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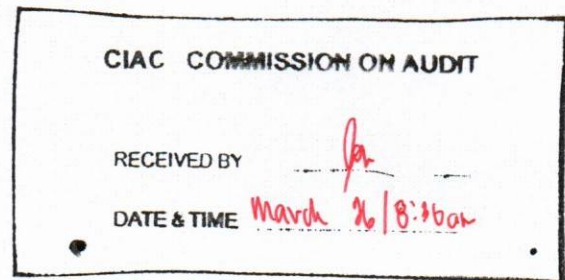
21 March 2024

TERESITA C. GUEVARRA

State Auditor V
Supervising Auditor
Commission on Audit
Clark field, Pampanga

Through: **FRANCIS S. MAYLED**
State Auditor III
OIC – Audit Team Leader
Commission on Audit
Clark field, Pampanga

SUBJECT: INTER-AGENCY ACCOUNTS
AOM No. 2024-08 (2023)



Dear **Auditor Guevarra**:

This is with reference to your Audit Observation Memorandum (AOM) no. 2024-08 (2023) dated 14 March 2024 pertaining to the non-recognition of the accrued lease revenues owed by Clark Development Corporation (CDC) which resulted to the discrepancy of Php 183,756,167.63 in the inter-agency accounts of CIAC for the Calendar Year (CY) 2023, thereby affecting the faithful presentation of our financial statements.

The Commission on Audit (COA) recommended that CIAC exert all efforts to obtain the lease contracts and other pertinent records from the CDC, make a proper reconciliation of the inter-agency accounts and make the necessary adjusting entries, if warranted.

CIAC had always put great emphasis on the fair presentation financial statements based on standards set by the COA circulars and other pertinent laws. The Management exerted all efforts to comply through periodic dissemination¹ of CIAC's existing policy and standard operating procedures for the guidance and strict compliance of all departments.

The following are the policies and procedures in place related to your observation:

a.) FD-AD-SOP-001: Preparation of the Financial Statements²

The procedure includes the posting of journal vouchers for the CIAC's expenses charged by CDC; revenues based on the billing invoice in accordance with a valid and subsisting lease contract or any other written approved document relative to the use of the CIAC's estates, facilities and other properties; and any reconciliation adjustments.

We acknowledge your observation on our lack of access to all current lease agreements, contracts or any other written approved document within the Clark Civil Aviation Complex (CCAC) which may result to the incorrect recognition of our 50% net revenue share pursuant to the Executive Order (EO) No. 716.

¹ Memorandum re. CIAC Financial Reporting Framework
² FD-AD-SOP-001: Preparation of the Financial Statements



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It may serve to inform your good office that the CIAC, through the Finance Department, has closely coordinated with the CDC for the reconciliation of our inter-agency accounts. The following are the efforts made by CIAC for the CY 2023:

- In a letter³ dated 16 August 2022, we requested from the CDC the records of locators and payments of lease agreements within the CCAC with the thrust to timely and accurately record our revenue share. To date, CIAC has not received these requested documents.
- In 2023, the CDC provided the 'Schedule of net revenues from the CCAC'⁴ for the period of October 2010 to December 2022 with no supporting agreements or records of locators. Out of the Php 11,376,302.54 outstanding balance, only Php 6,000,000.00 was collected on 19 June 2023 and recorded as revenue by CIAC.

As of this writing, the CDC has not provided a schedule and supporting documents for the CY2023.

- On 05 October 2023 and 16 January 2024, we requested for our subsidiary ledgers⁵ from the CDC which showed the following outstanding balance resulting to immaterial discrepancy when compared to our records:

	CDC books <i>due to (from) CIAC</i>	CIAC books <i>due from CDC</i>
31 July 2023	Php1,255,611.46	Php 822,081.21
31 December 2023	(Php 1,655,752.80)	Php 785,148.61

The discrepancy and accounted reconciling items were accordingly communicated to the CDC for investigation or correction e.g. utilities erroneously charged to CIAC for a villa already turned over to CDC in 2022 and operating expenses within CCAC charged to CIAC with no revenue shares. Despite our efforts, the CDC has not provided the schedule of net revenues from the CCAC for our recording.

In the interest of submitting the FS within the deadline set by the COA and considering the immateriality of the discrepancy in our interagency accounts, the Finance Department closed the books of accounts and submitted the complete sets of our FS to COA on 24 January 2024.

- Through a letter⁶ dated 21 March 2024, we requested anew the necessary documents for the recording our revenue share within the CCAC. The documents were also requested through phone call and email⁷ upon the receipt of the AOM but to no avail.

We highly appreciate the recommendations of COA in order for us to avoid the understatement of our revenue account and to ensure the accuracy of our financial statements. The Management shall comply with your recommendations and shall immediately make the necessary adjustments in our records once the requested documents are provided by the CDC.

³ CIAC letter to CDC dated 16 August 2022

⁴ CDC Net Revenues from CCAC

⁵ Subsidiary Ledgers from CDC as at 31 December 2023

⁶ Letter to CDC dated 21 March 2024

⁷ Email to CDC on 20 March 2024





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Rest assured that we will update your office on the status of implementation of the recommended course of action.

Thank you very much.

Sincerely yours,

ARREY A. PEREZ
President and CEO

CIAC OP LETTER NO. 24-083



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