	2nd qtr 2024	3rd qtr 2024	Implemented		Copies of the Notice of Separation were already submitted to/received by DOLE on 11 July 2024 (Annex I)
12	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).	a. Strictly conform with the prescribed guidelines of GPPB in the preparation of the 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;		BAC			Implemented		The approved 2024 APP already specified the period (months) when each procurement activity will be undertaken and the specific mode of procurement.
		b. Ensure compliance with the schedule of procurement activities specified in the APP to facilitate the efficient conduct of procurement and to avoid delays;	In October 30, 2024, the AFP RSBS Board of Liquidators recommended regularization of the former members of the AFP RSBS BAC, subject to GCG approval. As a stop gap measure, the AFP RSBS shall (for the meantime), tap the Procurement Services of the AFP and/or the DND subject to approval of the Secretary of the National Defense. The matter is currently being evaluated by the DND and the AFP	BAC			Partially Implemented		The BAC takes note of the COA recommendation. There were PAPs that were procured behind the scheduled timeline specified in the approved APP for 2024. Note however that the Procuring Unit intends to pursue with the procurement of these delayed activities, in the 4 th quarter of 2024. Business process related to procurement activities needs to be enhanced to prevent delays. Moreover, procurement activities in August 2024 was put on hold due to issues re: the authority of the BAC (comprised of personnel under Contract of Service) to undertake procurement activities for the System. Specific action to address this concern is being recommended for approval by the BOL.
		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;	Preparation of the revised APP for the year was no longer pursued due to questions/issues re: authority of the BAC to undertake procurement activities.	BAC			Not Implemented		The System (BAC, the BAC Secretariat and TWG) takes note of the COA observation. The BAC is in the process of recommending the revised APP for the year.

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		d. Consolidate similar projects/requisitions and adopt competitive bidding or appropriate alternative procurement method;		BAC			Implemented	Procurement of survey services for the Consolidation / Subdivision and Relocation of various Riviera lots with ABC of P950,000.00 and Relocation Survey for Arayat Pampanga lots with an ABC of P200,000.00 were likewise recommended and approved to be procured under Competitive Bidding in the same manner as the relocation/subdivision survey of Lot 2869 (Gemanil) with an ABC of P2,145,000.00 . It must be noted that these procurement projects are in different locations and are to be undertaken in different timelines.
		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;		BAC			Implemented	
		f. Ensure timely posting of the NOA, NTP and Contracts in the PhilGEPS within 10 days from issuance thereof; and	The Philgeps website does not allow separate posting of NTP and Contracts.	BAC			Partially Implemented	Only the NOA were posted on time in the PhilGEPS website. Separate posting of NTP and Contracts in the PhilGEPS cannot be undertaken as PhilGEPS only allow simultaneous posting of NTP and Contracts, upon 15 calendar days from issuance of NTP.
		g. Submit contracts and its complete bidding documents to the Audit Team within five working days from execution thereof.	The BAC shall recommend to all Procuring Units to enhance their business process to hasten documentation of approved procurement. For instance, the drafting of Contract may be undertaken (jointly by the Procuring Unit and the Legal Service Unit) even prior to award of contract to the winning bidder.	BAC			Partially Implemented	Partially complied with the submission of contracts and bidding documents (for three out of six awarded contracts), though beyond the prescribed period of five working days from execution thereof.
13	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.	a. Update the SLs of ISR accounts by identifying those customers tagged as "various accounts";	To review/reconcile the schedules and identify the accounts tagged as various	ASU/FMU-IRMS	3rd qtr 2024	4th qtr 2024	Ongoing	The TCT for 1 NMV account was traced, Riviera ICRs were traced as cancelled - P1.8M. (Annex J) 3 Orchard accounts for tracing - sold in CY 1995/2000 - P2.2M
		b. Require the AD and the IRMD to reconcile the list of the TCTs released with that of the ISR schedule; and	Concerned units to coordinate for the reconciliation of the schedules	ASU/FMU-IRMS	3rd qtr 2024	4th qtr 2024	Ongoing	Review of the ISR accounts is ongoing based on the list of TCTs released provided by FMU-IRMS for CY 2024

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		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.	To validate the ISR schedules with the records of the custodian	ASU/MAMU/LSU	3rd qtr 2024	4th qtr 2024	Ongoing	Please refer to Annex J.
14	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 BTR 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.		HRSU			Implemented	
				HRSU			Implemented	

Agency sign-off:



GIMA V LEE
Deputy Administrator, Support Team

05 NOV 2024

Date

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