

CLARK INTERNATIONAL AIRPORT CORPORATION

AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION

Audit Observation and Recommendations

For the Calendar Year 2018

As of July 31, 2019

AOM No.	Audit Observations	Audit Recommendations	Agency Action Plan			Status of Implementation	Reason for Partial / Delay / Non-Implementation If Applicable	Action Taken / action to be taken / Remarks	
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				
					Start				End
2019-001 (2018)	Due to the delayed approval of the Lease Agreement with the Asian Aerospace Corporation which is contrary to the Corporation's existing standard procedures, lease revenues amounting to \$25,840.00 effective October 18, 2017 were not billed and collected resulting in understatement of the reported income from Operations and other related accounts as of December 31, 2018, thus affecting the fair presentation of the financial statements as of year-end in violation of the provisions stated in International Accounting Standards (IAS) I.	<p>a. To observe the approved procedures with regard to business registration of locators/ concessionaires to achieve efficient processes in approving LA and consequently, recognize accurately realized revenues during the period; and</p> <p>b. To ensure that only those locators with valid and duly approved Lease Agreements (LA) are authorized to commence activities and operations as provided in the LA.</p>	<p>a. The new LA between the CIAC and AAC signed on 17 Jan 2019 covers the lease of an open space next to AAC's existing leased properties which was used for the construction of a Business Aviation Center (BAC) to support the ASEAN meeting in November 2017. Please see reply letter dated May 6, 2019 that caused the delay;</p> <p>b. Management shall ensure the compliance of the approved procedures of Direct Lease Application through strict implementation of the validity set in the Term Sheet, which is within 21 calendar days from receipt. In case of non-submission of the signed Term sheet within the time set-forth, CIAC shall notify the proponent of the cancellation of the approval of its application for direct lease.</p>	Marketing Department	For all contracts	For all contracts	Implemented	<p>Note - Billing and Collection relative to the AAC AOM:</p> <p>CIAC Invoice No. B-7881. With CM#0194 &amp; DM# 0195 dated January 29, 2019;</p> <p>CIAC OR No. 9048514 amounting to P905,573.58 net of CM and DM dated March 26, 2019.</p>	

<p>2019-002 (2018)</p>	<p>The provisions of the Lease Agreement on termination and recovery of the leased property were not enforced despite apparent deficiencies and infractions of the terms and conditions by the lessee, which acts were disadvantageous to the best interest of the government.</p>	<p>a. To submit justification on the lapses noted on the enforcement of the pertinent provisions of the Lease Agreement;</p> <p>b. To invoke the existing sanctions for infractions of the lease agreement.</p>	<p>a. See justification in the reply/letter addressed to COA dated May 2, 2019;</p> <p>b. Pre-terminate the lease agreement with JCC dated November 17, 2015 and forfeit the performance security per letter reply to COA dated May 2, 2019.</p> <p>However, in reference to the letter of JCC dated 23 May 2019 requesting for a reconsideration of management's decision to pre-terminate the LA, the CIAC has decided to grant JCC's request for reconsideration subject to compliance with the following:</p> <ul style="list-style-type: none"> <li>• Posting of a cash bond by JCC of P13,824,000.00 which CIAC shall forfeit in view of the non-fulfilment of its commitments under the LA for year 2018;</li> <li>• Replacement of surety bond for 2019 with a cash bond of P13,824,000 by JCC;</li> <li>• Construction on the leased premises should begin immediately and should be completed w/in 6 months upon receipt of the letter to JCC dated 6 June 2019 (JCC offers to build in 1 year); and</li> <li>• Payment of the MGL for May 2019 onwards.</li> </ul> <p>Failure to meet any or all of the above conditions shall</p>				<p>Implemented (See note)</p> <p>Implemented (See note)</p> <p>Implemented</p> <p>Implemented</p>	<p>Note:</p> <p>JCC wrote a letter to CIAC, dated July 9, 2019, that it will issue 5 post dated checks amounting to P5,529,600.00 each or a total of <u>P27,648,000.00</u>. Management accepted the same and details of the PDCs are herein attached as Exhibit A.</p> <p>CIAC started noticing earthworks at the JCC area last July 11, 2019. Pictures taken July 23, 2019 for the ongoing on-site development as herein attached as Exhibit B.</p> <p>MGL started May 2019 as indicated in the SOA as herein attached as Exhibit C.</p>
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			immediately result in the pretermination of the LA and the forfeiture of all deposits due to the CIAC, which decision shall be considered as final and no longer subject for a request for reconsideration.						
2019-003(2018)	The pertinent provisions of Republic Act 9184 on the hiring of consultants under contract of Services were not observed contrary to Section 6.2.2 of COA-DBM-CSC Joint Circular No. 1, series of 2017 as shown by the direct hiring of highly technical consultants without BAC evaluation and recommendation. Also, the duplication of assignments with that of existing regular CIAC personnel may render doubt on the regularity of the related disbursements amounting to P1,321,102.00.	<p>a. To observe the provisions of RA 9184 in the hiring of highly technical consultants including those engaged thru Contract of Service;</p> <p>b. To revisit the Consultancy Agreements and consider the inclusion of provisions for concrete and definite outputs, where applicable, that will serve as basis in the evaluation of the actual accomplishments of the consultants vis-à-vis the purpose for engaging their services; and</p> <p>c. To ensure that no duplication of functions will result in the hiring of consultants.</p>	<p>See justification in the reply letter to COA dated May 9, 2019;</p> <p>For COA recommendations a, b and c: Management subscribes to all recommendations of COA as per reply letter to COA dated May 9, 2019.</p>	HRD	For all consultancy requiring compliance to RA9184	For all consultancy requiring compliance to RA9184	Implemented		Note: The President and CEO issued a Memorandum Circular, dated 10 May 2019, with subject: Hiring of Consultants, directing all departments and offices to comply with the recommendations of COA in line with the provisions of the procurement law.
2019-0048)	The grant of Financial Assistance to "Informal Settlers" based on the value of trees/crops planted and structures built was ascertained to be of no legal basis and contrary to Article 449 of the New Civil Code of the Philippines. Likewise, the deficiencies noted in the supporting documents render the validity and propriety of disbursements doubtful.	<p>a. To justify why the payments for Financial Assistance on the basis of valuation of trees/crops/structures should not be disallowed in audit; and</p> <p>b. To submit the lacking Certification from the CIAC Inspectorate Team attesting to the fact that the area was actually cleared and in effective control or possession of</p>	<p>a. See justification in the reply letter to COA dated May 8, 2019;</p> <p>b. CIAC shall submit a certification attesting to the fact that the said Terminal 2 Expansion area has been cleared and in effective control and possession of CIAC.</p>	IS Committee	June 1, 2019	June 30, 2019	Implemented		Please see Exhibit D for the certification issued by the Committee on Informal Settlers dated June 21, 2019

2019-005 (2018)	<p>CIAC has successfully and efficiently implemented 10 out of 11 Gender and Development activities with a utilization rate 67% of CY 2018 GAD Budget. The pertinent rules on the GAD planning, budgeting and submission of GAD Plan and Budget and Accomplishment Report to Philippine Commission on Women in accordance with the PCW-NEDA-DBM Joint Circular No. 2012-01 were also complied with. However, the submission of PCW-reviewed GAD Plan and Budget pursuant to COA Circular No. 2014-001 dated March 18, 2014 was not complied with. Likewise, the funds allocated for GAD is below the 5% of total agency approved budget contrary to Section 36 (a) of RA 9710 and paragraphs 2 and 6 of the aforementioned joint circular.</p>	CIAC.	<p>a. Continue to identify priority gender issues and set the GAD agenda, with consultation and inputs from CIAC departments, to aid in the formulation of gender-responsive GAD Programs, projects and activities;</p> <p>b. Continue to adhere with the PCW, NEDA and DBM Joint Circular No. 2012-01 in the Preparation and Submission of Annual GAD Plan and Budget and Accomplishment Report;</p> <p>c. Observe the provisions of COA Circular No. 2014-001 dated March 18, 2014 on the Revised Guidelines in the audit of Gender and Development (GAD) Funds and Activities in the government agencies;</p> <p>d. Undergo training on GAD Budgeting / Planning in accordance</p>	<p>a. CIAC shall continue to identify gender issues and to get input from CIAC departments. The following actions were carried out:</p> <ul style="list-style-type: none"> <li>• Composition of the GAD Focal Point System was updated and expanded;</li> <li>• The new GAD Focal Point System/TWG was capacitated/trained further by undergoing training-workshops.</li> </ul> <p>b. The GAD TWG will be joining a workshop that will be organized by its mother agency, the DOTr Air Sector GAD TWG, on GAD Planning and Budgeting (GPB). A revised set of guidelines has been announced by PCW indicating that GAD planning will now be formulated based on a 5-year/6-year timeframe. If the workshop by DOTr will not be pushed by June, CIAC will organize it own to be able to adhere to the latest guidelines;</p> <p>c. To observe the provisions of COA Circular No. 2014-001;</p> <p>d. When the training on the latest guideline on GAD Planning and Budgeting is undertaken</p>	CRD	June 1, 2019	June 30, 2019	
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with JC 2012-01 of PCW / NEDA/ DBM and allot the required funding for GAD Activities in the following years. This will facilitate attainment of more relevant and significant gender objectives in the pursuit of gender equality and women empowerment in the Corporation.

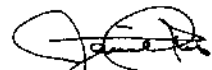
as described in item b, we hope to discover more ways to identify and mainstream GAD. With the best effort, the corporation will allot the required funding for GAD activities in the years to come.

Prepared by:

  
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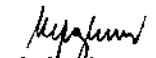
8/9/19  
Date

Approved by:

  
Jaime Alberto C. Melo  
President & CEO

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Date

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8/9/19  
Date