

CLARK INTERNATIONAL AIRPORT CORPORATION

Part III: STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Status as of December 31, 2023

PER PART III STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS				PER CIAC UPDATE
Ref.	Audit Observations and Recommendations	Management Actions/ Comments	Status of Implementation and Reason for Non/ Partial Implementation	Update/Status as of December 31, 2023
2021AAR Obs. No. 1 Page 36	<p>1. A sum of ₱89,092,014.37 out of the Accounts Receivable-Trade with a carrying amount of ₱213,861,643.06 was uncertain of collection due to (a) inadequate monitoring of the lease receivables of ₱62,640,958.50, aged one to five years, the bulk of which was in the name of Asian Aerospace Corporation (AAC) whose management was already turned over to a private operator in the year 2019; and (b) various accounts in the state of dormancy of ₱26,451,055.87, aged more than ten years, in which the past requests for write-off were not fully substantiated, inconsistent with the requirements of COA Circular No. 2016-005 dated December 19, 2016.</p> <p>Recommendations:</p> <p>a. Instruct the Treasury and Legal Departments to exhaust all remedies or</p>	<p>Two hearings were set on November 16 and 24, 2022 for the presentation of evidence by AAC.</p>	<p>Partially Implemented</p>	<p>Ongoing implementation Case with AAC is still pending in court.</p> <p><u>*Update as of December 31, 2023:</u> <u>Partially Implemented</u></p>

	<p>means to collect long outstanding liabilities of Asian Aerospace Corporation (AAC) in the amount of ₱43,109,234.67, including interest and penalties; and</p>	<p>AAC filed a Motion for Reconsideration. CIAC already filed its compliance.</p> <p>A resolution from the Court of Appeals 7th Division dated November 25, 2022 was issued to respondent to file a comment, in which the petitioner was granted five days from receipt to file a reply.</p> <p>Hearing is set on January 18, 2023 Approved request for write-off.</p>	<p><u>the presentation of witnesses is set on the 24th and 31st of January, 2024. Please see Annex A-1 for the court order.</u></p> <p><u>AAC filed a Petition for Certiorari under Rule 65 of Rules of Court with Application for TRO and/or Writ of Preliminary Injunction on November 11, 2022 to annul and set aside the order dated June 27, 2022 and order dated September 5, 2022 issued by RTC Branch 115. However, the said petition was dismissed by Court of Appeals in its decision dated June 15, 2023 finding that RTC did not commit gave abuse of discretion when it issued the assailed orders dismissing petitioner's Motion to Dismiss Counterclaim and that CIAC's counterclaims are not compulsory in nature. The dispositive portion of which affirms RTC's decision. (See attached Annex A-2 for the decision)</u></p>
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2021 AAR Obs. No. 3 Page 50	<p>The existence and valuation of the recorded Property, Plant and Equipment (PPE) (excluding Buildings, Building Improvements, Land Improvements, and Construction in Progress) with a carrying amount of ₱41,505,951.89 as at December 31, 2021 were uncertain for failure of the Accounting and Property Departments to properly record, report, monitor and reconcile the balances of the General Ledger (GL) and the Report on Physical Count of Property, Plant and Equipment (RPCPPE), contrary to COA Circular No. 2020-006 dated January 31, 2020, impairing the reliability and fair presentation of the affected PPE accounts in the year-end Financial Statements.</p> <p>Recommendations: Direct the Property and Accounting Departments to:</p> <p>a. Undertake reconciliation of the differences between Property Records and Accounting Records based on the latest Report of Physical Count of Property, Plant and Equipment (RPCPPE)/Inventory and Inspection</p>	<p>Adjustments to Airport Equipment account amounting to ₱201,330,315.61 was made thru JV No. 2021/12-106, thus</p>	<p>Partially Implemented</p> <p>On-going reconciliation</p>	<p><u>*Update as of December 31, 2023:</u></p> <p><u>Partially Implemented</u></p> <p><u>The Property records were updated based on the results of the physical</u></p>

<p>Report of Unserviceable Property (IIRUP), and updated Subsidiary Ledgers (SLs), and identify the PPE accounts requiring reclassification/adjustment, if warranted. Henceforth, conduct regular reconciliation to prevent accumulation of discrepancies and unexplained variances;</p>	<p>reducing the unreconciled balance to ₱45,136,856.98.</p>	<p><u>inventory and matched with accounting records to come up with the corrected and reconciled balances of PPE.</u></p> <p><u>However, based on the latest reconciliation report for PPE balances as of December 31, 2023, there is still a difference of ₱38,520,055.54 between the amount recorded in the books and the amount per RPCPPE subject for further validation and cleansing. See “Annex B”. Detailed and itemized reconciliation as to PPE is also provided.</u></p> <p><u>The concerned divisions are closely coordinating with each other for the recognition and derecognition of PPE items that are still recorded in the books but are no longer in actual possession, and vice versa.</u></p>						
<p>b. Dissect the details/breakdown and causes of PPEs marked as “unaccounted for”; trace items not included in either record of the two departments; and determine the proper actions to be taken in accordance with COA Circular No. 2020- 006 dated January 31, 2020 towards the cleansing of the PPE accounts and determination of accountability for lost/missing assets;</p>	<p>Partially Implemented</p> <p>On-going tracing of unaccounted properties using the records from the recent inventory of CIAC properties. Also, properties under “Corporate</p>	<p><u>Partially Implemented</u></p> <p><u>Most of these PPEs have already exceeded their estimated useful life, hence, their carrying value is equivalent to their residual value. Summary of the Unaccounted PPE as of December 31, 2023 is as follows:</u></p> <table><tr><th><u>Acct</u></th><th><u>Cost</u></th><th><u>Net BV</u></th></tr><tr><td>Machinery and Eqpt.</td><td>42,506,113.11</td><td>4,560,713.02</td></tr></table>	<u>Acct</u>	<u>Cost</u>	<u>Net BV</u>	Machinery and Eqpt.	42,506,113.11	4,560,713.02
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Machinery and Eqpt.	42,506,113.11	4,560,713.02						

	<p>c. Validate the accuracy of the RPCPPE for items described as “condemned” from offices/departments identified as end users; trace to previously approved IIRUP and reports of disposal, if any; drop from the Report those items found to have already been disposed based on reliable records. In case of items for condemnation which are still existing, include in the IIRUP; and for items whose existence, condition and particularity could not be established thru any available records, follow the COA Circular on the appropriate disposition; and</p>		<p>Account” are being updated by assigning the identified accountable officers.</p> <p>Partially Implemented</p> <p>Property Department has already prepared the updated records for disposal but still is awaiting the comments of the Accounting Department before submission to the Office of the VP for Finance and Administration Group.</p>	<table><tr><td>Transportaion Eqpt.</td><td>2,642,005.67</td><td>34,607.14</td></tr><tr><td>Furnitures, Fixtures, and Books</td><td>3,813,116.04</td><td>5,371.98</td></tr><tr><td>TOTAL</td><td>48,961,234.82</td><td>4,600,692.14</td></tr></table> <p><u>See Annex C for complete details.</u></p> <p><u>*Update as of December 31, 2023:</u></p> <p><u>Fully Implemented</u></p> <p><u>Items requiring reclassification/ adjustments were identified and duly adjusted in the books of accounts. See “Annex D”.</u></p> <p><u>For the year 2023, the following disposals were undertaken:</u></p> <p><u>1. Disposal of Assorted Used Fixtures, Accessories, Cable wires and Fence (cyclone wire) with bid amount of ₱1,050,000.00 awarded to Microsphere System Technology with Notice of Award dated May 29, 2023 and with OR No. 9073478 amounting to ₱45,000 and No. 9073479 amounting to ₱1,005,000.00. See attached IIRUP.</u></p> <p><u>2. Disposal of assorted used unserviceable movable properties with bid amount of ₱86,000.00 awarded to Environmental Solution and Recycling Tech Phils. Inc., with Notice of Award dated May 29, 2023</u></p>	Transportaion Eqpt.	2,642,005.67	34,607.14	Furnitures, Fixtures, and Books	3,813,116.04	5,371.98	TOTAL	48,961,234.82	4,600,692.14
Transportaion Eqpt.	2,642,005.67	34,607.14											
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	<p>d. Adopt uniform/consistent procedures or policies in the recording and reporting of the transactions by both departments to facilitate reconciliation of records/reports.</p>		<p>Partially Implemented</p> <p>The updated property records with corresponding property numbers were transmitted to the Accounting Department on January 4, 2023.</p>	<p><u>with OR No. 9073484 dated June 2, 2023 amounting to ₱7,928.00 and No. 9073485 amounting to ₱78,072.00. See attached IIRUP.</u></p> <p><u>*Update as of December 31, 2023:</u></p> <p><u>Fully Implemented</u></p> <p><u>CIAC adopted a uniform property identification system for PPE wherein a unique Property Number is assigned for each PPE item. The records maintained by the Accounting Division were improved through (a) inclusion of the unique Property Numbers for easier identification and (b) consolidation of multiple workbooks to single workbook as advised by the Audit Team as attached in "Annex A</u></p> <p><u>The Property and Accounting Divisions also agreed to conduct the following courses of action to provide detailed updates and reports should there be movement in their respective records such as, but not limited to, change in threshold, dispositions and additions as evidenced by the following:</u></p>
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2021 AAR Obs. No. 4 Page 56	The failure of the Corporation to execute or renew expired lease agreements or contracts despite the continued occupancy and utilization of the leased property by its locators was a departure from COA Circular No. 88- 282A dated March 3, 1988. As a result, the Corporation has lost its leverage to demand better terms and conditions that would be beneficial for both the lessee and CIAC, as the lessor. Additionally, in			

	<p>the event of a dispute, the interest of the Corporation may be jeopardized in the absence of established and binding agreements. Similarly, non-compliance by some lessees with specific clauses of the existing lease agreements or contracts may result in unbilled revenues, denying it from the immediate use of these additional funds for its programs and projects.</p> <p>Recommendations:</p> <p>a. Instruct the Marketing Department to closely monitor all expiring lease agreements or contracts to facilitate their renewal prior to the lease term expiration in order to protect the interests of the Agency and the government as a whole in the event of future conflict; and</p> <p>b. Henceforth, make an annual review of all the lease agreements or contracts for any amendments and evaluate those that will expire six months before to exercise management prerogatives that are beneficial to the Agency in consideration of the following matters:</p> <p>i. All the terms and conditions of the expired contract have been complied with;</p> <p>ii. The validity of the claim and the right to collect the lease payment;</p>	<p>A Notice of Expiration is being issued by the Marketing Department six months prior to the expiration of the Lease Agreement.</p> <p>The Notice of Expiration is yet to include additional provisions on the general conditions of the Lease Agreement.</p>	<p>Fully Implemented</p> <p>Partially Implemented</p>	<p>The Notice of Expiration is yet to include additional provisions on the general conditions of the Lease Agreement.</p> <p><u>No update as of December 31, 2023.</u></p>
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	<p>iii. Reasonable/better lease rates between both parties; and</p> <p>iv. Collection of the arrears, including interest and penalties.</p>			
<p>2020 AAR Obs. No. 3 Page 46</p>	<p>Housing privilege was accorded to one Board of Director (BOD) starting September 2019 without the specific authority under the law or charter and required approval of the Office of the President as directed under Executive Order (E.O.) No. 24, S. 2011 and the pertinent provisions of Republic Act (R.A.) No. 10149 or the Government-Owned & Controlled Corporations (GOCCs) Governance Act of 2011. The use of government property for personal services is deemed irregular and unethical in the light of Section 4 of Presidential Decree (P.D.) No. 1445, COA Circular No. 2012-003 dated October 29, 2012 and R.A. No. 6713 or the Code of Conduct and Ethical Standards for Public Officials and Employees.</p> <p>Recommendation: a. Advise the aforementioned BOD to vacate the staff house or villa and, if warranted, cause the refund of the aggregate utility expenses incurred during the period of occupancy thereat.</p>	<p>The subject Director has committed to pay CIAC for the utility expenses which will be deducted from his RATA under the payment schedule as herein under attached Annex E, Authority to</p>	<p>Partially Implemented</p>	<p><u>*Update as of December 31, 2023:</u></p> <p><u>Partially Implemented</u></p> <p><u>The outstanding balance of Utilities incurred which remained unpaid as at year-end by the concerned BOD is ₱110,700.11. (See Annex for details).</u></p>

		Deduct.		<p><u>The amount ₱67,150.09 as evinced in Annex E – Authority to Deduct, represents only the beginning balance in 2021.</u></p> <p><u>Upon verification with Legal Department and Treasury Division, there is no outstanding claim which is payable to the BOD, nor any assurance that the Performance Based Incentive (PBI) for CY 2021 and 2022 will be given. Thus, deduction as to unpaid utilities is to no avail as of this writing.</u></p> <p><u>In view of thereof, management will communicate the matter to the concerned BOD for the settlement of the remaining balance.</u></p>
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Reviewed and Approved by


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