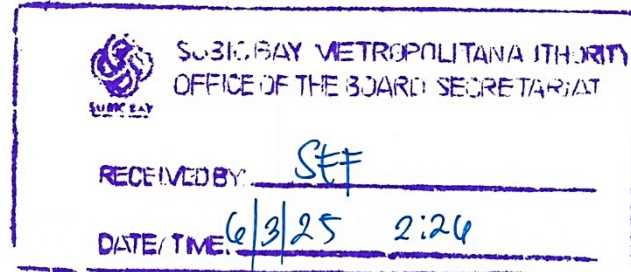




REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

May 27, 2025

THE BOARD OF DIRECTORS
Subic Bay Metropolitan Authority
Subic Bay Freeport Zone, Olongapo City



Dear **Directors**:

We are pleased to transmit the Annual Audit Report on the audit of the Subic Bay Metropolitan Authority (SBMA), Subic Bay Freeport Zone, Olongapo City for the Calendar Year 2024 in compliance with Section 43 of the Government Auditing Code of the Philippines (P.D. No. 1445).

The audit was conducted to: (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of implementation of prior year's audit recommendations.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). We rendered a qualified opinion on the fairness of presentation of the financial statements of the Subic Bay Metropolitan Authority as of December 31, 2024 owing to material accounting errors and omissions as cited in the Independent Auditor's Report in Part I of the report.

The significant audit observations and recommendations requiring immediate action are as follows:

1. The accuracy and completeness of the Property, Plant and Equipment (PPE) accounts with a carrying amount of ₱19,667,045,853.60 as of year-end, are uncertain due to several noted deficiencies, including: (i) inclusion of leasable land in the PPE account valued at ₱13,933,376,379.10; (ii) incomplete reconciliation between the RPCPPE and Accounting records for Land Improvements, Infrastructure Assets, Buildings, and Other Structures; (iii) failure to derecognize demolished facilities amounting to ₱12,480,741.39; (iv) unreconciled discrepancies in various movable properties due to voluminous and generally termed items; (v) inclusion of inventories and semi-expendables in the PPE accounts; (vi) non-disposal and non-recognition of impairment losses for unserviceable properties; (vii) inclusion of disposed properties in the RPCPPE and possibly in the accounting records; and (viii) non-accrual of accumulated costs under the Construction in Progress account as at year-end for certain projects due to the absence or insufficient details.

We recommended Management to undertake the following courses of action:

- a. Pursue the procurement of the Perimeter Boundary Survey to establish the precise land area of the Authority;
- b. Proceed with the hiring of a Property Appraiser in due course to determine the fair value of the land and other unrecorded facilities at present;
- c. Reclassify the value of the leasable land to Investment Property;
- d. Continuously enhance current records through assignment of common tagging by way of Unique Property Identification System for all fixed assets including land improvements and infrastructure assets, for reconciliation purposes;
- e. For the Accounting Department (AD) and LADD to establish active coordination on new fixed assets to be recognized in the books, in terms of classification as to fixed or partly movable, the amount, and the presentation or itemization in the subsidiary ledger or LADD monitoring report so that records would be consistent and information adequate if needed (i.e. real-time sharing of monitoring reports between the two for check and balance);
- f. Complete the reconciliation of movable properties especially those with noted variances between the Accounting and PPMD records taking into account the output (actual and existing properties) from the completed wall-to-wall inventory;
- g. Validate and de-recognize in the books of account the identified inventories and semi-expendables with total carrying amount of ₱341,529.70;
- h. Complete the valuation or appraisal on the related unserviceable properties for purposes of disposal or impairment recognition;
- i. Pursue the disposal of various unserviceable properties in accordance with COA-DBM Joint Circular No. 2024-01 dated January 30, 2024;
- j. Pending disposal, recognize any impairment loss relative to the appraised value of the unserviceable properties, if necessary;
- k. Validate in the books and de-recognize the amount disposed per RPCPPE with acquisition cost of ₱151,671,828.02;
- l. For the Accounting Department to include all implementing units on their year-end memorandum on closing of books, in the requirement to submit documentations for accrual of percentage completed on infrastructure projects to continuously recognize accumulated cost or other appropriate value of any project based on submitted documents; and
- m. For the Engineering, PMO, Airport, Seaport, and Maintenance Department to ensure that all projects being implemented with reference to what were reported in the Enhanced Consolidated GPPAs, shall be submitted with details for accrual to Accounting as at year-end, for the total cost incurred to date (i.e. submission to

Accounting of summary report of verified physical accomplishments on all projects implemented by the office or the projects' SWA as of December 31, 2024).

2. The reliability of the Investment Property account balance, totaling ₱5,311,088,366.43 as of December 31, 2024, is uncertain due to the: a) misclassification of communication and other equipment amounting to ₱327,418,074.93 under Investment Property-Port Development, including various inventories and semi-expendables; b) unrecorded properties that are available for lease; c) unverified beginning balance of the Investment Property account; and d) leasable land still classified under Property Plant and Equipment (PPE) which is inconsistent with International Accounting Standards (IAS) 40 and COA Circular No. 2020-002 dated January 28, 2020.

We recommended Management to undertake the following courses of action:

- a. For the Accounting Department:
 - Reclassify the communication and other equipment erroneously recorded under Investment Property to the appropriate PPE accounts;
 - Review the composition of the Investment Property-Port Development account and reclassify items that do not qualify under IAS 40; and
 - Draw the journal entries recognizing the unrecorded Investment Properties.
 - b. For the Business Investment Group:
 - Ensure that the list of available land/property for lease is regularly updated and posted to the Authority's website with corresponding rates or base rents;
 - Finalize and implement standardized procedures for the turnover and monitoring of expired or terminated lease properties;
 - Develop and implement a centralized monitoring system accessible to all concerned departments such as integration of the Subic Bay Freeport Business Registration System (SBFBRs) allowing transparency and real time updates; and
 - Create/amend a policy that will define the accountability for the monitoring of the development commitment.
 - c. Engage a qualified appraiser to conduct valuation of the unrecorded leasable properties; and
 - d. Accelerate the completion of the wall-to-wall inventory and ensure that all assets are reconciled with LADD and Accounting records.
3. The timely recognition of receivables was compromised due to the delayed submission of Lease Agreements/Sublease Agreements (LAs/SLAs), pre-termination documents and memos/letters from various revenue centers/departments of the Authority. As a result, Receivables were understated by ₱22,917,266.89, Service and Business Income by ₱12,968,708.61, Retained Earnings by ₱658,798.75 and Deferred Credits/Unearned Income by ₱9,289,759.53.

We recommended Management to:

- a. Strengthen existing control measures to ensure timely compliance by locators with the requirements set forth, so as not to hinder the Authority's business processes related to pre-termination, new contracts (LAs/SLAs, etc.), renewals and amendments; and
- b. Submit duly approved contracts to the Audit Team within the prescribed period, in accordance with COA Circular No. 2009-001 dated February 12, 2009.

The audit observations together with the recommended courses of action, are discussed in detail in Part II of the report. These, along with the prior year's recommendations not yet acted upon and included in Part III of the report, were discussed with the officials and staff of the Agency during the exit conference on April 3, 2025.

We appreciate the invaluable support and cooperation extended to our Audit Team by the officials and staff of the Agency.

Very truly yours,

COMMISSION ON AUDIT

By:


OMAR S. ROQUE
Regional Director

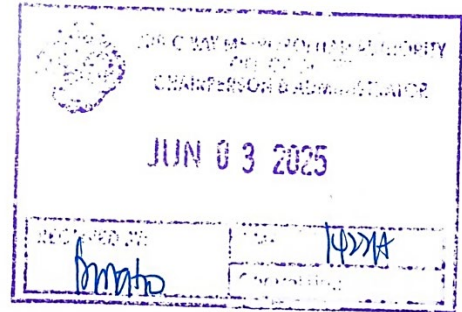
cc: *The President of the Republic of the Philippines*
The Vice-President of the Republic of the Philippines
The President of the Senate
The Speaker of the House of Representatives
The Chairperson-Senate Finance Committee
The Chairperson-Appropriations Committee
The Secretary of the Department of the Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The Assistant Commissioner, CGS, COA, Quezon City
The Commission Proper, COA, Quezon City
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REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

May 27, 2025

Engr. EDUARDO JOSE L. ALIÑO
Chairperson and Administrator
Subic Bay Metropolitan Authority
Subic Bay Freeport Zone, Olongapo City



Dear **Chairperson and Administrator Aliño**:

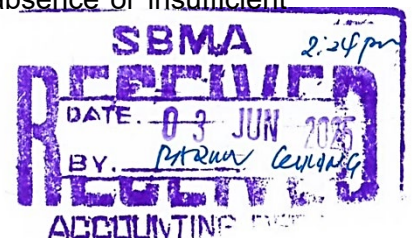
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We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). We rendered a qualified opinion on the fairness of presentation of the financial statements of the Subic Bay Metropolitan Authority as of December 31, 2024 owing to material accounting errors and omissions as cited in the Independent Auditor's Report in Part I of the report.

The significant audit observations and recommendations requiring immediate action are as follows:

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We recommended Management to undertake the following courses of action:

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- b. Proceed with the hiring of a Property Appraiser in due course to determine the fair value of the land and other unrecorded facilities at present;
- c. Reclassify the value of the leasable land to Investment Property;
- d. Continuously enhance current records through assignment of common tagging by way of Unique Property Identification System for all fixed assets including land improvements and infrastructure assets, for reconciliation purposes;
- e. For the Accounting Department (AD) and LADD to establish active coordination on new fixed assets to be recognized in the books, in terms of classification as to fixed or partly movable, the amount, and the presentation or itemization in the subsidiary ledger or LADD monitoring report so that records would be consistent and information adequate if needed (i.e. real-time sharing of monitoring reports between the two for check and balance);
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- g. Validate and de-recognize in the books of account the identified inventories and semi-expendables with total carrying amount of ₱341,529.70;
- h. Complete the valuation or appraisal on the related unserviceable properties for purposes of disposal or impairment recognition;
- i. Pursue the disposal of various unserviceable properties in accordance with COA-DBM Joint Circular No. 2024-01 dated January 30, 2024;
- j. Pending disposal, recognize any impairment loss relative to the appraised value of the unserviceable properties, if necessary;
- k. Validate in the books and de-recognize the amount disposed per RPCPPE with acquisition cost of ₱151,671,828.02;
- l. For the Accounting Department to include all implementing units on their year-end memorandum on closing of books, in the requirement to submit documentations for accrual of percentage completed on infrastructure projects to continuously recognize accumulated cost or other appropriate value of any project based on submitted documents; and
- m. For the Engineering, PMO, Airport, Seaport, and Maintenance Department to ensure that all projects being implemented with reference to what were reported in the Enhanced Consolidated GPPAs, shall be submitted with details for accrual to Accounting as at year-end, for the total cost incurred to date (i.e. submission to

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We recommended Management to undertake the following courses of action:

- a. For the Accounting Department:
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 - Review the composition of the Investment Property-Port Development account and reclassify items that do not qualify under IAS 40; and
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 - b. For the Business Investment Group:
 - Ensure that the list of available land/property for lease is regularly updated and posted to the Authority's website with corresponding rates or base rents;
 - Finalize and implement standardized procedures for the turnover and monitoring of expired or terminated lease properties;
 - Develop and implement a centralized monitoring system accessible to all concerned departments such as integration of the Subic Bay Freeport Business Registration System (SBFBRS) allowing transparency and real time updates; and
 - Create/amend a policy that will define the accountability for the monitoring of the development commitment.
 - c. Engage a qualified appraiser to conduct valuation of the unrecorded leasable properties; and
 - d. Accelerate the completion of the wall-to-wall inventory and ensure that all assets are reconciled with LADD and Accounting records.
3. The timely recognition of receivables was compromised due to the delayed submission of Lease Agreements/Sublease Agreements (LAs/SLAs), pre-termination documents and memos/letters from various revenue centers/departments of the Authority. As a result, Receivables were understated by ₱22,917,266.89, Service and Business Income by ₱12,968,708.61, Retained Earnings by ₱658,798.75 and Deferred Credits/Unearned Income by ₱9,289,759.53.

We recommended Management to:

- a. Strengthen existing control measures to ensure timely compliance by locators with the requirements set forth, so as not to hinder the Authority's business processes related to pre-termination, new contracts (LAs/SLAs, etc.), renewals and amendments; and
- b. Submit duly approved contracts to the Audit Team within the prescribed period, in accordance with COA Circular No. 2009-001 dated February 12, 2009.

The audit observations together with the recommended courses of action, are discussed in detail in Part II of the report. These, along with the prior year's recommendations not yet acted upon and included in Part III of the report, were discussed with the officials and staff of the Agency during the exit conference on April 3, 2025.

We request that the recommended measures be implemented, and we would appreciate receiving an action plan and status report, thru accomplishing the attached **Agency Action Plan and Status of Implementation (AAPSI)** form, to be submitted to the Audit Team within 60 days from receipt of this report, pursuant to Section 99 of the General Provisions of the General Appropriations Act for Fiscal Year 2024.

We appreciate the invaluable support and cooperation extended to our Audit Team by the officials and staff of the Agency.

Very truly yours,

COMMISSION ON AUDIT

By:


OMAR S. ROQUE
Regional Director

cc: *The President of the Republic of the Philippines*
The Vice-President of the Republic of the Philippines
The President of the Senate
The Speaker of the House of Representatives
The Chairperson-Senate Finance Committee
The Chairperson-Appropriations Committee
The Secretary of the Department of the Budget and Management
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The Presidential Management Staff, Office of the President
The Assistant Commissioner, CGS, COA, Quezon City
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

SUBIC BAY METROPOLITAN AUTHORITY

For the Years Ended December 31, 2024 and 2023

EXECUTIVE SUMMARY

1. INTRODUCTION

Section 13 of Republic Act (R.A.) No. 7227 created the corporate body known as the Subic Bay Metropolitan Authority (SBMA). The SBMA is the operating and implementing arm of the Government of the Philippines in developing the 67,000-hectare area of Subic Bay Freeport (SBF) into a self-sustaining industrial, commercial, financial, and investment and academe center to generate, among others, employment opportunities in and around the Zone.

The SBMA plays a key role in the national government's efforts to achieve international competitiveness and provide for its integration with the global economy.

To accomplish this, it shall endeavor to manage and develop the ship repair and shipbuilding facilities, container port, as well as the oil storage and refueling stations; attract and maintain local and foreign investments to promote the economic and social development of the country primarily in Central Luzon; establish and regulate the operation and maintenance of utilities, services and infrastructures; operate directly and indirectly tourism-related activities; and protect the Freeport's forests.

2. FINANCIAL HIGHLIGHTS

The comparative financial condition and results of operations of SBMA for the years ending December 31, 2024 and December 31, 2023 are as follows:

In Philippine Peso				
<i>Comparative Financial Position</i>			Increase/ (Decrease)	
	2024	2023	Amount	%
Total Assets	38,446,586,742.41	38,413,539,136.37	33,047,606.04	0.09%
Total Liabilities	14,905,733,252.57	15,777,036,576.88	(871,303,324.31)	(5.52%)
Stockholders' Equity	23,540,853,489.84	22,636,502,559.49	904,350,930.35	4.00%
<i>Comparative Results of Operations</i>				
Total Revenues	5,763,847,459.32	5,726,416,758.16	37,430,701.16	0.65%
Total Expenses	4,055,033,158.69	3,596,937,118.78	458,096,039.91	12.74%
Net Assistance / Subsidy	86,137,550.31	13,036,960.54	73,100,589.77	560.72%
Net Income after Tax	1,794,951,850.94	2,142,516,599.92	(347,564,748.98)	(16.22%)

3. SCOPE OF AUDIT

The audit covered the examination of the accounts and transactions of SBMA for the period January 1 to December 31, 2024 in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the year ended December 31, 2024. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures, specifically the 2024 audit foci and thrusts, in accordance with the Unnumbered Memorandum dated July 31, 2024 issued by the Regional

Director of COA Regional Office No. III, Omar S. Roque, concerning the Specific Audit Instructions (SAIs) in the conduct of the CY 2024 Financial and Compliance Audit, pursuant to COA Memorandum No. 2016-023 dated November 14, 2016.

4. INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of the Subic Bay Metropolitan Authority as of December 31, 2024 in view of accounting errors and omissions affecting the different accounts as follows:

1. The accuracy and completeness of the Property, Plant and Equipment (PPE) accounts with a carrying amount of ₱19,667,045,853.60 as of year-end, are uncertain due to several noted deficiencies, including: (i) inclusion of leasable land in the PPE account valued at ₱13,933,376,379.10; (ii) incomplete reconciliation between the RPCPPE and Accounting records for Land Improvements, Infrastructure Assets, Buildings, and Other Structures; (iii) failure to derecognize demolished facilities amounting to ₱12,480,741.39; (iv) unreconciled discrepancies in various movable properties due to voluminous and generally termed items; (v) inclusion of inventories and semi-expendables in the PPE accounts; (vi) non-disposal and non-recognition of impairment losses for unserviceable properties; (vii) inclusion of disposed properties in the RPCPPE and possibly in the accounting records; and (viii) non-accrual of accumulated costs under the Construction in Progress account as at year-end for certain projects due to the absence or insufficient details.

We recommended Management to undertake the following courses of action:

- a. Pursue the procurement of the Perimeter Boundary Survey to establish the precise land area of the Authority;
- b. Proceed with the hiring of a Property Appraiser in due course to determine the fair value of the land and other unrecorded facilities at present;
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- e. For the Accounting Department (AD) and LADD to establish active coordination on new fixed assets to be recognized in the books, in terms of classification as to fixed or partly movable, the amount, and the presentation or itemization in the subsidiary ledger or LADD monitoring report so that records would be consistent and information adequate if needed (i.e. real-time sharing of monitoring reports between the two for check and balance);
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- g. Validate and de-recognize in the books of account the identified inventories and semi-expendables with total carrying amount of ₱341,529.70;

- h. Complete the valuation or appraisal on the related unserviceable properties for purposes of disposal or impairment recognition;
 - i. Pursue the disposal of various unserviceable properties in accordance with COA-DBM Joint Circular No. 2024-01 dated January 30, 2024;
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 - m. For the Engineering, PMO, Airport, Seaport, and Maintenance Department to ensure that all projects being implemented with reference to what were reported in the Enhanced Consolidated GPPAs, shall be submitted with details for accrual to Accounting as at year-end, for the total cost incurred to date (i.e. submission to Accounting of summary report of verified physical accomplishments on all projects implemented by the office or the projects' SWA as of December 31, 2024).
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- c. Engage a qualified appraiser to conduct valuation of the unrecorded leasable properties; and
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 - b. Submit duly approved contracts to the Audit Team within the prescribed period, in accordance with COA Circular No. 2009-001 dated February 12, 2009.
4. The reliability of the Inventory accounts balance, totalling ₱28,009,788.45 as of December 31, 2024, is doubtful due to the failure to dispose obsolete items and the lack of recognition for impairment allowances, which is inconsistent with COA and DBM Joint Circular No. 2024-1 dated January 30, 2024 and Philippine Accounting Standards (PAS) 2. Additionally, inadequate safekeeping of medical and dental supplies has led to losses amounting to ₱69,518.96.

We recommended Management to undertake the following courses of action:

- a. Accelerate the disposal of obsolete inventories to prevent further deterioration in line with COA and DBM Joint Circular No. 2024-1 dated January 30, 2024;

- b. Adhere to PAS 2, by evaluating the inventories for impairment and recognizing the necessary allowance to reflect accurate financial positions; and
- c. Implement systematic organization within the storage areas, ensuring that the medical, dental and other supplies are stored in water proof containers and maintained under optimal condition to preserve their usability.

5. SUMMARY OF OTHER SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. The obligation rate of 63% and disbursement rate of 6% fell significantly short of the Authority's targets of 100% and 80%, respectively. Consequently, this hindered the optimal delivery of benefits to the intended beneficiaries of these programs, activities, and projects (PAPs), due to constraints in the procurement planning and execution for Goods and Services under Capital Outlay (CO).

We recommended Management to undertake the following courses of action:

- a. Ensure consistency among the relevant reports in relation to the identified PAPs to be included, their classifications and budget amounts;
- b. Provide a more definite procurement schedule within the calendar year on the Annual Procurement Plan;
- c. In the planning, execution and monitoring phase of the procurement, observe the recommended earliest possible time and maximum period allowed for the procurement of goods and services under Annex C of the Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184;
- d. Identify programs and projects with historical trend for longer procurement timelines as well as those with anticipated delays and consider adopting Early Procurement Activities (EPA) per GPPB Circular No. 06-2019 dated July 17, 2019 for these projects, to warrant the timely delivery of goods and services, so as to mitigate the negative effects of unforeseen events that may affect the timeliness of the procurement activity; and
- e. Enhance risk assessment in the procurement planning and develop risk-reduction plans based on identified risks in the overall process.

6. SUMMARY OF TOTAL SUSPENSIONS, DISALLOWANCES AND CHARGES AT YEAR-END

Audit disallowances amounting to ₱10,987,789.56, of which amount totalling ₱400,000.00 have become final through Notice of Finality of Decision (NFD) No. 2024-001-SBMA dated October 1, 2024, and ₱4,000,000.00 have become final and executory through COA NFD No. 2023-001-SBMA dated May 19, 2023 and COA Order of Execution (COE) No. RO3-2024-130 dated August 14, 2024, remained outstanding as of year-end pursuant to COA Circular No. 2009-006 dated September 15, 2009. Likewise, audit disallowances prior to the effectivity of the aforementioned Circular amounting to ₱137,699,809.99 which have become final and executory through COA NFD No. 2021-233 dated October 13, 2021 and COE No. 2021-023 dated November 2, 2021 remained outstanding.

7. STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 103 audit recommendations embodied in prior years' Annual Audit Reports (AARs) and Management Letter (ML), 33 were fully implemented, and 70 were not implemented.

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PART I

AUDITED FINANCIAL STATEMENTS

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
REGIONAL OFFICE NO. III
City of San Fernando, Pampanga

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Subic Bay Metropolitan Authority
Subic Bay Freeport Zone, Olongapo City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Subic Bay Metropolitan Authority (SBMA), which comprise the statement of financial position as at December 31, 2024 and 2023, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the SBMA as at December 31, 2024 and 2023, and its comprehensive income, changes in equity, cash flows and notes to financial statements for the year then ended in accordance with the Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

As discussed in Part II of this report, there were material accounting errors and omissions that affected the fairness of presentation of the accounts in the financial statements as follows:

1. The accuracy and completeness of the Property, Plant and Equipment (PPE) accounts with a carrying amount of ₱19,667,045,853.60 as of year-end, are uncertain due to several noted deficiencies, including (i) inclusion of leasable land in the PPE account valued at ₱13,933,376,379.10; (ii) incomplete reconciliation between the RPCPPE and Accounting records for Land Improvements, Infrastructure Assets, Buildings, and Other Structures; (iii) failure to derecognize demolished facilities amounting to ₱12,480,741.39; (iv) unreconciled discrepancies in various movable properties due to voluminous and generally termed items; (v) inclusion of inventories and semi-expendables in the PPE accounts; (vi) non-disposal and non-recognition of impairment losses for unserviceable properties; (vii) inclusion of disposed properties in the RPCPPE and possibly in the accounting records; and (viii) non-accrual of accumulated costs under the Construction in Progress account as at year-end for certain projects due to the absence or insufficient details.

2. The reliability of the Investment Property account balance, totaling ₱5,311,088,366.43 as of December 31, 2024, is uncertain due to the a) misclassification of communication and other equipment amounting to ₱327,418,074.93 under Investment Property-Port Development, including various inventories and semi-expendables; b) unrecorded properties that are available for lease; c) unverified beginning balance of the Investment Property account; and d) leasable land still classified under Property Plant and Equipment (PPE) which is inconsistent with International Accounting Standards (IAS) 40 and COA Circular No. 2020-002 dated January 28, 2020.
3. The timely recognition of receivables was compromised due to the delayed submission of Lease Agreements/Sublease Agreements (LAs/SLAs), pre-termination documents and memos/letters from various revenue centers/departments of the Authority. As a result, Receivables were understated by ₱22,917,266.89, Service and Business Income by ₱12,968,708.61, Retained Earnings by ₱658,798.75 and Deferred Credits/Unearned Income by ₱9,289,759.53.
4. The reliability of the Inventory accounts balance, totalling ₱28,009,788.45 as of December 31, 2024, is doubtful due to the failure to dispose obsolete items and the lack of recognition for impairment allowances, which is inconsistent with COA and DBM Joint Circular No. 2024-1 dated January 30, 2024 and Philippine Accounting Standards (PAS) 2. Additionally, inadequate safekeeping of medical and dental supplies has led to losses amounting to ₱69,518.96.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the SBMA in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing SBMA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate SBMA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SBMA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the SBMA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the SBMA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause SBMA to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

COMMISSION ON AUDIT



TERESITA C. GUEVARRA
Director III / Supervising Auditor

Date: April 3, 2025



STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of the Subic Bay Metropolitan Authority is responsible for the preparation of the financial statements as at December 31, 2024, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Subic Bay Metropolitan Authority in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.

EDUARDO JOSE L. ALIÑO
Chairman of the Board

January 31, 2025
Date Signed

ANTONIETTA P. SANQUI
Deputy Administrator for Finance

JANUARY 31, 2025
Date Signed

EDUARDO JOSE L. ALIÑO
Administrator

JANUARY 31, 2025
Date Signed



SUBIC BAY METROPOLITAN AUTHORITY
STATEMENT OF FINANCIAL POSITION (All Funds)

As of December 31, 2024 and 2023

In Philippine Pesos

	Notes	2024	2023
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	402,052,903.29	437,340,129.07
Investments	5	3,437,276,024.50	4,496,911,934.19
Receivables, Net	6	1,178,576,379.25	892,506,509.22
Inventories	7	28,009,788.45	26,158,833.48
Other Current Assets	11	3,229,586,883.29	3,744,811,900.70
Total Current Assets		8,275,501,978.78	9,597,729,306.66
Non-Current Assets			
Receivables, Net	6	10,202,604.09	10,220,604.09
Investments	5	585,117,309.70	553,515,478.78
Investment Property, Net	8	5,311,088,366.43	5,255,334,361.18
Property, Plant and Equipment, Net	9	19,667,045,853.60	19,466,402,100.15
Deferred Tax Asset	10	9,640,716.85	8,986,969.85
Other Non-Current Assets	11	4,587,989,912.96	3,521,350,315.66
Total Non-Current Assets		30,171,084,763.63	28,815,809,829.71
Total Assets		38,446,586,742.41	38,413,539,136.37
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	623,560,194.18	729,387,521.68
Inter-Agency Payables	13	1,104,300,493.60	742,625,208.97
Trust Liabilities	14	776,610,145.26	640,590,026.69
Deferred Credits/Unearned Income	15	384,782,957.55	388,163,598.02
Provisions	16	192,101,819.68	196,750,393.24
Other Payables	17	761,852,350.61	1,843,954,854.87
Total Current Liabilities		3,843,207,960.88	4,541,471,603.47
Non-Current Liabilities			
Financial Liabilities	12	2,851,335,172.80	3,268,883,610.00
Trust Liabilities	14	605,311,271.99	535,978,853.06
Deferred Credits/Unearned Income	15	7,605,878,846.90	6,763,491,947.89
Other Payables	17	0.00	667,210,562.46
Total Non-Current Liabilities		11,062,525,291.69	11,235,564,973.41
Total Liabilities		14,905,733,252.57	15,777,036,576.88
EQUITY			
Government Equity	18	20,043,566,204.10	20,043,566,204.10
Revaluation Surplus	19	31,767,023.75	31,767,023.75
Retained Earnings		3,465,520,261.99	2,561,169,331.64
Total Equity		23,540,853,489.84	22,636,502,559.49
TOTAL LIABILITIES AND EQUITY		38,446,586,742.41	38,413,539,136.37

The notes on pages 10 to 47 form part of these financial statements

SUBIC BAY METROPOLITAN AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME (All Funds)
For the Years Ended December 31, 2024 and 2023
In Philippine Pesos

	<i>Notes</i>	2024	2023
Income			
Service and Business Income	20	4,263,471,054.36	4,254,432,819.15
Shares, Grants and Donations	21	0.00	6,453,838.00
Gains	22	1,496,169,760.78	1,463,780,060.50
Other Non-Operating Income		4,206,644.18	1,750,040.51
Total Income		5,763,847,459.32	5,726,416,758.16
Expenses			
Personnel Services	23	988,414,189.82	983,050,120.57
Maintenance and Other Operating Expenses	24	661,274,286.28	577,427,760.64
Financial Expenses	25	64,452,091.58	71,046,827.52
Non-Cash Expenses	26	1,862,257,649.01	1,835,716,247.05
Total Expenses		3,576,398,216.69	3,467,240,955.78
Profit Before Tax		2,187,449,242.63	2,259,175,802.38
Income Tax Expense/(Benefit)	27	478,634,942.00	129,696,163.00
Profit After Tax		1,708,814,300.63	2,129,479,639.38
Net Assistance/Subsidy/(Financial Assistance/Subsidy/Contribution)		86,137,550.31	13,036,960.54
Net Income		1,794,951,850.94	2,142,516,599.92
Other Comprehensive Income/(Loss) for the Period		0.00	0.00
Comprehensive Income		1,794,951,850.94	2,142,516,599.92

The notes on pages 10 to 47 form part of these financial statements

SUBIC BAY METROPOLITAN AUTHORITY
STATEMENT OF CHANGES IN EQUITY (All Funds)
For the Years Ended December 31, 2024 and 2023
In Philippine Pesos

	Revaluation Surplus	Retained Earnings	Contributed Capital	TOTAL
Restated Balance at January 1, 2023	31,767,023.75	1,153,796,594.81	20,043,566,204.10	21,229,129,822.66
Changes in Equity for 2023				
Add/(deduct):				
Comprehensive Income for the year	0.00	2,142,516,599.92	0.00	2,142,516,599.92
Dividends	0.00	(1,334,421,124.93)	0.00	(1,334,421,124.93)
Other Adjustments	0.00	599,277,261.84	0.00	599,277,261.84
Balance at December 31, 2023	31,767,023.75	2,561,169,331.64	20,043,566,204.10	22,636,502,559.49
Changes in Equity for 2024				
Add/(deduct):				
Comprehensive Income for the year	0.00	1,794,951,850.94	0.00	1,794,951,850.94
Dividends	0.00	(1,305,304,018.29)	0.00	(1,305,304,018.29)
Other Adjustments	0.00	414,703,097.70	0.00	414,703,097.70
Balance at December 31, 2024	31,767,023.75	3,465,520,261.99	20,043,566,204.10	23,540,853,489.84

The notes on pages 10 to 47 form part of these financial statements

SUBIC BAY METROPOLITAN AUTHORITY
STATEMENT OF CASH FLOWS (All Funds)
For the Years Ended December 31, 2024 and 2023
In Philippine Pesos

	Notes	2024	2023
Cash Flows from Operating Activities			
Cash Inflows			
Collection of Income/Revenue		1,347,364,101.12	1,438,552,773.05
Receipt of Assistance/Subsidy		724,354,525.33	347,816,870.24
Collection of Receivables		2,186,821,992.61	2,234,391,994.20
Receipt of Inter-Agency Fund Transfers		270,689,614.33	289,283,929.63
Trust Receipts		1,575,478,017.00	895,505,511.95
Other Receipts		921,493,361.07	827,664,220.86
Adjustments		633,902.96	1,423,121.26
Total Cash Inflows		7,026,835,514.42	6,034,638,421.19
Cash Outflows			
Payment of Expenses		1,592,937,626.26	1,305,736,238.31
Purchase of Inventories		11,380,008.39	4,220,746.70
Grant of Cash Advances		19,749,193.78	18,623,212.37
Prepayments		15,661,718.04	15,742,612.93
Remittance of Personnel Benefit Contributions and Mandatory Deductions		236,369,723.11	370,414,931.24
Grant of Financial Assistance/Subsidy/Contribution		10,064,119.64	13,984,151.75
Release of Inter-Agency Fund Transfers		6,894,288.34	11,247,127.92
Other Disbursements		611,111,288.89	697,543,263.05
Adjustments		105,315,749.10	166,627,498.84
Total Cash Outflows		2,609,483,715.55	2,604,139,783.11
Net Cash Provided by Operating Activities		4,417,351,798.87	3,430,498,638.08
Cash Flows from Investing Activities			
Cash Inflows			
Receipt of Interest Earned		108,648,701.61	93,936,751.96
Proceeds from Matured Investments/Redemption of Long-term Investments/Return on Investments		10,608,413,691.24	8,426,035,866.54
Total Cash Inflows		10,717,062,392.85	8,519,972,618.50
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		831,444,081.48	570,025,034.05
Purchase/Acquisition of Investments		11,320,149,142.98	9,768,324,908.39
Total Cash Outflows		12,151,593,224.46	10,338,349,942.44
Net Cash Used In Investing Activities		(1,434,530,831.61)	(1,818,377,323.94)
Cash Flows from Financing Activities			
Cash Outflows			
Payment of Long-Term Liabilities		212,387,036.42	223,742,688.59
Payment of Cash Dividends		3,071,476,161.62	1,524,963,283.71
Total Cash Outflows		3,283,863,198.04	1,748,705,972.30
Net Cash Used In Financing Activities		(3,283,863,198.04)	(1,748,705,972.30)
Decrease in Cash and Cash Equivalents		(301,042,230.78)	(136,584,658.16)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	28	265,755,005.00	(39,801,295.07)
Cash and Cash Equivalents, January 1		437,340,129.07	613,726,082.30
Cash and Cash Equivalents, December 31, 2024		402,052,903.29	437,340,129.07

The notes on pages 10 to 47 form part of these financial statements

SUBIC BAY METROPOLITAN AUTHORITY NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION/ AGENCY PROFILE

The Financial Statements of the Subic Bay Metropolitan Authority were authorized for issue on January 31, 2025, as shown in the Statement of Management Responsibility for Financial Statements signed by Engineer Eduardo Jose L. Aliño, Chairperson and Administrator of SBMA.

1.1 General Information

On March 13, 1992, the Philippine Congress passed Republic Act (R.A.) No. 7227, known as the Bases Conversion and Development Act of 1992, An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for this Purpose, Providing Funds Therefor and for Other Purposes.

Section 13 of R.A. No. 7227 created the corporate body known as the Subic Bay Metropolitan Authority (SBMA). The SBMA is the operating and implementing arm of the Government of the Philippines in developing the 67,000 hectares area of Subic Bay Freeport (SBF) into a self-sustaining industrial, commercial, financial, and investment and academe center to generate, among others, employment opportunities in and around the Zone.

The area for development comprises of 13,600 hectares of leasable land (based on the actual survey made by the Department of Environment and Natural Resources) and 53,852 hectares of protected area covering the Subic Bay Freeport (SBF) or what was the former US Naval facility in Subic Bay into a self-sustaining tourism, industrial, commercial, financial, and investment center to generate employment opportunities.

The SBMA provides free port incentives, tax and duty-free privileges and other incentives to duly registered Freeport Enterprises.

1.2 Status of Operation

The SBMA operates within the secured area of the Subic Bay Freeport Zone (SBFZ) as the Government Agency mandated to manage the SBFZ. The SBMA was granted by the Department of Finance (DOF) through its letter dated November 13, 2001, signed by then Secretary Jose Isidro N. Camacho to adopt tax privileges. However, beginning CY 2024, the SBMA, by virtue of the Corporate Recovery and Tax Incentives for Enterprises Act (CREATE) Law transitioned to regular tax as affirmed by DOF letter dated December 13, 2023.

The accompanying financial statements have been prepared on a going-concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

1.3 Agency Roles

The SBMA plays a key role in the national government's efforts to achieve international competitiveness and provide for its integration with the global economy.

To accomplish this, it shall embark to manage and develop the ship repair and shipbuilding facilities, container port, as well as the oil storage and refueling stations; attract and maintain local and foreign investments to promote the economic and social development of the country primarily in Central Luzon; establish and regulate the operation and maintenance of utilities, services and infrastructure; operate directly and indirectly tourism-related activities; and protect the Freeport's forests.

1.4 SBMA Vision

"Subic Bay Freeport is the preferred sustainable investment hub and eco-tourism destination in Asia Pacific by 2030"

1.5 SBMA Mission

1. We commit to maintain investor confidence by pursuing continuous improvement, leveraging on technology and providing robust infrastructure.
2. We shall empower our people and communities through shared stewardship and sustained good governance.

1.6 Core Values

Malasakit

Excellence

Integrity

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

2.1 Basis of Measurement

The financial statements of the SBMA have been prepared on historical cost basis and they are presented in Philippines Peso (₱), which is the SBMA's functional and presentation currency. All amounts are rounded to the nearest Philippine Peso, except when otherwise indicated. The accompanying financial statements have been prepared on a going-concern basis, which contemplate the realization of assets and settlement of liabilities in the normal course of business.

2.2 Statement of Compliance

The financial statements have been prepared in compliance with accounting principles generally accepted in the Philippines as set forth in the Philippine Financial Reporting Standards (PFRS). PFRS includes statements named PFRS and Philippine Accounting Standards (PAS) and Philippine Interpretations based on Interpretations of the International Financial Reporting Interpretations Committee (IFRIC) issued by the Financial Reporting Standards Council (FRSC).

The accompanying financial statements were prepared in accordance with the RCA for Corporate Sector Classified as Commercial Public Sector Entities (CPSEs) as prescribed under COA Resolution No. 2020-013 dated January 31, 2020, First time adoption of the RCA for Government Corporations (GCs) which consist of Government-Owned or Controlled Corporation (GOCCs), Government Financial Institution (GFIs), Government Instrumentalities with Corporate Powers (GICPs)/ Government Corporate Entities (GCEs) and their Subsidiaries, and Water Districts.

The Commission on Audit (COA) required the implementation of the RCA and New and Amended Accounting Standards as per COA Circular No. 2020-002 dated January 28, 2020.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1. Basis of Accounting

The Financial Statements are prepared on an accrual basis in accordance with the PFRS and RCA for Government Business Enterprises (GBEs).

3.2. Consolidation

A. Consolidated Entities/Controlled Entities

The SBMA has a separate financial statement from other entities in which the SBMA has interest, control and joint management.

B. Interests in Joint Ventures

The SBMA has an interest in joint ventures which are jointly controlled entities, whereby the ventures have a binding arrangement that establishes joint control over the economic activities of the entity. The SBMA recognizes its interest in the joint venture using the equity method. Under the equity method, investments in joint ventures are carried in the consolidated statement of financial position at cost plus post-acquisition changes in share of net assets of the joint venture. The statement of financial performance reflects the share of the results of operations of the joint venture. Where there has been a change recognized directly in the equity of the joint ventures, the entity recognizes its share of any changes and discloses this.

The equity method is used in accounting for investments in common stock of subsidiaries which are controlled, directly or indirectly, by the investor; and investees where the investment in voting common stock gives the investor the ability to exercise significant influence over the operating and financial policies of an investor even holds 50% or less of the voting stock.

C. Subsidiaries

Subsidiaries are all entities over which SBMA has the power to govern the financial and operating policies generally accompanying a shareholding of an interest of more than one half of the voting rights or otherwise has power to govern the financial and operating policies and are consolidated.

D. Associates

An associate is an entity, including an unincorporated entity such as a partnership, over which SBMA has significant influence and that is neither a subsidiary nor an interest in a joint venture.

Percentages of ownership in investments in shares of common stock of the following subsidiaries and associates are as follows:

	Percentage of Ownership
Freeport Service Corporation (FSC)	100.00
Subic Techno-park (STEP)	49.99
SBDMC	48.60
Subic Water	20.00
BCDA and CDC-SCA DC	33.30
Subic Bay Yacht Club (SBYC)	0.37

Investments in shares of common stocks of FSC are accounted for under the cost method. The adoption of the equity method of accounting was deferred since their records were destroyed by fire last January 2004. Also, the deferral of the use of equity method of accounting was concurred by the Commission on Audit pending completion of audit of the 2003 financial transactions and the resolution of the qualification in the audit opinion of FSC's 2002 financial statements because of the wide disparities between the gross profit rates of FSC's business units with the actual gross profit rates of the services being rendered. The Commission gave an adverse opinion on the financial statements of FSC for the years that followed, rendering the financial statements unreliable.

The winding up of the FSC corporate affairs started in August 2010 and its entire operation was dormant since September 26, 2010. All FSC employees were retrenched and paid the corresponding separation pay. Beginning October 1, 2012, all FSC's sub leases were transferred to SBMA as direct leases. FSC's movable properties were also turned over to SBMA for safekeeping and proper disposition.

The SBMA recorded a 100% Allowance for Impairment Loss for its investment in FSC due to its non-operational status since 2010. No future return on investment is expected from SBMA's investment in FSC. Likewise, an Allowance for Impairment Loss was recorded for SBMA's investment in SBYC based on the decline in value of SBYC.

The investments in shares of common stocks of STEP, SBDMC, and Subic water are accounted under the equity method.

3.3. Financial instruments

A. Financial Assets

Initial recognition and measurement

Financial assets within the scope of PAS 32-Financial Instruments Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as

appropriate. The SBMA determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that SBMA commits to purchase or sell the asset.

SBMA's financial assets include cash and short-term deposits; trade and other receivables; loans and other receivables; quoted and unquoted financial instruments; and derivative financial instruments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus and deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through surplus or deficit are carried in the statement of financial position at fair value with changes in fair value recognized in surplus or deficit.

Loans and Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, receivables are reported net of allowance for bad debts. A provision for impairment (allowance for doubtful accounts) is established when there is objective evidence that SBMA will not be able to collect all amounts to be received. Significant financial difficulties of the counterparty, probability that the counterparty will enter bankruptcy or financial reorganization, and default in payments are considered indicators that the amount to be received is impaired.

The Allowance for Doubtful Accounts is established based at certain percentage that considers the age of Accounts Receivable. As approved per Board Resolution No. 14-04-5063 issued on the 22nd day of May 2014, "Revised Policy on Allowance for Doubtful Accounts", the following table is used as a basis in determining the Allowance for Doubtful Accounts.

Revised Policy on Allowance for Doubtful Accounts is as follows:

Age of Accounts Receivable	Percentage of Allowance
1-30 days	0%
31-60 days	5%
61-90 days	10%
91-120 days	15%
121-150 days	20%

Age of Accounts Receivable	Percentage of Allowance
151-180 days	30%
181 days to 1 year	40%
Over 1 year to 2 years	50%
Over 2 years to 3 years	65%
Over 3 years to 4 years	80%
Over 4 years	100%

Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held to maturity when the SBMA has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in surplus or deficit.

Investment in Peso and Dollar Time Deposits

Investments in Peso and Dollar Time Deposit includes time deposits with maturities of one year or more. Time Deposits with maturity of 91 days but less than 1 year is reported as short-term investments under current assets and TD with maturity of more than one year is reported as long-term investments under non-current assets.

Derecognition

The SBMA derecognizes a financial asset or, where applicable, a part of a financial asset or part of similar financial assets when:

- The rights to receive cash flows from the asset have expired or is waived
- The SBMA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the SBMA has transferred substantially all the risks and rewards of the asset; or (b) the SBMA has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of Financial Assets

The SBMA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty.
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

Financial Assets at amortized cost

For financial assets carried at amortized cost, the SBMA first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the SBMA determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized, are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding expected future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the assets is reduced with an allowance account and the amount of the loss is recognized in surplus or deficit. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery, and all collateral has been realized or transferred to the SBMA. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in surplus or deficit.

B. Financial Liabilities

Initial recognition and measurement

Financial Liabilities are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition. All financial liabilities are recognized initially at fair value and, in the case of loans and borrowers, plus directly attributable transaction costs.

SBMA's financial liabilities include trade and other payables, loans and borrowings etc.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Financial liabilities at fair value through surplus or deficit

Financial liabilities at fair value through surplus or deficit include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through surplus or deficit.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered by the Group that are not designated as hedging instruments in hedge relationships. Gains or losses on liabilities held for trading are recognized in surplus or deficit.

Loans and borrowing

After initial recognition, interest in bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by considering any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

De-recognition

Financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

C. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.4. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.5. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition. Costs incurred in bringing each product to its present location and conditions are accounted for, as follows:

- Raw materials: purchase cost using the weighted average cost method; and
- Finished goods and work in progress: cost of direct materials and labor and a proportion of manufacturing overheads based on the normal operating capacity but excluding borrowing costs.

After initial recognition, inventory is measured at the lower cost and net realizable value. However, to the extent that a class of inventory is distributed or deployed at no charge or for a nominal charge, that class of inventory is measured at the lower of cost and current replacement cost. Net realizable value is the estimated selling price in the ordinary course of operations, less the estimated costs of completion and the estimated costs necessary to make the sale, exchange, or distribution.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the SBMA. The weighted average method is being used in accounting for Inventories used in the ordinary course of business.

The inventories stated in the financial statements are items held for use in the operation of the agency.

3.6. Miscellaneous Assets and Deferred Charges

Miscellaneous Assets and Deferred Charges include prepaid insurance expenses that are paid in advance but not yet incurred, Advance Payments made to Contractors and Guaranty Deposit. These assets are reported at cost.

3.7. Investment Property

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property. Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. After initial recognition, investment properties are measured using the cost model and are depreciated over their estimated useful life. Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition. Transfers are made to or from investment property only when there is a change in use.

The SBMA has implemented the PAS 40 by partial reclassification Investment Properties that are accounted under Property Plant and Equipment (PPE) account. Full reclassification will be made after evaluation and identification of the remaining properties that are currently accounted under Buildings and Structures.

3.8. Property, Plant and Equipment

Recognition

An item is recognized as property, plant, and equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items.
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- Are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement and Recognition

An item recognized as PPE is measured at cost. A PPE acquired through non-exchange transactions is measured at its fair value as at the date of acquisition. The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or because of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement after Recognition

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the SBMA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as an expense unless it is included in the cost of another asset.

The depreciation charge for each period is recognized as an expense unless it is included in the cost of another asset.

Depreciation Method

The straight-line method of depreciation is adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

The SBMA uses the Schedule on the Estimated Useful Life of PPE by classification under COA Circular No. 2003-007.

The SBMA uses a residual value equivalent to ten percent (10%) of the cost of the PPE.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

Recognition of impairment is deferred pending completion of the wall to wall inventory being undertaken to be used as baseline in the identification of the fair market value (FMV) of the SBMA's PPE.

De-recognition

The SBMA derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceedings and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.9. Impairment of Non-Financial Assets

At each reporting date, the SBMA assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the SBMA estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that were largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit (CGU) exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows were discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value and less costs to sell, recent market transactions were considered, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such an indication exists, the SBMA estimates the assets or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in surplus or deficit.

Impairment of non-cash-generating assets

The SBMA assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the SBMA estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash generating asset's fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. The SBMA classifies assets as cash-generating assets when those assets were held with the primary objective of generating a commercial return. Therefore, non-cash generating assets would be those assets from which SBMA does not intend (as its primary objective) to realize a commercial return.

3.10. Intangible Assets

Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payments is recognized as an interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in PPSAS 5, Borrowing Costs

Recognition of an Expense

Expenditure on an intangible item is recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent Measurement

The useful life of the intangible assets is assessed as either finite or indefinite. An intangible asset with a finite life is amortized over its useful life.

The straight-line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful lives was not amortized.

Intangible assets with an indefinite useful life or an intangible asset not yet available for use were assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, were reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset were considered to modify the amortization period or method, as appropriate, and were treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from derecognition of an intangible asset were measured as the difference between the net disposal proceeds and the carrying amount of the asset and were recognized in the surplus or deficit when the asset is derecognized.

3.11. Provisions

Provisions were recognized when the SBMA has a present obligation (legal or constructive) because of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the SBMA expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of financial performance net of any reimbursement. Provisions were reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions will be reversed.

Contingent Liabilities

SBMA does not recognize contingent liability but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

Contingent Assets

The SBMA does not recognize a contingent asset but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the [Name of the Entity] in the notes to the financial statements. Contingent assets were assessed continually to ensure that developments were appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.12. Revenue from non-exchange transactions

Recognition and Measurement of Assets from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction, other than services in kind, that meets the definition of an asset were recognized as an asset if the following criteria were met:

- It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As SBMA satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Measurement of Liabilities on Initial Recognition from Non-Exchange Transactions

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

Gifts and Donations

The SBMA recognizes assets and revenue from gifts and donation when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind were recognized as assets when the goods were received, or there is a binding arrangement to receive the goods. If goods in-kind were received without conditions attached, revenue is recognized immediately. If conditions were attached, a liability is recognized, which is reduced and revenue recognized as the conditions were satisfied.

On initial recognition, gifts and donations including goods in-kind were measured at their fair value as at the date of acquisition, which were ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair value was ascertained by reference to quoted prices in an active and liquid market.

Transfers

The SBMA recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

Services in-Kind

Services in-kind were not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

Transfers from other government entities

Revenues from non-exchange transactions with other government entities and the related assets were measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the SBMA and can be measured reliably.

3.13. Revenue from Exchange transactions

Measurement of Revenue

Revenue was measured at the fair value of the consideration received or receivable.

Rendering of Services/ Various Revenue

The SBMA recognizes revenue from rendering services derived mainly from leasing of land and buildings, seaport and airport operation, tourism, and from other various services being rendered by the agency to attend to the needs of the locators, residents and other parties in their conduct of business inside the Freeport like medical services, equipment, furniture and fixtures rentals, Procurement and Property Management Department (PPMD) services, regulatory services etc.

Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

3.14. Leases

Operating Lease

Leases, in which SBMA does not transfer substantially all the risks and benefits of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased assets and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

3.15. Revenue and Expense Recognition

The modified accrual basis of accounting for income and expenses is being adopted. Income from the penalty for late payment of past due Accounts Receivable and Interest Income on Bank Savings and Current Deposits are taken up as income upon collection.

Revenues are derived mainly from leasing of land and buildings, seaport and airport operation, tourism, and from various services being rendered by the agency to attend to the needs of the locators, residents and other parties in their conduct of business inside the Freeport like medical services, equipment, equipment and fixtures rentals, PPMD services, regulatory services etc.

3.16. Borrowing Costs

The benchmark treatment is used by the SBMA in the recognition of borrowing costs pertaining to loans borrowed. Under the benchmark treatment, borrowing costs are recognized as expense in the period in which they were incurred, regardless of how the borrowings were applied.

3.17. Employee Benefits

The employees of the SBMA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. The SBMA recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

The SBMA recognizes expenses for accumulating compensated absences (Vacation Leave and Sick Leave), whereas non-accumulating compensated absences, like Special Leave Privileges (SLP), are not recognized.

3.18. Dividends

In compliance with the R.A. No. 7656 which was approved on November 09, 1993, SBMA declares and remits dividends under certain conditions to the National Government and for other purposes. The computation and declaration thereof in the Financial Report was based on the Revised Implementing Rules and Regulation (IRR) of R.A. No. 7656.

3.19. Changes in accounting policies and estimates

The SBMA recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impractical.

The SBMA recognizes the effects of changes in accounting estimates prospectively by including surplus or deficit. The SBMA correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.20. Foreign currency transactions

Transactions in foreign currencies were initially recognized by applying the spot exchange rate between the currency and the foreign currency at the transaction.

At each reporting date:

- Foreign currency monetary items were translated using the closing rate;
- Nonmonetary items that were measured in terms of historical cost in a foreign currency were translated using the exchange rate at the date of the transaction; and
- Nonmonetary items that were measured at fair value in a foreign currency were translated using the exchange rates at the date when the fair value was determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they were translated on initial recognition during the period or in previous financial statements, were recognized in surplus or deficit in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

The peso equivalent of dollar denominated transactions is booked at the Philippine Dealing System (PDS) reference rate at transaction date. Any difference in exchange rate between two related transactions for operations is charged to profit or loss on foreign exchange while differences in exchange rate on transactions pertaining to capital outlays are included in the cost of the asset up to the amount of lower of replacement cost and the amount recoverable from the use or sale of the asset. All foreign currency monetary items (Cash, Account Receivable, Loan Payables, Security Deposit) are revalued at the closing rate at the end of the month.

3.21. Related parties

The SBMA regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the person or an entity, or vice versa. Members of key management are regarded as related parties.

3.22. Measurement uncertainty

The preparation of financial statements in conformity with the RCA for GBEs requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenues and expenses during the period. Items requiring the use of significant estimates include significant estimates like the useful life of capital assets, rates for amortization, impairment of assets, etc.

Estimates were based on the best information available at the time of preparation of the financial statements and were reviewed annually to reflect on new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. CASH AND CASH EQUIVALENTS

Particulars	2024	2023
Cash on Hand		
Cash Collecting Officer	18,624,313.04	17,892,280.41
Petty Cash	389,017.14	388,017.14
Total Cash on Hand	19,013,330.18	18,280,297.55
Cash in Bank-Local Currency		
Cash in Bank-Local Currency	102,579,569.43	180,058,860.98
Cash in Bank-Local Currency, Savings Account	66,849,044.12	74,705,572.23
Total Cash in Bank-Local Currency	169,428,613.55	254,764,433.21
Cash in Bank-Foreign Currency		
Cash in Bank-Foreign Currency, Savings Account	213,610,959.56	164,295,398.31
Total Cash in Bank-Foreign Currency	213,610,959.56	164,295,398.31
Total Cash and Cash Equivalents	402,052,903.29	437,340,129.07

The depository banks of the SBMA are the Land Bank of the Philippines (LBP), and the Development Bank of the Philippines (DBP).

Cash in Bank accounts are Peso and Dollar Current and Savings deposits accounts, Time deposits with maturities of less than one year and Telegraphic transfer accounts.

Cash on Hand are Petty Cash Funds maintained by Petty Cash custodians of the SBMA and other departments that have petty cash assignments. Likewise, Cash on Hand that pertains to collections that remain undeposited at the end of the reporting period and change funds of cashiers are included as part of Cash on Hand.

5. INVESTMENTS

Particulars	2024	2023
Current		
Investments in Time Deposits		
Investments in Time Deposits-Foreign Currency	1,274,029,343.25	3,226,722,467.52
Investments in Time Deposits-Local Currency	2,163,246,681.25	1,270,189,466.67
	3,437,276,024.50	4,496,911,934.19
Total Current	3,437,276,024.50	4,496,911,934.19

Particulars	2024	2023
Non-Current		
Investment in Subsidiaries		
Investments in Subsidiaries	5,998,500.00	5,998,500.00
Allowance for Impairment-Investments in Subsidiaries	(5,998,500.00)	(5,998,500.00)
Sub - total	0.00	0.00
Investments in Joint Ventures		
Investments in Joint Ventures	603,221,651.05	570,654,605.52
Allowance for Impairment - Investments in Joint Ventures	(18,104,341.35)	(17,139,126.74)
Sub - total	585,117,309.70	553,515,478.78
Total Non-Current	585,117,309.70	553,515,478.78
Total Investments	4,022,393,334.20	5,050,427,412.97

This account consists of equity Investment of SBMA on the following Subic Bay Freeport companies and placements of termed deposits as follows:

The winding up of the FSC corporate affairs started in August 2010 and its entire operation was dormant since September 26, 2010. All FSC employees were retrenched and paid the corresponding separation pay. All FSC managed properties and facilities were turned over and operated to/by SBMA. SBMA likewise took over FSC's current sub leases and directly collects the sublease rentals as payment of FSC's unpaid obligations to SBMA until September 30, 2012. Beginning October 1, 2012, all FSC's sub leases were transferred to SBMA as direct leases. FSC's movable properties were also turned over to SBMA for safekeeping and proper disposition.

The SBMA recorded a 100% Allowance for Impairment Loss for its investment in FSC due to its non-operational status since 2010. No future return on investment is expected from SBMA's investment in FSC. Likewise, an Allowance for Impairment Loss was recorded for SBMA's investment in SBYC based on the decline in value of SBYC shares as reflected in SBYC's Financial Statement for CY 2023.

Investments in time deposit are placements with the LBP and DBP with maturities of more than one year. Investments in Peso and Dollar Time Deposit includes time deposits with maturities of one year or more. Time Deposits (TD) with maturity of 91 days but less than 1 year is reported as short-term investments under current assets and TD with maturity of more than one year is reported as long-term investments under non-current assets.

6. RECEIVABLES

Particulars	2024	2023
Current		
Loans and Receivable Accounts		
Accounts Receivable	821,972,506.21	1,188,877,686.66
Allowance for Impairment-Accounts Receivable	(255,368,142.99)	(1,021,684,490.95)

Particulars	2024	2023
Interests Receivable	48,789,383.04	36,567,414.94
Receivable-Collecting Banks/Agents	5,060,726.98	17,769.74
Total Loans and Receivable Accounts	620,454,473.24	203,778,380.39
Lease Receivables		
Operating Lease Receivable	4,141,886,703.18	3,507,957,194.21
Allowance for Impairment-Operating Lease Receivable	(4,027,742,222.65)	(3,097,449,503.83)
Total Lease Receivables	114,144,480.53	410,507,690.38
Inter-Agency Receivables		
Due from National Government Agencies	140,298,307.47	136,612,249.58
Due from Local Government Units	159,098,286.15	0.00
Total Inter-Agency Receivables	299,396,593.62	136,612,249.58
Other Receivables		
Due from Non-Government Organizations/People's Organizations	478,085.36	478,085.36
Due from Officers and Employees	4,803,226.57	5,358,252.73
Other Receivables	1,816,176.97	1,812,176.97
Receivables-Disallowances/Charges	137,483,342.96	133,959,673.81
Total Other Receivables	144,580,831.86	141,608,188.87
Total Current	1,178,576,379.25	892,506,509.22
Non-Current		
Other Receivables	10,202,604.09	10,220,604.09
Total Non-current	10,202,604.09	10,220,604.09
Total Receivables	1,188,778,983.34	902,727,113.31

Accounts Receivable and Operating Lease receivable are classified as Current Trade Receivables because all these are due and collectible within the year.

Accounts Receivable and Operating Lease Receivables includes receivable that are under litigation and awaits courts resolution that may not be in favor to SBMA.

Decrease in Operating Lease Receivables and Allowance for Impairment - Operating Lease Receivable is the effect of Dacion en Pago between SBMA and Philippine Guarantee Corporation as stated in the Memorandum of Agreement and Deed of Dacion en Pago dated May 18, 2023.

The non-current *Other Receivables* includes the receivable from the former SBMA Treasurer for the cash (₱322,296.18 and \$25,315.67) which were stolen in a robbery that occurred in the Treasury Department in November 2005.

The current portion of the *Other Receivables* includes Due from BIR, DBM for procurement, Due from GOCC-GSIS/SSS/Pag-IBIG/PHIC, Advances Officers and Employees, and Receivables Treasurer, while Non-Trade Non-Current Receivables includes Interest Receivables from Time Deposits, Bonds, Receivables from NGO/PO's, and Receivables from Officers, Employees and former Board of Directors.

The Airport Navigational Equipment shall be procured through the Procurement Services (PS) of the Department of Budget and Management (DBM) in the amount of ₱502,211,110.00, this amount is included as a non-trade receivable from DBM and an obligation to the DBM in the SBMA books of accounts

The penalty on past due accounts is being recorded as income upon collection.

6.1. Receivables related to Investment Property

Particulars	2024	2023
Accounts Receivable		
AR - Others, Residential	1,313,952.62	1,286,596.69
AR - Seaport	182,669,221.11	170,216,143.27
AR - TFCD Processing Fee	4,841,729.94	568,204.75
Accounts Receivable	188,824,903.67	172,070,944.71

This pertains to the outstanding Accounts Receivable from the revenue generated through Investments Properties of the Agency. This in compliance to the requirement PAS 40 regarding adequate disclosure of receivables from Investment Properties.

7. INVENTORIES

Particulars	2024	2023
Inventory Held for Distribution		
Medical, Dental and Laboratory Supplies for Distribution	6,858,360.22	6,921,713.41
Total Inventory Held for Distribution	6,858,360.22	6,921,713.41
Inventory Held for Consumption		
Office Supplies Inventory	4,017,935.33	5,425,466.83
Accountable Forms, Plates and Stickers Inventory	1,175,383.03	1,220,265.73
Fuel, Oil and Lubricants Inventory	2,922,138.53	822,550.53
Other Supplies and Materials Inventory	13,035,971.34	11,768,836.98
Total Inventory Held for Consumption	21,151,428.23	19,237,120.07
Total Inventories	28,009,788.45	26,158,833.48

Inventory Held for Distribution and Consumption are inventories that are for held in stocking under the Procurement and Property Management Department that are intended for use/consumption during the year.

8. INVESTMENT PROPERTY

Particulars	2024	2023
Investment Property, Buildings	14,325,752,444.59	13,940,004,244.59
Accumulated Depreciation-Investment Property, Buildings	(9,014,664,078.16)	(8,684,669,883.41)
Total Investment Property	5,311,088,366.43	5,255,334,361.18

An ongoing reconciliation is currently being made by the Accounting Department and the Land and Asset Development Department (LADD) to reconcile the recorded land, buildings, building improvements against the physical inventory being made by the LADD.

On the other hand, reconciliation of accounting records against the actual physical inventory of the PPMD is also on going. These include furniture, fixtures and other equipment.

The SBMA has made initial action to reinstate the assets' value to their realizable amount or fair market value, recognize impairment if any and assure the reliability of the amounts presented in the Statement of Financial Position.

8.1. Revenue generated through Investment Property

Particulars	2024	2023
Residential	75,072,366.21	77,080,129.02
Seaport	1,387,634,178.23	1,605,391,612.44
Total	1,462,706,544.44	1,682,471,741.46

9. PROPERTY PLANT AND EQUIPMENT, NET

CY 2024	Cost	Accumulated Depreciation	Carrying Amount
Land	14,982,125,138.93	0.00	14,982,125,138.93
Land Improvements	1,330,606,643.75	892,958,731.35	437,647,912.40
Infrastructure Assets	4,047,026,127.36	2,740,354,638.75	1,306,671,488.61
Buildings and Other Structures	5,659,134,005.31	4,788,752,780.63	870,381,224.68
Machinery and Equipment	976,471,505.97	528,991,077.12	447,480,428.85
Transportation Equipment	883,493,447.37	674,644,201.40	208,849,245.97
Furniture, Fixtures and Books	5,401,030.57	2,217,872.85	3,183,157.72
Heritage Assets	3,517,000.00	0.00	3,517,000.00
Other Property, Plant and Equipment	1,516,727,636.07	1,376,827,309.77	139,900,326.30
Construction in Progress	1,267,289,930.14	0.00	1,267,289,930.14
Total	30,671,792,465.47	11,004,746,611.87	19,667,045,853.60

CY 2023	Cost	Accumulated Depreciation	Carrying Amount
Land	14,982,125,138.93	0.00	14,982,125,138.93
Land Improvements	1,236,427,728.30	864,724,707.82	371,703,020.48
Infrastructure Assets	3,405,447,140.60	2,679,528,942.47	725,918,198.13
Buildings and Other Structures	5,521,792,336.95	4,768,669,966.02	753,122,370.93
Machinery and Equipment	974,136,520.77	403,269,000.82	570,867,519.95
Transportation Equipment	879,480,389.37	627,120,856.88	252,359,532.49
Furniture, Fixtures and Books	4,968,030.57	1,710,488.31	3,257,542.26
Heritage Assets	3,517,000.00	0.00	3,517,000.00
Other Property, Plant and Equipment	1,623,255,222.79	1,472,322,488.06	150,932,734.73
Construction in Progress	1,652,599,042.25	0.00	1,652,599,042.25
Total	30,283,748,550.53	10,817,346,450.38	19,466,402,100.15

An ongoing reconciliation is currently being made by the Accounting Department and the LADD to reconcile the recorded land, buildings, building improvements against the physical inventory being made by the LADD.

On the other hand, reconciliation of accounting records against the actual physical inventory of the PPMD is also on going. These include furniture, fixtures and other equipment.

The SBMA has made initial action to reinstate the assets' value to its realizable amount/ fair market value, recognize impairment if any and assure the reliability of the amounts presented in the Statement of Financial Position.

One-time cleansing of PPE is ongoing as a compliance to the COA Circular 2020-006 dated January 31, 2020. Approved Physical Inventory Plan (PIP) was submitted to the COA on January 15, 2024.

10. DEFERRED TAX ASSETS

Particulars	2024	2023
Deferred Tax Asset (DTA), Beg	8,986,969.85	8,647,480.85
Additional Deferred Tax Asset	653,747.00	339,489.00
Less: Amortization of DTA	0.00	0.00
Deferred Tax Asset, End	9,640,716.85	8,986,969.85

Deferred tax assets refer to taxes paid for advances from customers received during the year that are reported as part of taxable income in the current year.

11. OTHER ASSETS

Particulars	2024	2023
Current		
Advances		
Advances to Special Disbursing Officer	144.30	1,093,107.13
Prepayments		
Advances to Contractors/Sub-Contractors	95,113,045.85	113,632,950.19
Prepaid Registration	116,615.41	119,605.28
Prepaid Insurance	9,220,508.70	9,061,360.93
Prepaid Subscription Cost	988,166.67	2,117,500.01
Deposits		
Guaranty Deposits	3,527,476.96	3,527,476.96
Restricted Fund		
Restricted Fund	3,120,620,925.40	3,615,259,900.20
Total Current	3,229,586,883.29	3,744,811,900.70
Non-Current		
Restricted Fund		
Restricted Fund	4,587,989,912.96	3,521,350,315.66
Total Non-Current	4,587,989,912.96	3,521,350,315.66
Total Other Assets	7,817,576,796.25	7,266,162,216.36

Other Assets includes funds held in trust by the SBMA such as Security Deposits and Advance Rental paid by Locators and Residents, SBMA collection of the 2% LGU share from the 5% tax paid by SBF Registered enterprises that are for distribution to the LGUs around SBMA, fund transfer from the DOST (ICTO-ASTI) for the National Government Data Center (NGDC) project of the DOST and E-Konek trust fund for the BOC and the SBMA Seaport Fees paid through the LBP.

Prepayments include prepaid expenses for insurance, licenses, subscriptions and registrations that are subject to regular monthly amortization as expense when incurred.

The Advances to Contractors are for project mobilization or as required in the contract. These amounts are for recoupment against their claims from the SBMA for the succeeding periods. Deposits guarantee deposits made to Subic Enerzone to guaranty installation of transformers, power lines and power accounts of the SBMA.

12. FINANCIAL LIABILITIES

Particulars	2024	2023
Current		
Payables		
Accounts Payable	408,211,376.90	490,114,532.16
Due to Officers and Employees	989,911.01	9,803,379.22
Interest Payable	10,907,373.92	11,758,521.15
Indemnities Payable	501,561.15	501,561.15

Particulars	2024	2023
Total Payables	420,610,222.98	512,177,993.68
Bills/Bonds/Loans Payable		
Loans Payable-Foreign	202,949,971.20	217,209,528.00
Total Bills/Bonds/Loans Payable	202,949,971.20	217,209,528.00
Total Current	623,560,194.18	729,387,521.68
Non-Current		
Bills/Bonds/Loans Payable		
Loans Payable-Foreign	2,851,335,172.80	3,268,883,610.00
Total Bills/Bonds/Loans Payable	2,851,335,172.80	3,268,883,610.00
Total Non-Current	2,851,335,172.80	3,268,883,610.00
Total Financial Liabilities	3,474,895,366.98	3,998,271,131.68

The Payables account includes various obligations to suppliers, contractors and personnel. The obligations incurred are payable for such items as MOOE, Capital Expenditures, (Capex) and Personnel Services (PS). Unpaid Guarantee Fees for the current year are also reported in this section of the statement of financial position.

Following Legal Cases before the Courts which are probable:

- The SBMA had a contingent asset amounting to ₱10,000.00, Case title SBMA VS Philippine Negrito Handcraft Store & Food Center with Civil Case No. 7624-MTCC, Branch 2 Olongapo City, Civil Case No. 122-0-15 RTC Branch 72, Olongapo City.
- Contingent liability amounting to ₱29,402,500.00, Murami Subic Trading Corp. VS SBMA with Civil Case No. 146-0-2012 RTC Branch 72, Olongapo City. CA-G.R. CV No. 101795 Court of Appeals.
- Liability amounting to ₱501,561.15 (451,561.15 actual damages 50,000.00 attorney's fee). Raymund C. Ramos VS SBMA, with Civil Case No. 1420-15 RTC 72, Olongapo City.

12.1. Loans Payables

This account represents drawdowns from the following bilateral lending institutions net of repayments:

Particulars	2024	2023
Current		
Loan Payable - JBIC/OECF I		
2.50% p.a. (Category A - Consulting) and 2.10% p.a. (Category B - Civil Works)	14,289,955.20	15,293,988.00
Loan Payable - JBIC/OECF II		
0.95% p.a. (Category A - Consulting) and 0.75% p.a. (Category B - Civil Works)	188,660,016.00	201,915,540.00
Total Current	202,949,971.20	217,209,528.00
Non-Current		
Loan Payable - JBIC/OECF I		

Particulars	2024	2023
2.50% p.a. (Category A - Consulting) and 2.10% p.a. (Category B - Civil Works)	21,434,932.80	38,234,970.00
Loan Payable - JBIC/OECF II		
0.95% p.a. (Category A - Consulting) and 0.75% p.a. (Category B - Civil Works)	2,829,900,240.00	3,230,648,640.00
Total Non-Current	2,851,335,172.80	3,268,883,610.00
Grand Total	3,054,285,144.00	3,486,093,138.00

Foreign loans are recorded at a restated value. Revaluation rate as of December 31, 2023, and December 31, 2024, are \$1: 55.76, JPY1: ₱0.4174 and \$1: 57.85, JPY1: ₱0.3672, respectively.

13. INTER-AGENCY PAYABLES

Particulars	2024	2023
Inter-Agency Payables		
Due to BIR	430,884,928.07	50,230,157.80
Due to GSIS	15,637,947.48	17,009,842.78
Due to Pag-IBIG	2,286,424.61	1,843,174.36
Due to PhilHealth	2,258,614.05	1,758,813.08
Due to Government Corporations	77,718.35	0.00
Due to LGUs	234,417,555.80	253,992,528.86
Due to Treasurer of the Philippines	417,656,421.68	417,656,421.68
Due to SSS	1,080,883.56	134,270.41
Total Inter-Agency Payables	1,104,300,493.60	742,625,208.97

Inter-agency payables include statutory payable to government agencies (GSIS, PHIC, HDMF, and SSS). Due to LGUs is the 2% LGU shared from the Income Tax of SBMA locators during Taxable Year. Due to Treasurer of the Philippines includes the procurement of Airport Navigational System by the Department of Budget and Management (DBM) – Procurement Service.

14. TRUST LIABILITIES

Particulars	2024	2023
Current		
Trust Liabilities		
Trust Liabilities	253,282,982.90	237,424,096.32
Guaranty/Security Deposit Payable	466,304,017.26	347,944,137.29
Customers' Deposits Payable	57,023,145.10	55,221,793.08
Total Trust Liabilities	776,610,145.26	640,590,026.69
Total Current	776,610,145.26	640,590,026.69
Non-Current		
Trust Liabilities		

Particulars	2024	2023
Customers' Deposits Payable	605,311,271.99	535,978,853.06
Total Trust Liabilities	605,311,271.99	535,978,853.06
Total Non-Current	605,311,271.99	535,978,853.06
Total Trust Liabilities	1,381,921,417.25	1,176,568,879.75

The Customers' Deposit consists of Security Deposits and Advance Rentals. The Security Deposits represent cash payments made by tenants as a guarantee for unpaid utility bills at the end of the lease term. The Advance Rentals represent payments from Locators and Residents to be applied against the last month/s of the customer's occupancy of the leased facility. In no case shall this amount, during the term of the lease agreement, be applied to the customer's unpaid obligation unless the customer has given its intention not to renew its lease and to vacate the leased property. If there is no outstanding account at the end of the lease term, the security deposit shall be refunded accordingly.

15. DEFERRED CREDIT/UNEARNED REVENUE/INCOME

Particulars	2024	2023
Current		
Unearned Revenue/Income		
Unearned Revenue/Income-Investment Property	384,782,957.55	388,163,598.02
Total Unearned Revenue/Income	384,782,957.55	388,163,598.02
Total Current	384,782,957.55	388,163,598.02
Non-Current		
Unearned Revenue/Income		
Unearned Revenue/Income-Investment Property	4,632,902,178.76	4,237,099,717.80
Total Unearned Revenue/Income	4,632,902,178.76	4,237,099,717.80
Deferred Credits		
Deferred Revenue from Grants and Donations	2,972,976,668.14	2,526,392,230.09
Total Deferred Credits	2,972,976,668.14	2,526,392,230.09
Total Non-Current	7,605,878,846.90	6,763,491,947.89
Total Deferred Credit/ Unearned Revenue/Income	7,990,661,804.45	7,151,655,545.91

Unearned Revenue/Income includes amounts received in advance from various investors/locators/residents for future applications.

Deferred Credits from Grants and Donations pertain to subsidy from the National Government.

As part of the 2017 GAA, the SBMA received a total of ₱553,000,000.00 from the National Government under SARO-BMB-C-17-0007292 dated May 22, 2017, SARO-BMB-C-17-0013276 and SARO-BMB-C-17-0013277 dated August 25, 2017. Said SARO was released to the SBMA through NCA-BMB-C-17-0022062 and NCA-BMB-C-17-0022063 amounting to ₱57,185,000.00 (Equity) and ₱495,815,000.00 (Infrastructure Projects of SBIA), respectively.

The 2018 GAA included the SBMA subsidy under SARO No. BMB-C-18-0006478 in the amount of ₱530,000,000.00 for the SBMA's various Infrastructure Projects.

On the other hand, the SBMA was granted National Government Subsidy in the GAA 2019 and 2020 amounting to ₱459,700,000.00 and ₱770,818,000.00, respectively under SARO No. BMB-C-19-0005016, SARO No. BMB-C-20-0000869 and SARO No. BMB-C-20-0015110.

In addition, the SBMA was granted National Government Subsidy in GAA 2021 amounting to ₱1,091,668,000.00 under SARO NOs SARO BMB-C-21-0000163, SARO BMB-C-21-0008178 and SARO BMB-C-22-0010703.

In 2022, the SBMA was granted National Government Subsidy under the GAA 2022 amounting to ₱601,668,000.00 under SARO NO. BMB-C-22-002440 and SARO NO. BMBC-22-0006054.

In 2023, the SBMA was granted National Government Subsidy under the GAA 2023 amounting to ₱522,301,000.00 under SARO NO. SARO-BMB-C-23-0013693, SARO-BMB-C-23-0016504 and SARO-BMB-C-23-0023933.

Finally, in 2024, the SBMA was granted National Government Subsidy under the GAA Allotment Order (GAAAO) per Annex A of the National Budget Circular No. 592 amounting to ₱681,010,000.00.

List of On-going Projects under GAA 2022 and 2023 (Other Executive Offices)		
Project Name	Contract Amount	Contract Balance
SBMA-funded		
Consultancy Service for the Preparation of Detailed Engineering Design for Various Seaport Projects	3,198,755.00	1,759,315.25
Consulting Services for the Update of Detailed Engineering Design and Construction Supervision of New Magsaysay Bridge at Subic Bay Freeport Zone	12,779,988.00	2,090,469.60
Perimeter Fence Phase 2	42,988,950.07	2,160,157.67
Construction and Renovation of Bus Stops.	14,994,622.23	14,994,622.23
Construction of Slope Protection at Cabin Street	3,816,869.58	3,816,869.58
Total SBMA-funded	77,779,184.88	24,821,434.33
National Government-funded		
Construction of Magsaysay Bridge	393,115,271.30	71,690,822.19
NSD Road Rehabilitation Network Phase 2	84,693,722.77	4,915,947.11
Road Rehabilitation Project 2020	208,323,870.68	16,070,150.06
Road Rehabilitation Project 2021	167,930,995.60	9,413,693.14
Implementation of Drainage Masterplan (Drainage Improvement of Argonaut Highway, George Dewey, Holiday Villas and Access Road Construction of Stilling/Infiltration Basins)	65,565,542.49	42,759,070.08
Renovation and Upgrading of Bldg. No. 280 (Dispensary)	61,639,090.23	33,683,944.00

List of On-going Projects under GAA 2022 and 2023 (Other Executive Offices)		
Project Name	Contract Amount	Contract Balance
Road Rehabilitation Project 2023	100,429,475.17	10,039,183.17
Extension and Major Renovation of Bldg. 225	31,044,704.39	31,044,704.39
Rehabilitation of Seaport Facilities: Upgrading of Fender System at Marine Terminal	84,419,453.33	84,419,453.33
Rehabilitation of Fender System at Boton Wharf	63,174,124.88	63,174,124.88
Renovation of Building 309	21,116,852.04	21,116,852.04
Road Rehabilitation Project 2024	81,161,201.87	81,161,201.87
Total National Government-funded	1,362,614,304.75	469,489,146.26
Total	1,440,393,489.63	494,310,580.59

Multiyear projects for GAA 2017 to 2022 (NSD Road Rehabilitation phase 3 and Construction of Magsaysay Bridge) are reflected in total Contract Cost.

16. PROVISIONS

Particulars	2024	2023
Current		
Provisions		
Leave Benefits Payable	192,101,819.68	196,750,393.24
Total Provisions	192,101,819.68	196,750,393.24

This pertains to accumulated credits of SBMA employees.

17. OTHER PAYABLES

Particulars	2024	2023
Current		
Other Payables		
Dividends Payable	667,210,562.46	1,766,171,668.70
Undistributed Collections	94,641,788.15	77,783,186.17
Total Other Payables	761,852,350.61	1,843,954,854.87
Total Current	761,852,350.61	1,843,954,854.87
Non-Current		
Other Payables		
Dividends Payable	0.00	667,210,562.46
Total Other Payables	0.00	667,210,562.46
Total Non-Current	0.00	667,210,562.46
Total Other Payables	761,852,350.61	2,511,165,417.33

Dividend payable is based on the approved payment scheme by the Department of Finance (DOF) for the Dividend Due for Calendar Year 2022.

18. GOVERNMENT EQUITY

Particulars	2024	2023
Paid-in Capital		
Cost of Fixed assets	19,100,000,000.00	19,100,000,000.00
Cash Contribution from the National Government	900,000,000.00	900,000,000.00
Total Paid-in Capital	20,000,000,000.00	20,000,000,000.00
Donated Capital	43,259,662.00	43,259,662.00
Invested Capital - Held in Trust	306,542.10	306,542.10
Total Government Equity	20,043,566,204.10	20,043,566,204.10

The Donated Capital is composed of the Instrument Landing System (ILS) partly financed by the Federal Express Corp. amounting to ₱34,367,662.00, the 10 mural paintings of Artist Rene Robles amounting to ₱3,250,000.00 and the NPR Truck donated by RP Energy and Isuzu Forward Garbage Compactor amounting to ₱4,722,000.00 and ₱920,000.00 respectively. The Invested Capital – Held in Trust includes eight motor-vehicle from Hanjin and Summa Kumagai and furniture and office equipment from Conservation of Priority Protected Areas Project (CPPAP) by the Department of Environment and Natural Resources (DENR).

19. REVALUATION SURPLUS

The Revaluation Surplus represents the additional net book value of Buildings and Structures turned over by the U.S. Naval Base in 1993 booked based on the result of the physical inventory completed by the Fixed Asset Inventory Team in December 2003. The piecemeal realization of Revaluation Surplus was initially recorded in July 2005. This represents amortization of revaluation surplus.

The LADD is currently in the process of verifying the inventory list of all SBMA properties particularly Land and Building. Appraisal and valuation of the properties to its Fair Market Value is being worked out by the LADD which may affect the Appraisal Surplus account upon recording of the properties to its realizable and fair amounts.

20. SERVICE AND BUSINESS INCOME

Particulars	2024	2023
Service Income		
Accreditation Fees	4,669,824.00	4,980,497.00
Fines and Penalties-Service Income	8,392,149.51	4,656,341.79
Other Service Income	4,863,892.39	6,896,435.00
Permit Fees	25,977,143.27	24,150,010.37
Processing Fees	105,701,225.00	93,873,475.00
Registration Fees	1,420,503.00	2,625,506.93
Sewerage/Garbage Fees	43,809,754.04	42,539,201.59
Supervision and Regulation Enforcement Fees	55,074,732.59	50,346,771.56

Particulars	2024	2023
Clearance and Certification Fees	185,250.00	179,620.00
Total Service Income	250,094,473.80	230,247,859.24
Business Income		
Admission Fees	116,791,715.91	116,548,108.89
Hospital Fees	344,952.56	273,292.54
Income from Gaming Operations	0.00	1,361,250.00
Interest Income	158,657,779.48	139,874,568.55
Landing and Parking Fees	122,073,562.44	108,942,225.04
Other Business Income	271,826,644.37	249,813,198.30
Rent/Lease Income	2,321,000,619.08	2,115,873,796.79
Road Network Fees	23,137,603.50	22,854,047.50
Seaport System Fees	999,543,703.22	1,268,644,472.30
Total Business Income	4,013,376,580.56	4,024,184,959.91
Total Service and Business Income	4,263,471,054.36	4,254,432,819.15

20.1 Revenue generated through Investment Property

Particulars	2024	2023
Business Income		
Residential	75,072,366.21	77,080,129.02
Seaport	1,387,634,178.23	1,605,391,612.44
Total	1,462,706,544.44	1,682,471,741.46

21. SHARES, GRANTS AND DONATIONS

Particulars	2024	2023
Grants and Donations		
Income from Grants and Donations in Kind	0.00	6,453,838.00
Total Grants and Donations	0.00	6,453,838.00

22. GAINS

Particulars	2024	2023
Gains		
Gain on Foreign Exchange (FOREX)	1,496,169,760.78	1,461,890,060.50
Gain on Sale of Property, Plant and Equipment	0.00	1,890,000.00
Total Gains	1,496,169,760.78	1,463,780,060.50

23. PERSONNEL SERVICES

Particulars	2024	2023
Salaries and Wages		
Salaries and Wages-Casual/Contractual	18,285,522.10	19,045,856.97
Salaries and Wages-Regular	548,591,527.32	549,979,617.39
Total Salaries and Wages	566,877,049.42	569,025,474.36
Other Personnel Benefits		
Other Personnel Benefits	28,180,973.07	28,625,859.32
Terminal Leave Benefits	46,838,001.63	43,256,246.02
Total Other Personnel Benefits	75,018,974.70	71,882,105.34
Personnel Benefit Contributions		
Employees Compensation Insurance Premiums	1,547,341.79	1,629,696.87
Pag-IBIG Contributions	2,960,600.00	1,627,600.00
PhilHealth Contributions	13,438,051.22	10,833,791.80
Retirement and Life Insurance Premiums	67,953,108.94	68,409,886.58
Total Personnel Benefit Contributions	85,899,101.95	82,500,975.25
Other Compensation		
Cash Gift	6,459,750.00	6,770,000.00
Clothing/Uniform Allowance	9,107,000.00	8,202,000.00
Directors and Committee Members' Fees	9,257,263.10	7,719,751.16
Hazard Pay	5,342,922.03	5,381,923.72
Longevity Pay	1,954,321.51	1,800,410.60
Mid-Year Bonus	47,631,623.00	47,457,798.00
Other Bonuses and Allowances	62,093,110.92	64,551,803.07
Overtime and Night Pay	16,427,581.01	16,611,988.19
Personnel Economic Relief Allowance (PERA)	30,865,908.78	32,492,522.60
Productivity Incentive Allowance	6,370,000.00	6,640,000.00
Representation Allowance (RA)	8,983,750.00	7,481,625.00
Transportation Allowance (TA)	8,622,170.45	7,149,284.08
Year End Bonus	47,503,662.95	47,382,459.20
Total Other Compensation	260,619,063.75	259,641,565.62
Total Personnel Services	988,414,189.82	983,050,120.57

24. MAINTENANCE AND OTHER OPERATING EXPENSES

Particulars	2024	2023
Traveling Expenses		
Traveling Expenses-Foreign	8,779,405.57	4,989,153.14
Traveling Expenses-Local	6,607,784.64	2,633,902.98
Total Traveling Expenses	15,387,190.21	7,623,056.12
Training and Scholarship Expenses		

Particulars	2024	2023
Training Expenses	4,420,403.29	2,706,761.57
Total Training and Scholarship Expenses	4,420,403.29	2,706,761.57
Supplies and Materials Expenses		
Accountable Forms Expenses	589,132.70	964,946.18
Fuel, Oil and Lubricants Expenses	12,863,110.11	13,545,353.07
Medical, Dental and Laboratory Supplies Expenses	3,894,539.23	4,495,178.00
Military, Police and Traffic Supplies Expenses	703,805.00	0.00
Office Supplies Expenses	6,101,132.19	8,188,649.85
Other Supplies and Materials Expenses	23,649,076.60	13,422,527.56
Semi-Expendable Furniture, Fixtures and Books Expenses	9,262,556.00	1,682,168.51
Semi-Expendable Machinery and Equipment Expenses	1,185,230.96	1,942,814.70
Total Supplies and Materials Expenses	58,248,582.79	44,241,637.87
Utility Expenses		
Electricity Expenses	74,539,571.40	79,794,492.40
Water Expenses	6,343,552.88	5,444,655.33
Total Utility Expenses	80,883,124.28	85,239,147.73
Communication Expenses		
Internet Subscription Expenses	10,887,997.91	3,807,431.27
Postage and Courier Services	311,221.60	237,894.87
Telephone Expenses	11,406,877.24	11,350,862.82
Total Communication Expenses	22,606,096.75	15,396,188.96
Awards/Rewards, Prizes and Indemnities		
Awards/Rewards Expenses	3,190,192.73	3,392,447.83
Total Awards/Rewards, Prizes and Indemnities	3,190,192.73	3,392,447.83
Confidential, Intelligence and Extraordinary Expenses		
Confidential Expenses	421,000.00	0.00
Extraordinary and Miscellaneous Expenses	2,349,592.35	1,812,466.58
Total Confidential, Intelligence and Extraordinary Expenses	2,770,592.35	1,812,466.58
Professional Services		
Auditing Services	3,914,517.43	4,042,423.61
Consultancy Services	9,746,240.95	19,251,763.87
Legal Services	2,473,003.00	2,247,498.93
Other Professional Services	12,800,175.72	8,419,458.89
Total Professional Services	28,933,937.10	33,961,145.30
General Services		
Janitorial Services	19,272,887.86	18,319,612.93

Particulars	2024	2023
Security Services	79,837,346.33	48,670,236.45
Total General Services	99,110,234.19	66,989,849.38
Repairs and Maintenance		
Repairs and Maintenance-Buildings and Other Structures	9,664,265.92	10,876,286.56
Repairs and Maintenance-Infrastructure Assets	2,333,300.00	5,052,716.96
Repairs and Maintenance-Machinery and Equipment	14,820,267.26	5,414,968.26
Repairs and Maintenance-Transportation Equipment	1,668,484.65	2,238,553.40
Repairs and Maintenance-Land Improvements	876,100.00	0.00
Total Repairs and Maintenance	29,362,417.83	23,582,525.18
Taxes, Insurance Premiums and Other Fees		
Fidelity Bond Premiums	831,142.28	865,822.66
Insurance Expenses	16,431,183.42	15,199,304.62
Taxes, Duties and Licenses	273,316.10	284,440.08
Total Taxes, Insurance Premiums and Other Fees	17,535,641.80	16,349,567.36
Labor and Wages		
Labor and Wages	190,986,612.65	176,890,725.26
Total Labor and Wages	190,986,612.65	176,890,725.26
Other Maintenance and Operating Expenses		
Advertising, Promotional and Marketing Expenses	11,292,122.74	8,366,619.98
Printing and Publication Expenses	90,065.00	351,142.20
Rent/Lease Expenses	3,680,553.38	2,859,290.56
Donations	2,483,790.58	1,593,877.03
Other Maintenance and Operating Expenses	83,149,949.45	80,693,915.95
Major Events and Conventions Expenses	2,133,476.16	3,261,082.68
Representation Expenses	5,009,303.00	2,116,313.10
Total Other Maintenance and Operating Expenses	107,839,260.31	99,242,241.50
Total Maintenance and Other Operating Expenses	661,274,286.28	577,427,760.64

Other Maintenance and Operating Expenses consist of Contractual Services-SBMA, Other Professional Services, Fuel, Meals, Accommodation & Other Reimbursement, Travel, and Communication which are included under other Maintenance and Other Operating Expenses.

25. FINANCIAL EXPENSES

Particulars	2024	2023
Financial Expenses		
Interest Expenses	31,100,205.83	34,513,366.26
Guarantee Fees	32,292,714.34	35,360,464.05
Bank Charges	1,059,171.41	1,172,997.21
Total Financial Expenses	64,452,091.58	71,046,827.52

Guarantee Fees are paid to the Bureau of Treasury for the National Government's sovereign guaranty to the foreign loans. Interest on Loans covers interest on outstanding loans.

26. NON-CASH EXPENSES

Particulars	2024	2023
Depreciation		
Depreciation-Investment Property	271,664,959.68	264,368,430.84
Depreciation-Land Improvements	25,669,830.66	23,004,325.82
Depreciation-Infrastructure Assets	55,733,117.70	88,022,709.27
Depreciation-Buildings and Other Structures	14,885,206.32	10,741,828.03
Depreciation-Machinery and Equipment	92,103,849.54	74,689,526.18
Depreciation-Transportation Equipment	43,911,592.32	36,651,984.42
Depreciation-Furniture, Fixtures and Books	507,384.54	431,847.44
Depreciation-Other Property, Plant and Equipment	224,451.50	181,024.08
Total Depreciation	504,700,392.26	498,091,676.08
Impairment Loss		
Impairment Loss-Loans and Receivables	14,750,024.57	13,771,446.81
Impairment Loss-Lease Receivables	194,788,604.52	41,587,582.43
Impairment Loss-Investments in Joint Venture	965,214.61	0.00
Total Impairment Loss	210,503,843.70	55,359,029.24
Losses		
Loss on Foreign Exchange (FOREX)	1,146,660,379.93	1,280,973,017.25
Loss on Sale of Assets	169,807.16	1,292,524.48
Loss of Assets	223,225.96	0.00
Total Losses	1,147,053,413.05	1,282,265,541.73
Total Non-Cash Expenses	1,862,257,649.01	1,835,716,247.05

27. TAXATION

Particulars	2024	2023
Net Sales/Revenue/Receipts/Fees	3,991,900,422.07	4,123,371,863.83
Less: Cost of Sales	1,908,920,697.12	1,692,675,314.27

Particulars	2024	2023
Gross Income from Operation	2,082,979,724.95	2,430,696,549.56
Add: Other Taxable Income Not Subject to Final Tax	404,564,095.52	170,016,485.76
Total Gross Income/Gross Taxable Income	2,487,543,820.47	2,600,713,035.32
Ordinary Allowable Itemized Deduction	570,389,064.65	0.00
Total Itemized Deduction	570,389,064.65	0.00
Net Taxable Income/Net Income	1,917,154,755.82	2,600,713,035.32
Applicable Tax Rate	25%	5%
Income Tax Due other than MCIT	479,288,689.00	130,035,652.00
Less: Deferred tax Assets	653,747.00	339,489.00
Income Tax Expense/(Benefit)	478,634,942.00	129,696,163.00

Beginning Taxable Year 2024 SBMA adopted Regular Corporate Income Tax Rate of 25% by virtue of the CREATE Law (R.A. No. 11534) which states that all GOCCs are subject to Regular Corporate Income Tax. This was affirmed by the Department of Finance on their letter to SBMA dated December 13, 2023. The filing of Income Tax Return in the BIR Electronic Filing Payment System was rounded to the nearest whole number and decimal encoding is not acceptable.

28. EFFECTS OF EXCHANGE RATE ON CASH AND CASH EQUIVALENTS

Particulars	2024	2023
Gain on Foreign Exchange - Actual	517,663,025.24	457,701,258.69
Loss on Foreign Exchange - Actual	(251,908,020.24)	(497,502,553.76)
Total Effect of Exchange Rate Changes on Cash and Cash Equivalents	265,755,005.00	(39,801,295.07)

29. RELATED PARTY TRANSACTIONS

The Authority has entered into a service and management contracts with FSC its wholly-owned subsidiary, since FSC's start of operations in 1996. Contracts include FSC's provision of manpower services to SBMA on a reimbursable basis plus 10% overhead mark up. However, the overhead markup has increased from 10% to 13% effective December 17, 2004. Facilities management contract FSC's management of tourism-related facilities of SBMA. Under this arrangement, the term of which lasted until 2009, SBMA paid FSC a management fee of ₱6 million per month while SBMA received 5% of FSC's gross income on these facilities.

However, in SBMA's effort to wind up the operation of FSC, the management fee of ₱6 million per month was no longer extended beginning January 2010. With FSC's dormancy of operation beginning September 26, 2010, the provision for gross revenue sharing had also been stopped since FSC's facilities were taken over by SBMA, based on the Omnibus Agreement between SBMA and FSC, for management by the Tourism Department and the LAMD.

30. ASIAN ECONOMIC EVENTS

The Authority had obtained several loans with bilateral lending institutions to finance the infrastructure development of Subic Bay Freeport Zone. Most of these loans were negotiated and became effective before the Asian economic crisis hit the country in late 1997.

The peso depreciation vis-à-vis the US dollar, Japanese yen and Euro have had a great impact on SBMA's debt service requirements. Loans' peso value depreciates when pegged against their original peso value using the negotiated foreign exchange rate at loan dates.

To address the issue on the uncontrolled depreciation and appreciation of peso against foreign currencies from time to time, newest lease contracts being entered by SBMA are now peso denominated.

31. IMPLEMENTATION OF THE INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMS)

On June 1, 2004, the Authority implemented the IFMS concurrent with manual accounting. Three modules were developed to facilitate the recording of all transactions and information presented in duly certified and approved Journal Entry Vouchers. The function of each module is briefly discussed as follows:

- i. **GENERAL LEDGER MODULE (GL).** Facility to record all adjustments, corrections & reversing entries that cannot be recorded in the other modules replacing the manual recording/ reporting in the General Journal.
- ii. **ACCOUNTS RECEIVABLE MODULE (AR).** Facility to record all billing and collection transactions replacing the manual recording/ reporting in the Journal of Bills Rendered and the Journal of Collections and Deposits. The Journal of Accounts Receivable generated in this module replaces the aforesaid manual books.

Currently, the Statement of Account (SOA) and Billing Statements issued to the Locators and residents are IFMS generated reports. The manual preparation of these reports has stopped since the parallel run on the manual system and the IFMS AR module produced the same outputs.

- iii. **ACCOUNTS PAYABLE MODULE (AP).** Facility to record all obligation and disbursement transactions replacing the manual recording/ reporting on Voucher Payable Register and Journal of Checks Issued. The Journal of Accounts Payable generated in this module replaces the aforesaid manual books.

The Financial Statements are prepared manually based on the IFMS generated reports from the GL module, AR module and AP module. Although the three modules produce reliable reports and outputs, the capability to integrate the outputs of the modules to produce the Financial Statements cannot be relied upon since development in the IFMS System has been stopped because of the Management's plan to require the Enterprise Resource Planning System (ERPS). The parallel run in the IFMS and manual preparation of Financial Statements will continue.

SBMA is planning to adopt the ERPS to replace the existing IFMS with integrated, commercially off-the-shelf package software that will reuse existing tools, data and processes.

The ERPS is expected to remedy non-integration of data, which became a major dilemma in the implementation of the IFMS.

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The accuracy and completeness of the Property, Plant and Equipment (PPE) accounts with a carrying amount of ₱19,667,045,853.60 as of year-end, are uncertain due to several noted deficiencies, including (i) inclusion of leasable land in the PPE account valued at ₱13,933,376,379.10; (ii) incomplete reconciliation between the RPCPPE and Accounting records for Land Improvements, Infrastructure Assets, Buildings, and Other Structures; (iii) failure to derecognize demolished facilities amounting to ₱12,480,741.39; (iv) unreconciled discrepancies in various movable properties due to voluminous and generally termed items; (v) inclusion of inventories and semi-expendables in the PPE accounts; (vi) non-disposal and non-recognition of impairment losses for unserviceable properties; (vii) inclusion of disposed properties in the RPCPPE and possibly in the accounting records; and (viii) non-accrual of accumulated costs under the Construction in Progress account as at year-end for certain projects due to the absence or insufficient details.
- 1.2 As an ecotourism attraction and investment hub, the Authority generally requires and maintains capital-intensive assets which are essential to the agency's operations in fulfilling their mandate through service delivery to stakeholders, generating revenue, and eventually contributing to the nation's progress and development.
- 1.3 Section 6 of IAS 16 provides for the definition of Property, Plant and Equipment, to wit:

Property, plant and equipment are tangible items that:

 - a. *are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and*
 - b. *are expected to be used during more than one period.*
- 1.4 As of December 31, 2024 the records of the Authority reflected a carrying amount of ₱19,667,045,853.60 for its PPE accounts, covering 51.15% of the agency's total assets of ₱38,446,586,742.41, as follows:

Table 1. Property, Plant and Equipment Breakdown

PPE	Acquisition Cost (In Philippine Peso)	Accumulated Depreciation (In Philippine Peso)	Carrying Amount (In Philippine Peso)
Land	14,982,125,138.93	0.00	14,982,125,138.93
Land Improvements	1,330,606,643.75	892,958,731.35	437,647,912.40
Road Networks	2,554,835,347.20	1,376,814,540.31	1,178,020,806.89
Airport Systems	1,487,894,251.40	1,359,673,222.56	128,221,028.84
Parks, Plaza's and Monuments	4,296,528.76	3,866,875.88	429,652.88
Buildings	271,838,261.93	65,897,904.10	205,940,357.83
Other Structures	5,387,295,743.38	4,722,854,876.53	664,440,866.85
Office Equipment	2,943,046.27	2,591,560.34	351,485.93

PPE	Acquisition Cost (In Philippine Peso)	Accumulated Depreciation (In Philippine Peso)	Carrying Amount (In Philippine Peso)
Information and Communication Technology Equipment	321,244,969.82	241,048,665.07	80,196,304.75
Airport Equipment	64,069,141.92	45,435,489.77	18,633,652.15
Communication Equipment	320,315,299.44	112,099,586.41	208,215,713.03
Disaster Response and Security Equipment	4,040,470.00	3,275,141.31	765,328.69
Military, Police and Security Equipment	9,688,286.05	6,891,748.31	2,796,537.74
Medical Equipment	38,562,549.44	17,503,441.98	21,059,107.46
Technical and Scientific Equipment	1,063,907.00	957,516.30	106,390.70
Electrical Equipment	9,951,493.80	9,089,341.17	862,152.63
Other Machinery and Equipment	204,592,342.23	90,098,586.46	114,493,755.77
Motor Vehicles	344,673,316.34	174,187,694.83	170,485,621.51
Watercrafts	538,820,131.03	500,456,506.57	38,363,624.46
Furniture and Fixtures	5,401,030.57	2,217,872.85	3,183,157.72
Works of Arts and Archaeological Specimens	3,517,000.00	0.00	3,517,000.00
Work/Zoo Animals	1,317,710.93	615,469.86	702,241.07
Other Property, Plant and Equipment	1,515,409,925.14	1,376,211,839.91	139,198,085.23
Construction in Progress-Land Improvements	773,969,796.51	0.00	773,969,796.51
Construction in Progress-Buildings and Other Structures	493,320,133.63	0.00	493,320,133.63
Total PPE, Net	30,671,792,465.47	11,004,746,611.87	19,667,045,853.60

- a. **The value of the Land per books was misstated due to (i) understatement in the absence of land appraisal during the year, and (ii) overstatement by as much as ₱13,933,376,379.20 due to the inclusion of leasable land in the PPE account.**

1.5 Review of the Trial Balance and Statement of Financial Position as of December 31, 2024 showed that the value of the land was still recorded at ₱14,982,125,138.93, the same amount reflected in the CY 2023 financial statements that was included in the prior year's observation and recommendation on PPE. This amount represents 14,614.03 hectares of land out of the 67,452 hectares declared area of the Freeport per valuation in 1993. However, it was also noted in prior year's observation that 13,600 hectares or 93% (₱13,933,376,379.20) of the valued land in 1993 is considered as leasable rather than as owner-occupied, hence, the recommendation for reclassification in accordance with Section 5 of IAS 40 on Investment Property, which states that:

Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for:

- a. *use in the production or supply of goods or services or for administrative purposes; or*
- b. *sale in the ordinary course of business.*

Owner-occupied property is property held (by the owner or by the lessee as a right-of-use asset) for use in the production or supply of goods or services or for administrative purposes.

- 1.6 To comply with the reclassification, the recommended first step, as also reflected in the Authority's Agency Action Plan and Status of Implementation (AAPSI), is to pursue the procurement of a Perimeter Boundary Survey upon finalization of the Terms of Reference. This survey will accurately determine the actual land area of the entire secured zone of the Freeport, which will then be reconciled with the records per book, and used in the determination of the land's current fair value upon hiring of an individual appraiser.
- 1.7 In CY 2024, the procurement for the said survey was not yet pursued, but the Land Asset Development Department (LADD) had already finalized the Terms of Reference for the project and had it approved by the Authority's Chairperson and Administrator. Initially, a budget of ₱40 million was allocated in CY 2022 but after recalculations, the budget has been increased to ₱60 million to account for the substantial rise in service rates, tariff adjustments, and updated costs as of CY 2024. The increase was also presented to and approved by the Management and the Board.
- 1.8 The Perimeter Boundary Survey, which will establish the boundary or distance along the boundary lines of the agency's land, is subject for presentation to the Audit & Risk Committee Meeting of the Board for the final approval, after which, the project package may now be forwarded to the BAC for procurement. Per LADD's estimate, the awarding of the project is expected to be done by August to September 2025.
- 1.9 The establishment of the precise boundary of the Freeport is only the first step, where it was also disclosed that the property lot surveys submitted by locators and previously mentioned in prior year's observation, will be plotted to the overall boundary survey and will serve as the blueprint of the agency's land to reflect the portion identified as leasable. This shall be relevant for the reclassification of leasable land to the Investment Property account.
- 1.10 However, up until the procedure of land surveying to determine the actual boundary of the Freeport, appraisal of the current fair value of the said land, and the subsequent reclassification are completed, the PPE – Land shall remain overstated by as much as ₱13,933,376,379.20.
- b. **Unreconciled fixed assets between the LADD and Accounting report as the wall-to-wall inventory and assignment of unique property identification (adopted method for common tagging) on various lots and buildings, which will settle and validate the existing records maintained by both department, remained incomplete.**
- 1.11 Review of the records per book as of December 31, 2024 disclosed that the fixed assets still had no movement except for those completed projects that were transferred

to their respective PPE accounts as well as the recognition of a dacion en pago transaction.

- 1.12 Previous year’s observation relative to the de-recognition of demolished and/or non-existing facilities, recording of existing ones whose costs are unknown, and other reconciling items, if any, were not yet taken up in the books causing the unresolved issues to carry on. In their defense, the wall-to-wall inventory of various lots and buildings of the Authority, which is a significant phase in the one-time cleansing, is still on-going, hence, the reconciliation process between the physical count, LADD records, and Accounting reports cannot be fully completed even if they are partially being rectified concurrent with the inventory count. It was noted that the inventory and inspection of said fixed assets is more or less at 40% completion.
- 1.13 A summary of the database of all existing facilities from previous records as well as facilities that were demolished is presented below. The report contains a combination of verified facilities and those not yet updated or inspected as of December 31, 2024 from the LADD.

Table 2. Summary of all existing and demolished facilities

Particulars	Inspected as of CY 2024				For Inspection / Update	
	Existing		Demolished		Qty	Amount (In Philippine Peso)
	Qty	Amount (In Philippine Peso)	Qty	Amount (In Philippine Peso)		
Building	186	543,686,339.84	15	8,811,334.75	112	1,014,724,086.84
Housing	8	3,522,998.88	0	0.00	568	712,582,236.62
Structure	120	85,649,725.92	9	3,669,406.64	339	1,993,914,165.04
Utilities	6	6,407,283.04	1	0.00	72	410,977,601.32
Total	320	*639,266,347.68	25	12,480,741.39	1,091	*4,132,198,089.82

- 1.14 During CY 2024, common tagging by both departments was gradually being established in their respective records through the Unique Property Identification System (UPIS). The common tagging was recommended so that reports of both departments will be useful in reconciling accounts. As also mentioned in the agency’s AAPSI, facilities without development and contains small items found at the station, certain procedures were undertaken for its appraisal in-house for the time being, pending the hiring of a property appraiser.
- 1.15 Meanwhile, inconsistent with the above figures from the LADD report, the Buildings and Other Structure per Accounting records amounted to ₱5,659,134,005.31, while the value of Land Improvements and Infrastructure Assets totalled ₱5,377,632,771.11, both at acquisition cost. Per verification, the latter was not yet included in the submission by the LADD because a separate database or report is still being prepared for its monitoring. They are also currently working on how they will assign unique property identification on these assets.

Table 3. Comparison of Accounting Records and LADD Report

Fixed Assets	Per Book (In Philippine Peso)	Per LADD Report (In Philippine Peso)	Variance (In Philippine Peso)
Land Improvements	1,330,606,643.75	0.00	1,330,606,643.75
Infrastructure Assets	4,047,026,127.36	0.00	4,047,026,127.36

Fixed Assets	Per Book (In Philippine Peso)	Per LADD Report (In Philippine Peso)	Variance (In Philippine Peso)
Building and Other Structures	271,838,261.93 5,387,295,743.38	*4,771,464,437.50	887,669,567.81
Total	11,036,766,776.42	4,771,464,437.50	6,265,302,338.92

**Total amount of the existing and for inspection as per LADD report.*

- 1.16 Although variances still remain relative to Buildings and Other Structures, a decrease was observed compared to the prior year's observation, which was primarily due to incomparable records or the absence of common tagging. This year, however, reconciliation between the two records has yet to be fully attained pending completion of the wall-to-wall inventory alongside the tagging of unique property identification. Such inconsistency in the records is contrary to Section 111 of Presidential Decree No. 1445 in the keeping of accounts, to wit:

Section 111. Keeping of Accounts.

- 1. The accounts of an agency shall be kept in such details as is necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.*
- 2. The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*

- 1.17 Additionally, it was also important to note that variances between the two can generally arise at the point of recognition, particularly in terms of the recorded amount and classification as to fixed or movable asset account and the manner in which the transaction or item(s) are presented in their respective monitoring report.
- 1.18 According to the Accounting Department, fixed assets were recognized by transferring them from CIP to their appropriate PPE accounts on the basis of the whole package or contract amount upon project completion, in accordance to the classification indicated in the Budget Utilization Request (BUR). Such amount and entry are reflected in the subsidiary ledger maintained by the office, in addition to the monthly depreciation details.
- 1.19 On the other hand, the LADD based its recording or information from the Engineering Department with regard to the technical classification of the item(s) or project whether fully fixed asset or partly movable. Even after the one-time cleansing has been completed and records settled, discrepancies may still occur if there would be no common ground in the classification, itemization or presentation, and the amount that will be taken up in both records. This is particularly due to the fact that the elements of fixed assets can be more complex than that of movable assets, especially in terms of reporting and conducting inventory or physical count.
- 1.20 In conclusion, as long as the assignment of the UPIS for those uninspected facilities and the subsequent reconciliation on all fixed assets through that common tagging has not yet been completed, variances will persist which may include the following:

- Unrecognized existing facilities whose acquisition costs are still undetermined and pending appraisal
- Non-derecognition of identified demolished buildings in the books with total acquisition cost of ₱12,480,741.39 and
- Improvements and infrastructure assets recognized by accounting but differently taken up or not yet taken up in the records of the LADD

1.21 Likewise, discrepancies may subsequently occur on new fixed assets for recording if no active coordination will be established during the recognition process, especially for technically complex fixed assets.

c. **Variances between the RPCPPE and Accounting records for movable property remained unreconciled, due to the voluminous items on the related accounts and the presence of items listed in general terms that cause difficulty in reconciling the records. Furthermore, various inventories and semi-expendables with a net carrying amount of ₱341,529.70 were recorded in the books as PPE instead of being expense upon issuance, resulting in an overstatement of the related accounts.**

1.22 The comparison between the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) and the records per book revealed that there is a significant decrease in the overall variance for movable properties from prior year's total variance of ₱87,245,978.95 to ₱4,259,745.78. Conversely, a closer look at the specific line items of these accounts on the table below, reveal substantial variiances on various movable property that had no discrepancies in the previous year.

Table 4. Comparison of RPCPPE and Accounting Records

PPE Account	Per Books (In Philippine Peso)	Per RPCPPE (In Philippine Peso)	CY 2024 Variance (In Philippine Peso)	CY 2023 Variance (In Philippine Peso)
Office Equipment	2,943,046.27	2,943,046.30	(0.03)	0.00
Information and Communication Technology Equipment	321,244,969.82	140,338,437.95	180,906,531.87	0.00
Airport Equipment	64,069,141.92	64,069,141.92	0.00	0.00
Communication Equipment	320,315,299.44	279,497,690.87	40,817,608.57	0.00
Disaster Response and Rescue Equipment	4,040,470.00	4,040,470.00	0.00	0.00
Military, Police and Security Equipment	9,688,286.05	9,688,286.12	(0.07)	0.00
Medical Equipment	38,562,549.44	38,562,549.45	(0.01)	0.00
Technical and Scientific Equipment	1,063,907.00	0.00	1,063,907.00	0.00

PPE Account	Per Books (In Philippine Peso)	Per RPCPPE (In Philippine Peso)	CY 2024 Variance (In Philippine Peso)	CY 2023 Variance (In Philippine Peso)
Electrical Equipment	9,951,493.80	10,151,584.70	(200,090.90)	0.00
Other Machinery and Equipment	204,592,342.23	179,307,798.75	25,284,543.48	0.00
Motor Vehicles	344,673,316.34	570,396,440.43	(225,723,124.09)	0.00
Watercrafts	538,820,131.03	534,807,073.03	4,013,058.00	0.00
Furniture and Fixtures	5,401,030.57	5,271,030.97	129,999.60	0.00
Works of Arts and Archaeological Specimens	3,517,000.00	3,500,000.00	17,000.00	3,517,000.00
Work/Zoo Animals	1,317,710.93	910,182.50	407,528.43	0.00
Other Property, Plant and Equipment (fully depreciated assets)	1,515,409,925.14	1,537,867,141.21	(22,457,216.07)	83,728,978.93
Total	3,385,610,619.98	3,385,610,620.09	4,259,745.78	87,245,978.95

- 1.23 The prior year's recommendation to reclassify fully depreciated assets already identified and reconciled with Procurement and Property Management Department (PPMD) from Other PPE to their respective PPE account was already implemented under JGL-27-08-000251 dated August 28, 2024. On the other hand, validation of the existence of Works of Arts and Archaeological Specimens account amounting to ₱3,517,000.00 was partially done as there still remains a variance in the above comparison.
- 1.24 Inquiry with the PPMD disclosed that the above variance was mostly related to properties which were reclassified from Other PPE to their respective PPE accounts, as well as those items subject to reconciliation in prior year's observation. Per analysis of records, most of the significant variances (₱20 million above) were comprised of voluminous items that cannot be easily identified if not thoroughly scrutinized.
- 1.25 Wall-to-wall inventory of items for the one time cleansing were mostly completed and the PPMD is currently on the process of reconciling the items recorded in the books as against their records, with the purchase order (PO) number as common reference. The above variances are said to be included in the reconciliation being undertaken. According to them, difficulties arise when there are POs present in the accounting records but not in the PPMD's database, and whose particulars were described in general terms, thus, making it challenging for them to match the items. In this case, they just checked the source documents in order to verify the breakdown or other details of the items.
- 1.26 Furthermore, it was also noted that there are inventories and semi-expendables identified during record organization which were included in various PPE accounts per book, the summary of which is shown in Table 5 on the next page.

Table 5. Summary of Inventories and Semi-expendables included in various PPE Accounts

PPE Account	Acquisition Cost (In Philippine Peso)	Accumulated Depreciation (In Philippine Peso)
Other Equipments (240-005)	801,888.20	(721,699.38)
IT Equipments & Software (223-000)	689,143.20	(620,228.88)
Office Equipments, New Account No. (221-000)	201,234.07	(181,110.66)
Fixtures (222-000)	69,340.00	(62,406.00)
Handtools (240-001)	227,327.46	(204,594.71)
Motor Vehicles, Land Transportation Equipments and Accessories (241-000)	269,959.17	(135,323.25)
Telegraph, Telephone, Cable, Radio & TV Equipment (229-000) Communication Equip	80,004.90	(72,004.41)
Total	2,338,897.00	(1,997,367.30)
Net Carrying Amount		341,529.70

- 1.27 The capitalization of these inventories and semi-expendables does not align with the definition of PPE, resulting in the overstatement of the related PPE accounts at a net book value of ₱341,529.70, when it could have been expensed upon issuance.
- 1.28 In conclusion, the remaining discrepancies, until corrected or adjusted, will affect the reliability of the financial records. Such inconsistency is contrary to Section 111(2) of Presidential Decree No. 1445 in the keeping of accounts, as mentioned previously, which states that *the highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.*
- d. Unserviceable properties with acquisition cost per RPCPPE of ₱753,343,553.67 remain undisposed contrary to Section 79 of P.D. No. 1445. Relatively, no impairment was recognized for the latter, pending disposal, while de-recognition of disposed properties with acquisition cost of ₱151,671,828.02 is yet to be undertaken, subject to verification if still in the books. Nonetheless, the non-recognition of impairment loss and non-derecognition of the disposed assets, if any, overstated the PPE account balance.**
- 1.29 Review of the ledgers of various PPE accounts as at year-end showed no de-recognition of disposed properties or recognition of impairment loss. Relative to prior year's recommendation on the disposal of unserviceable properties, the PPMD verified that no disposal was conducted yet on the related accounts as the list of the items was still being evaluated and appraised by the Engineering Department. Consequently, since the appraisal is on-going, no impairment loss was recognized yet as well.
- 1.30 Based on the RPCPPE as of December 31, 2024, the updated value of properties identified as unserviceable were as follows:

Table 6. Unserviceable Properties based on the RPCPPE

Property Account Code	Account Name	Acquisition Cost (In Philippine Peso)
207-001	Office Equipment	783,051.14
207-005	Firefighting Equipment and Accessories	2,240,865.00

Property Account Code	Account Name	Acquisition Cost (In Philippine Peso)
214-001	Motor Vehicles, Land Transportation Equipment and Accessories	121,144,738.81
208-001	Medical, Dental and Laboratory Equipment	5,042,865.58
216-001	Watercraft and Appurtenances	1,463,350.00
217-001	Airport Equipment	37,623,492.00
225-001	Handtools	309,683.07
225-003	Electrification Equipments	3,455,715.06
225-004	Security Equipments	5,795,105.99
225-015	Other Equipments	2,868,984.39
225-016	Other PPE – Fully Depreciated Equipments	559,948,666.11
207-002	IT Equipment and Software	9,929,379.75
207-004	Communication Equipment	2,737,656.77
Total		753,343,553.67

- 1.31 Since reconciliation is on-going between the PPMD and accounting records, the corresponding amount of the above items in the books, and whether they are recorded therein, is still subject for validation.
- 1.32 Meanwhile, until the disposal of the unserviceable properties is pursued as prescribed under Section 79 of Presidential Decree (P.D.) No. 1445¹, the subject items will remain to be exposed to further deterioration that may result to a decrease in value, and to the risk of theft or pilferages, especially if not stored properly in a secure location. COA-DBM Joint Circular No. 2024-01 dated January 30, 2024 prescribed the guidelines on the disposal of government properties.
- 1.33 In addition, the PPE account and the Retained Earnings will stay overstated for an amount equivalent to the difference between the carrying amount and the appraised value should no provision for impairment loss is recognized prior to disposal.
- 1.34 Section 1 of IAS 36 on Impairment of Assets states that:
- Xx. An asset is carried at more than its recoverable amount if its carrying amount exceeds the amount to be recovered through use or sale of the asset. If this is the case, the asset is described as impaired and the Standard requires the entity to recognize an impairment loss. Xx*
- 1.35 On the other hand, the team gathered the updated list of properties reflected in the RPCPPE as “disposed”, under the column of inventory status or remarks, which may

¹ Section 79. When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefore, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.

still be recorded in the books since the no de-recognition has been taken up yet in CY 2024 as recommended in prior year's observation, as shown below:

Table 7. Summary of Disposed Properties per RPCPPE but May still be recorded in the books

Property Account Code	Account Name	Acquisition Cost (In Philippine Peso)
208-001	Medical, Dental and Laboratory Equipment	534,272.73
216-001	Watercraft and Appurtenances	909,000.00
217-001	Airport Equipment	234,300.00
225-001	Handtools	91,649.75
225-004	Security Equipments	299,000.00
225-016	Other PPE – Fully Depreciated Equipments	149,202,408.17
	Other PPE – Fully Depreciated Equipments**	401,197.37
Total		151,671,828.02

***The reflected inventory status is "donated"*

- 1.36 Per PPMD, the documentation or list related to the above disposed properties was already prepared and ready for transmittal to the Accounting Department for their de-recognition. Nonetheless, if all or some of the above were verified to be still recorded in the books, the corresponding amount, aside from the non-recognition of impairment loss for unserviceable properties, also overstated the ending balance of the respective PPE account.
- e. The cost incurred to date as recorded in the Construction in Progress (CIP) account was understated due to unrecorded accruals as of year-end for some projects which are on-going and completed, in the absence of details or documents to be accrued.**
- 1.37 Comparison of records per books and the submitted Monthly Projects, Programs and Activities (PPAs) by implementing offices disclosed that there are projects which are on-going or already completed but whose accrual as of year-end were not taken up in the books.
- 1.38 A Memorandum dated October 29, 2024 was issued by the Accounting Department to all concerned SBMA officials and employees regarding the year-end closing of the books of accounts for CY 2024. The memo requires the submission of all transactions in order to be recorded in the books, one of which is the accrual of percentage completed for infrastructure projects.
- 1.39 Per verification, there are a few details which were not submitted to the department for accrual but were, nonetheless, recorded by accounting based on their NCA requests for NG funded projects while there are also projects not yet taken up at all due to the absence of the required documents. Further, some projects may be included in the submitted list for accrual, but the specific line item of the respective project showed no amount to be accrued.
- 1.40 It should be noted that CIP should be accrued at year-end, even if there hasn't been a billing, to accurately reflect the costs incurred for ongoing projects based on verified actual work accomplishment, as these costs represent an asset until the project is completed. Non-accrual of the same may defeat the definition laid out in Annex C of

COA Circular No. 2020-002 dated January 28, 2020 on the usage of the Construction in Progress account, to wit:

Account Title *Construction in Progress – Land Improvements*
Account Code *10698010*
Normal Balance *Debit*
Description *This account is debited to recognize the accumulated cost or other appropriate value of land improvements which are still in the process of construction or acquisition. This account is credited upon reclassification to the appropriate land improvements account upon completion, and/or adjustments.*

Xxx

Account Title *Construction in Progress – Buildings and Other Structures*
Account Code *10698030*
Normal Balance *Debit*
Description *This account is debited to recognize the accumulated cost or other appropriate value of buildings and other structures which are still in the process of construction or development. This account is credited upon reclassification to the appropriate buildings and other structures account upon completion, and/or adjustments.*

- 1.41 More so, the Authority adopts the accrual basis of accounting in the preparation of Financial Statements, which was defined in Item 22 of Philippine Financial Reporting Standards (PFRS) Framework as follows:

In order to meet their objectives, financial statements are prepared on the accrual basis of accounting. Under this basis, the effects of transactions and other events are recognized when they occur and they are recorded in the accounting records and reported in the financial statements of the periods to which they relate. Financial statements prepared on the accrual basis inform users not only of past transaction involving the payment and receipt of cash but also obligations to pay cash in the future and of resources that represent cash to be received in the future. Hence, they provide the type of information about past transactions and other events that is most useful to users in making economic decisions.

- 1.42 A summary of projects whose accrual as of December 31, 2024 were not taken up in the books is listed below:

Table 8. Summary of Projects with 100% Completion per Report on PPAs but No Accrual for the Full Contract Amount

Project	Report on PPAs		Computed Cost to Date Based on % of Completion (In Philippine Peso)	CIP Amount per Books as of December 31, 2024 (In Philippine Peso)	Variance (Estimated Amount for Accrual) (In Philippine Peso)	Remarks
	Contract Amount (In Philippine Peso)	% of Completion				
Boton Road Network	15,108,118.12	100.00%	15,108,118.12	14,331,966.26	776,151.86	1st to 3rd billing (last

Project 2022 (PMO)						billing covers until November 10, 2023; JEV dated 3/08/2024
Detailed Engineering Design and Construction of New Magsaysay Bridge (ENG)	12,779,988.78	100.00%	12,779,988.78	10,689,518.40	2,090,470.38	1st to 6th billing (last billing covers until July 2021; JEV dated 12/31/2024)
Road Rehabilitation Project 2023 (PMO)	100,429,475.17	100.00%	100,429,475.17	90,390,292.00	10,039,183.17	1st to 3rd billing (last billing covers until September 6, 2024; JEV dated 12/19/2024)
Total Variance					12,905,805.41	

Table 9. On-going Projects Without Accrual from the Date of Last Billing up to Year-End

Project	Report on PPAs		Computed Cost to Date Based on % of Completion (In Philippine Peso)	CIP Amount per Books as of December 31, 2024 (In Philippine Peso)	Variance (Estimated Amount for Accrual) (In Philippine Peso)	Remarks
	Contract Amount (In Philippine Peso)	% of Completion				
Construction of Magsaysay Bridge (PMO)	393,115,271.30	94.02%	369,606,978.08	321,424,449.11	48,182,528.97	1st to 9th billing (last billing covers until April 15, 2024; JEV dated 12/14/2024)
Renovation and Upgrading of Bldg No. 280 (ENG)	61,639,090.23	60.00%	36,983,454.14	27,955,146.23	9,028,307.91	1st to 3rd billing (last billing covers until September 3, 2024; JEV dated 12/19/2024)
Repair and Rehabilitation of Aircraft Pavement at Charlie Taxiway, Southwest and Boton Apron (Airport)	191,847,975.25	35.47%	68,048,476.82	68,052,288.91	0.00	As of April 20, 2024 only, per 1 st progress billing; JEV dated 12/19/2024; no submitted Report on PPAs as of December 31, 2024.
Total Variance					57,210,836.88	

Table 10. On-going Projects With No Records Yet in CIP Account

Project	Report on PPAs		Computed Cost to Date Based on % of Completion (In Philippine Peso)	CIP Amount per Books as of December 31, 2024 (In Philippine Peso)	Variance (Estimated Amount for Accrual) (In Philippine Peso)	Remarks
	Contract Amount (In Philippine Peso)	% of Completion				
Construction of Slope Protection at Zambales Highway (ENG)	5,295,089.64	1.19%	63,011.57	0.00	63,011.57	No disbursements yet. NTP receipt is on November 4, 2024.
Construction of Overhead Water Tank with Pump System (PMO)	3,110,600.23	77.78%	2,419,424.86	0.00	2,419,424.86	No disbursements yet. NTP receipt is on October 7, 2024
Rehabilitation of Fender System at Boton Wharf (Seaport)	63,174,124.88	94.01%	59,389,994.80	0.00	59,389,994.80	Advances to contractors only. NTP receipt is on February 9, 2024. As of July 31, 2024 only; no submitted Report on PPAs as of December 31, 2024. At 100% completion as of January 31, 2025 submitted Report on PPAs.
Rehabilitation of Port Facilities and Navigational Equipment: Illumination of Leyte Wharf (Seaport)	12,019,996.72	No details in submitted Report on PPAs as of July 31, 2024	Cannot be determined	0.00	Cannot be determined	No disbursements yet. NTP receipt is on December 4, 2024 No submitted Report on PPAs as of

Project	Report on PPAs		Computed Cost to Date Based on % of Completion (In Philippine Peso)	CIP Amount per Books as of December 31, 2024 (In Philippine Peso)	Variance (Estimated Amount for Accrual) (In Philippine Peso)	Remarks
	Contract Amount (In Philippine Peso)	% of Completion				
						December 31, 2024.
						At 9.67% completion as of January 31, 2025 submitted Report on PPAs.
Repair & Maintenance of Various Tourism Facilities (MTD)	5,607,502.22	0.00%	0.00	0.00	0.00	No disbursements yet. NTP receipt is on September 27, 2024.
						As of September 30, 2024 only; no submitted Report on PPAs as of December 31, 2024
Total Variance					61,872,431.23	

1.43 Contrary to the objective of accrual accounting, the non-recognition of the accumulated cost of these projects based on verified actual physical accomplishment or Statement of Work Accomplished as at year-end, understated the value of the asset account and affected its completeness and accuracy.

1.44 In summary, the foregoing audit observations rendered the reported year-end balances of PPE and other affected accounts unreliable; to wit:

Table 11. Summary of Misstatements involving PPE Accounts (In Philippine Peso)

Deficiencies Noted	Property, Plant and Equipment (PPE) over statement/ (understatement)	Retained Earnings over statement/ (understatement)	Other Account over statement/ (understatement)
Inclusion of leasable land	13,933,376,379.20	0.00	(13,933,376,379.20) Investment Property

Deficiencies Noted	Property, Plant and Equipment (PPE) over statement/ (understatement)	Retained Earnings over statement/ (understatement)	Other Account over statement/ (understatement)
Inclusion of inventories and semi-expendables	2,338,897.00	(341,529.70)	(1,997,367.30) Accumulated Depreciation
Net Effect	13,935,715,276.20	(341,529.70)	(13,935,373,746.50)

1.45 This is a reiteration with additions and modifications of the last year's audit.

1.46 **We recommended and Management agreed to undertake the following courses of action:**

Land

- a. Pursue the procurement of the Perimeter Boundary Survey to establish the precise land area of the Authority;
- b. Proceed with the hiring of a Property Appraiser in due course to determine the fair value of the land and other unrecorded facilities at present;
- c. Reclassify the value of the leasable land to Investment Property;

Fixed Assets

- d. Continuously enhance current records through assignment of common tagging by way of Unique Property Identification System for all fixed assets including land improvements and infrastructure assets, for reconciliation purposes;
- e. For the Accounting Department (AD) and LADD to establish active coordination on new fixed assets to be recognized in the books, in terms of classification as to fixed or partly movable, the amount, and the presentation or itemization in the subsidiary ledger or LADD monitoring report so that records would be consistent and information adequate if needed (i.e. real-time sharing of monitoring reports between the two for check and balance);

Movable Assets

- f. Complete the reconciliation of movable properties especially those with noted variances between the Accounting and PPMD records taking into account the output (actual and existing properties) from the completed wall-to-wall inventory;
- g. Validate and de-recognize in the books of account the identified inventories and semi-expendables with total carrying amount of ₱341,529.70;

Unserviceable Properties and Disposed Properties

- h. Complete the valuation or appraisal on the related unserviceable properties for purposes of disposal or impairment recognition;**
- i. Pursue the disposal of various unserviceable properties in accordance with COA-DBM Joint Circular No. 2024-01 dated January 30, 2024;**
- j. Pending disposal, recognize any impairment loss relative to the appraised value of the unserviceable properties, if necessary;**
- k. Validate in the books and de-recognize the amount disposed per RPCPPE with acquisition cost of ₱151,671,828.02;**

Construction in Progress

- l. For the Accounting Department to include all implementing units on their year-end memorandum on closing of books, in the requirement to submit documentations for accrual of percentage completed on infrastructure projects to continuously recognize accumulated cost or other appropriate value of any project based on submitted documents; and**
 - m. For the Engineering, PMO, Airport, Seaport, and Maintenance Department to ensure that all projects being implemented with reference to what were reported in the Enhanced Consolidated GPPAs, shall be submitted with details for accrual to Accounting as at year-end, for the total cost incurred to date (i.e. submission to Accounting of summary report of verified physical accomplishments on all projects implemented by the office or the projects' SWA as of December 31, 2024).**
- 1.47 The Authority concurred with and accepted all the recommendations. They also provided updates regarding the Land Asset Development Department (LADD)'s ongoing accomplishments and compliance efforts.
- 1.48 The PPMD is in the process of reconciling and validating the records between the Accounting Department and the PPMD. The PPMD is taking into account the output from the completed wall-to-wall inventory to ensure that the actual and existing properties reflected address discrepancies properly.
- 1.49 The Accounting Department has reclassified under JGL-25-03-000249 properties with Net Book Value of ₱133,822.97. Based on Accounting records items amounting to Net Book Value of ₱158,355.91 was already derecognized under JV-2022-12-000447 and items amounting to Net Book Value of ₱49,350.82 derecognize under JV-2000-12-207, JV-2000-08-142 and JV-97-08-036. The file submitted by PPMD was not updated.
- 1.50 The list of unserviceable properties for appraisal submitted to the Engineering Department signifies commencement of the step-by-step disposal process.

- 1.51 The Authority will ensure that the disposal of unserviceable properties is carried out in strict compliance with the provisions outlined in COA-DBMA Joint Circular No. 2024-01, dated January 30, 2024.
- 1.52 After the appraisal process is complete, the PPMD will thoroughly scrutinize the items to acknowledge impairment losses when appraised values apply.
- 1.53 The PPMD will submit the required document to the Accounting Department for validation of the identified disposed items and ensure that any related acquisition costs are de-recognized from the books of account as per the required procedures.
- 1.54 The year-end memorandum on closing of books included e-submission of project completion report. For the year 2025 Airport Department, Seaport Department and Maintenance and Transportation Department will be included as recipient of the said memorandum per Accounting Department reply.
- 1.55 The Authority will make sure of their compliance to the year-end submission to the Accounting Department relative to their memorandum on closing of books pertaining to the accruals of percentage completed on infrastructure projects.
- 2. The reliability of the Investment Property account balance, totaling ₱5,311,088,366.43 as of December 31, 2024, is uncertain due to the a) misclassification of communication and other equipment amounting to ₱327,418,074.93 under Investment Property-Port Development, including various inventories and semi-expendables; b) unrecorded properties that are available for lease; c) unverified beginning balance of the Investment Property account; and d) leasable land still classified under Property Plant and Equipment (PPE) which is inconsistent with International Accounting Standards (IAS) 40 and COA Circular No. 2020-002 dated January 28, 2020.**
- 2.1 SBMA is mandated to develop, acquire, own, lease, operate and maintain essential infrastructure and utilities, either independently or through various arrangements such as contracts, franchises, licenses, permits, bulk procurement from the private sector, build-operate-transfer schemes, or joint ventures. These activities are carried out in coordination with local government units and relevant national agencies, and must comply with applicable laws. In fulfillment of this mandate, SBMA generates revenue by leasing its land and buildings, which contribute 54% to the Authority's total Service and Business Income.
- 2.2 Paragraph 5 of International Accounting Standard (IAS) 40 which pertains to Investment Property, states:
- Xxx
- Investment property is property (land or a building-or part of a building-or both) held (by the owner or by the lessee as a right-of-use asset) to earn rentals or for capital appreciation or both, rather than for:*
- a. use in the production or supply of goods or services or for administrative purpose; or*

b. sale in the ordinary course of business.

- 2.3 As of December 31, 2024, the Investment Property Account showed a total carrying amount of ₱5,311,088,366.43, presented as follows:

Account	Amount (In Philippine Peso)
Investment Property-Buildings	6,162,498,764.40
Accumulated Depreciation	5,360,628,792.81
Carrying amount	801,869,971.59
Investment Property-Port Development	8,163,253,680.19
Accumulated Depreciation	3,654,035,285.35
Carrying amount	4,509,218,394.84
Total	5,311,088,366.43

- a. **Misclassification of Communication and Other Equipment under the Investment Property-Port Development account with carrying amount of ₱327,418,074.93, including various inventories and semi-expendables**

- 2.4 The Investment Property-Port Development account, increased from ₱7,777,505,480.19 in CY 2023 to ₱8,163,253,680.19 in CY 2024. This increase is attributable to the transfer of communication and other equipment from PPE account to Investment Property account. However, these items were procured to support SBMA's operational services and do not meet the criteria for classification as investment property under IAS 40. The breakdown is as follows:

Table 13. Summary of Equipment transferred from PPE Account to Investment Property Account

Program/Project	PPE Account	Cost (In Philippine Peso)	Accumulated Depreciation (In Philippine Peso)	Net Book Value (In Philippine Peso)
Airport Automated Weather Observation System (AWOS)	Communication Equipment	50,788,890.00	30,557,982.03	20,230,017.97
Traffic Control System (2 units)	Communication Equipment	4,709,630.00	2,136,994.60	2,572,635.40
Traffic Control System (2 units)	Communication Equipment	4,702,680.00	2,133,841.05	2,568,838.95
Installation of one (1) traffic lights and four (4) upgrades	Communication Equipment	10,844,000.00	4,312,406.21	6,531,593.79
Traffic Control System (2) New Installation/2 Upgrades)	Communication Equipment	12,125,000.00	1,151,874.96	10,973,125.04
Upgrading of Vessel Traffic Management System	Communication Equipment	233,000,000.00	9,222,917.50	223,777,082.50
Dredging Equipment	Other Equipment	69,578,000.00	8,813,218.72	60,764,781.28
Grand Total		385,748,200.00	58,329,235.07	327,418,074.93

- 2.5 An inquiry with the Accounting personnel disclosed that the equipment, forms part of the Port Development Project, thus reclassified to Investment Property-Port Development.
- 2.6 Furthermore, review of the Investment Property-Port Development account includes inventories and semi-expendables, which are not allowed under IAS 40 and COA Circular No. 2020-002. These standards define allowable classifications strictly as Investment Property-Land and Investment Property-Building.
- 2.7 Paragraph 7 of the same IAS states:

Investment property is held to earn rentals or for capital appreciation or both. Therefore, an investment property generates cash flows largely independently of the other assets held by an entity. This distinguishes investment property from owner-occupied property. The production or supply of goods and services (or the use of property for administrative purposes) generates cash flows that are attributable not only to property, but also to other assets used in the production of supply process. Xxx

- 2.8 Additionally, Annex C of COA Circular No. 2020-002 dated January 28, 2020, Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019) defines the following accounts:

*Account Title: Investment Property, Land
Account Code: 10501010
Normal Balance: Debit
Description: This account is debited to recognize the cost of land or part of a land held by the owner (or by the lessee under a finance lease) to earn rentals on a commercial basis or for capital appreciation or both. This account is credited upon sale, losses, reclassification/transfer to other property, plant and equipment or inventory account, other disposals, and /or adjustments.*

*Account Title: Investment Property, Buildings
Account Code: 10501020
Normal Balance: Debit
Description: This account is debited to recognize the cost of building or part of a building held by the owner (or by the lessee under a finance lease) to earn rentals on a commercial basis or for capital appreciation or both. This account is credited upon sale, losses, reclassification/transfer to other property, plant and equipment or inventory account, other disposals, and/or adjustments.*

b. Unrecorded Leasable Properties

- 2.9 The Audit Team requested from Land and Assets Development Department (LADD) the list of available properties for lease detailed in Table 14 on the next page:

Table 14. List of Available Properties for Lease

Location	Area	
	Lot (sqm)	Building(sqm)
		B-418 (1,755 sqm.)
		B-419 (2,170 sqm.)
		B-420 (448.51 sqm.)
		B-421 (PORTION: 741.30 sqm.)
1. Time Square Plaza	23,673 sqm.	
2. Bldg. 640 Sampson Road	4,934 sqm.	3,983 sqm.
3. Bldg. 332-A Sampson Street	525 sqm.	327 sqm.
4. Bldg. L-8 Quezon Street	289 sqm.	100 sqm.
5. Blk. 31 Waterfront Road	10,512 sqm.	-
6. Former Crystal Tours	510 sqm.	-
7. Bldg. 304 Canal Road	2,500 sqm.	904 sqm.
8. Lots 11-16 Greenwood Park	1,215 sqm.	-
9. Bldg. 1124, Lot 28, Blk. D	4,400 sqm.	539 sqm.
10. Bldg. 1042 and Surrounding Lot	1,367 sqm.	700 sqm.
		(G/F) 400 sqm
11. Bldg. SPC-1 Causeway Road	1,100 sqm.	(2/F) 400 sqm.
12. Lot 1 Boton Road	1,500 sqm.	-
13. Former Nile Nigata	1,800 sqm.	24 sqm.
		B-8271 (1,856 sqm.)
		B-8269 (1,916 sqm.)
		B-8267 (1,916 sqm.)
14. Former Days Inn	9,200 sqm.	B-8265 (1,916 sqm)
		6,004 sqm. (consisting of 48 cuonset bldg..)
15. Former Tourism Complex	53,000 sqm.	4,375 sqm. (compromising of 15 cuonset huts)
16. Former Treetop Adventure Park	50,268 sqm.	1,426 sqm. (2-Storey)
17. Former Triboa Property	2,000 sqm.	B-5146 (Swimming pool) 454 sqm.
		B-5147 (Bath house) 261 sqm.
		Pavillon 164 sqm.
		Pump rm with office 128 sqm.
18. Kalayaan Swimming Pool	-	2,270 sqm. (consisting of several buildings)
19. El Kabayo Riding Stable	118,400 sqm.	1,120 sqm.
20. Bldg. 8344 and Surrounding Lot	1,785 sqm.	-
21. Former SBSSI	6,500 sqm.	Admin Bldg. (2,699 sqm.)
22. Former Aces Bldg., Group 5	9,480 sqm.	Bunker 2507 (53 sqm.)
23. Lots 10, 11, 12, 13, 14 th St.	8,598 sqm.	-
		Office (45 sqm.)
24. Lots 15-16, 14 th St.	2,819 sqm.	Shed (400 sqm.)
25. Lots 1-2, 14 th St.	4,875 sqm.	-
26. Bldg. 8120, Lots 6-A, 6-B, 6-C,6-E, Portion of 4-G	24,227 sqm.	B-8120 (10,916 sqm.)
27. Former Pobc Lot	2,000 sqm.	B-8230B-8120 (370 sqm.)
28. Bldg. 8584, Lot 1	1,439 sqm.	-
29. Bldg. 8119, Lot 5	1,551 sqm.	307 sqm.
30. Redondo Peninsula District	21,800,000 sqm.	228 sqm.
Total	22,139,955 sqm	

2.10 The department identified 30 available properties for lease for CY 2024. However, these properties have not yet posted on the website as recommended in the previous year, pending approval from the head of the Authority. The available lots totalling of 22,139,955 square meters (sqm) along with the associated buildings, also remain unrecorded under Investment Property.

- 2.11 It is worth noting that some of these expired, terminated, or taken-over lease properties have associated development commitments and have not yet been valued for proper recording.
- 2.12 In last year's audit, the Audit Team recommended several measures to address the noted gaps in the existing process for transferring expired/terminated leases. These included enhancing coordination among concerned departments and standardizing procedures for the turn-over of such properties including their valuation and proper recording.
- 2.13 In addition, the Audit Team also noted the segmented monitoring of Lease Agreements with Developmental Commitments which contributes to the non-recognition of certain Investment Properties. To address this, the team recommended a centralized monitoring system by upgrading the Subic Bay Freeport Business Registration System (SBFBRs).
- 2.14 However, based on our validation none of these recommendations have been implemented. The Authority explained that the procedures are still under review by the Business Investment Group (BIG) prior to implementation. Regarding the centralized monitoring and upgrading of SBFBRs, the BIG stated that these are pending implementation subject to the approval and adoption of the new process. Moreover, as of CY 2024, no appraiser has been engaged to conduct the required valuations.

c. Unverified beginning balance of Investment Property account

- 2.15 The previous year's audit noted that the LADD had not verified the beginning balance of the IP account to confirm the existence of the assets.
- 2.16 This year, only 340 out of the 1,566 line items representing ₱2,613,827,599.36 or 22% of the IP-Building account were confirmed in the PPE inventory, tagged as investment property.
- 2.17 As mentioned in the PPE observation, the wall- to-wall inventory of various lots and buildings is still in progress, with approximately 40% completed. As a result, the reconciliation between the physical count and accounting records, as well as the full verification of the beginning balance of the IP account, remains pending.

d. IP-Land misclassified under PPE- ₱13,933,376,379.20

- 2.18 As noted in our observation on Property, Plant and Equipment (PPE), the land remained recorded under the PPE account in the Trial Balance for CYs 2023 and 2024 amounting to ₱14,982,125,138.93. However, it was previously identified that 13,600 hectares, or 93% (₱13,933,376,379.20) of this land, are leasable rather than owner-occupied, thus should be recorded as Investment Property in compliance with Paragraph 5 of IAS 40 on Investment Property.
- 2.19 In summary, the audit observations discussed have affected the reliability of the year-end balances reported for the Investment Property account and other related account, as detailed in Table 15 on the next page:

Table 15. Summary of Misstatements involving Investment Property Account

Deficiencies Noted	Investment Property over statement/ (understatement) (In Philippine Peso)	Other Account over statement/ (understatement) (In Philippine Peso)
Inclusion of communication and other equipment	385,748,200.00	(385,748,200.00) Property, Plant and Equipment
Misclassified leasable land	(13,933,376,379.20)	13,933,376,379.20 Property, Plant and Equipment
Net Effect	(13,547,628,179.20)	13,547,628,179.20

2.20 This observation is a reiteration with addition and modification of the last year’s audit.

2.21 **We recommended and Management agreed to undertake the following courses of action:**

a. **For the Accounting Department:**

- **Reclassify the communication and other equipment erroneously recorded under Investment Property to the appropriate PPE accounts;**
- **Review the composition of the Investment Property-Port Development account and reclassify items that do not qualify under IAS 40; and**
- **Draw the journal entries recognizing the unrecorded Investment Properties.**

b. **For the Business Investment Group:**

- **Ensure that the list of available land/property for lease is regularly updated and posted to the Authority’s website with corresponding rates or base rents;**
- **Finalize and implement standardized procedures for the turnover and monitoring of expired or terminated lease properties;**
- **Develop and implement a centralized monitoring system accessible to all concerned departments such as integration of the Subic Bay Freeport Business Registration System (SBFBRs) allowing transparency and real time updates;**
- **Create/amend a policy that will define the accountability for the monitoring of the development commitment.**

c. **Engage a qualified appraiser to conduct valuation of the unrecorded leasable properties; and**

d. **Accelerate the completion of the wall-to-wall inventory and ensure that all assets are reconciled with LADD and Accounting records.**

2.22 The Authority particularly the Accounting Department concurred with the recommendations. They already reclassified the communication and other equipment

- erroneously recorded under Investment Property to the appropriate PPE Account under JGL-25-03-00252 dated March 27,2025. Also, they will draw the necessary journal entries upon endorsement of LADD the amount for booking.
- 2.23 The LADD shall ensure that the list of available land or property for lease is regularly updated and posted on the SBMA website every quarter. In coordination with the Business and Investment Department (BID), LADD shall convene to establish and implement standardized procedures for the turnover and monitoring of expired or terminated lease contracts. LADD currently utilizes the Asset Management System (AMS) and Google Workspace, which can be integrated and shared with concerned departments to enhance coordination and accessibility. It will also continue its role in recording the development commitment of locators. Policy amendments to clearly define accountability will be coordinated with the relevant departments.
- 2.24 LADD will conduct a market study to identify potential service providers and determine the procurement process for engaging a qualified property appraiser. This initiative is subject to funding under the 2026 budget allocation. The appraisal will cover the fair market value of unrecorded land and related facilities.
- 2.25 The wall-to-wall inventory is currently 60% complete. LADD is actively working to reconcile all asset records in coordination with Accounting Department.
- 3. The timely recognition of receivables was compromised due to the delayed submission of Lease Agreements/Sublease Agreements (LAs/SLAs), pre-termination documents and memos/letters from various revenue centers /departments of the Authority. As a result, Receivables were understated by ₱22,917,266.89, Service and Business Income by ₱12,968,708.61, Retained Earnings by ₱658,798.75 and Deferred Credits/Unearned Income by ₱9,289,759.53.**
- 3.1 Paragraph 1.17 of the Conceptual Framework for Financial Reporting describes the effect of the Financial Performance reflected by accrual accounting which states:
- Accrual accounting depicts the effects of transactions and other events and circumstances on a reporting entity's economic resources and claims in the periods in which those effects occur, even if the resulting cash receipts and payments occur in a different period. This is important because information about a reporting entity's economic resources and claims and changes in its economic resources and claims during a period provides a better basis for assessing the entity's past and future performance than information solely about cash receipts and payments during that period.*
- 3.2 In addition, one of the qualitative characteristics of the financial statement is reliability. To be useful, information must be reliable, and information has the quality of reliability when it is free from material error and bias and can be depended upon by users to represent faithfully that which it purports to represent or could reasonably be expected to represent. Furthermore, for information to be reliable, the financial statements must be complete within the bounds of materiality and cost. An omission can cause information to be false or misleading, thus, unreliable and deficient in terms of its relevance.

- 3.3 The late recognition of receivables and income was already an issue in prior year's Annual Audit Report (AAR). In that report, the Audit Team recommended that the Authority require the Land Asset Development Department (LADD), Business and Investment Department (BID) and other concerned departments the timely submission of duly approved contracts and pre-termination documents to the Accounting Department. It also recommended conducting regular communication and reminders to locators regarding the importance of submitting signed lease agreements on time.
- 3.4 However, an analysis of the Retained Earnings (RE) General Ledger (GL) account as of March 15, 2025, revealed a substantial amount of transactions under Receivables and Service and Business Income accounts relating to CY 2024.

Table 16. Summary of RE Transactions as of March 15, 2025 Pertaining to CY 2024 or Prior

No.	Nature/ Particulars of Journal Entries Made	Debits to RE (In Philippine Peso)		Credits to RE (In Philippine Peso)	
		Prior to CY 2024	CY 2024	Prior to CY 2024	CY 2024
1	Bills rendered to locators/residents on January 1 to March 15, 2025 inclusive of bills from PY	0.00	0.00	11,027,024.94	17,054,784.62
2	Cancellation/Adjustment of Billings	11,620,536.41	4,762,911.81	0.00	0.00
3	Amortization of Unearned Income	0.00	0.00	1,252,310.22	694,836.37
4	Adjustments for entries made in CY 2024 and PYs	0.00	18,000.57	0.00	0.00
Total		11,620,536.41	4,780,912.38	12,279,335.16	17,749,620.99
Net Effect – Understatement of Service and Business Income in CY 2024					12,968,708.61
Net Effect – Understatement of Retained Earnings in CY 2024					658,798.75

- 3.5 The above summary of entries was comprised of receivables, service and business income, and other related accounts from both divisions of Locator and Housing.
- 3.6 Further analysis of the initial records and verification from the concerned departments disclosed the following breakdown related to the Receivables, Service and Business Income, and other related accounts from Residential:

Table 17. Housing – Summary of CY 2025 RE Transactions Pertaining to CY 2024 or Prior

Nature of Journal Entries Made to RE	Debit (In Philippine Peso)	Credit (In Philippine Peso)
Bills rendered to residents on January 1 to March 15, 2025 inclusive of bills from PY	0.00	2,153,326.51
Cancellation/Adjustment of Billings	11,236,905.55	
Amortization of Unearned Income		1,947,146.59
Adjustments for Entries made in CY 2024 and PY	9,000.00	

Total Debits and Credits	11,245,905.55	4,100,473.10
Net effect on Various Account Balances in CY 2024 Financial Statement		
• Net understatement of Receivables		2,144,326.51
• Net overstatement of RE		9,984,595.33
• Net understatement of Service and Business Income		2,839,162.88
• Net understatement of Deferred Credits/Unearned Income		9,289,758.96

- 3.7 Inquiry with the Accounting Department – Billing Division II – Housing disclosed that Adjustments made to RE relating to Receivables and Service and Business Income for CY 2024 and prior years were due to:
- Late submission of contracts by the LADD before the year-end closing of books;
 - Continuing adjustment for the review of amortization of deferred credits; and
 - Adjustments based on the income recognized for the first 25 years of the contract vice the 12% rate on the extension based on the published rate.

- 3.8 On the other hand, analysis made on the initial records and verification with the concerned departments disclosed the following breakdown related to Receivables, Service and Business Income, and other associated accounts from Locators:

Table 18. Locator - Summary of CY 2025 RE Transactions Pertaining to CY 2024 or Prior

Nature of Journal Entries Made to RE	Debit (In Philippine Peso)	Credit (In Philippine Peso)
Bills rendered to residents on January 1 to March 15, 2025 inclusive of bills from PY	0.00	25,928,483.05
Cancellation/Adjustment of Billings	5,146,542.67	0.00
Adjustments for Entries made in CY 2024 and PY	9,000.57	0.00
Total Debits and Credits	5,155,543.24	25,928,483.05
Net effect on Various Account Balances in CY 2024 Financial Statement		
• Net understatement of Receivables		20,772,940.38
• Net understatement of RE		10,643,394.08
• Net understatement of Service and Business Income		10,129,545.73
• Net understatement of Deferred Credits/Unearned Income		0.57

- 3.9 Verification made with the Accounting Department – Billing Division I – Locator disclosed that the entries made to RE relating to Receivables, Service and Business Income and other accounts pertaining to CY 2024 and prior years' transactions were due to late submission of LAs/SLAs, pre-termination documents, amended lease agreements and memos/letters from the revenue centers/departments of the Authority.
- 3.10 The late recognition of CY 2024 transactions in the succeeding year is a clear manifestation that existing control measures need to be strengthened and information flow procedures need to be streamlined to ensure timely capture of accounting information from lease contracts. The reliability of a computerized accounting system is defeated if the inordinate delays in the submission of the lease contracts and their supporting documents to the Accounting Department are not addressed. The above

misstatement on account balances appearing in the Financial Statement of the Authority may be construed as serving a misleading or inaccurate information.

3.11 Moreover, the Audit Team also observed that submission of LAs/SLAs, Amendments to LAs/SLAs, Consent to the Sublease/Assignment, Co-Location Agreements and Deed of Assignment of Leasehold Rights to the Team was oftentimes delayed.

3.12 Section 3.1.1 of COA Circular No. 2009-001 dated February 12, 2009 provides that:

Within five working days from the execution of the contract by the government or any of its subdivisions, agencies or instrumentalities, including government owned and controlled corporations and their subsidiaries, a copy of the said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the Agency concerned.

3.13 The table below shows the range of days of delayed submission of contracts to the Audit Team:

Table 19. Number of Days Delayed on Contract Submission

Contracts	Period Covered	Range of Days Delayed
Lease Agreements, Sublease	January	1-604
Agreements, Consent to the	February	1-270
Sublease/Assignment, Co-location	March	1-414
Agreement, Facility Usage	April	1-165
Agreement, Deed of Assignment	May	1-227
of Leasehold Rights	June	1-925
	July	2-412
	August	1-366
	September	1-709
	October	1-186
	November	1-701
	December	1-155

3.14 The LAs/SLAs and other agreements received, came from the different divisions of the Business and Investment Department (BID) such as General Business and Investment, Leisure and Logistics. Although, some agreements were submitted on time, there were oftentimes delays in submission, ranging from months to one year, specifically for the sublease agreements.

3.15 The delayed transmittal of the duly approved contracts within the prescribed period resulted in the late examination of transactions to ascertain the validity, regularity and propriety of executed contracts by the Authority. Moreover, it precluded the Audit Team from conducting timely and efficient review of the contracts within the prescribed period.

3.16 This is a reiteration of the last year's audit with modification.

3.17 We recommended and Management agreed to:

- a. **Strengthen existing control measures to ensure timely compliance by locators with the requirements set forth, so as not to hinder the Authority's business processes related to pre-termination, new contracts (LAs/SLAs, etc.), renewals and amendments; and**

b. Submit duly approved contracts to the Audit Team within the prescribed period, in accordance with COA Circular No. 2009-001 dated February 12, 2009.

- 3.18 The Authority particularly the Business and Investment Group concurred with the recommendations. They will include the recommendation into the ongoing business process review. The LADD is exerting efforts to expedite the submission of residential contracts, particularly sublease agreements, to the Accounting Department to ensure timely and accurate billing. The Accounting Department had been issuing memoranda prior the year-end to follow up the submission of all required documents, including lease contracts, for billing/accrual purposes.
- 3.19 The LADD is proposing the Guidelines and Procedures in the Processing of Lease Proposals and Other Contract-Related Requests for Residential Condominium and Housing Units to streamline the documentation.
- 4. The reliability of the Inventory accounts balance, totalling ₱28,009,788.45 as of December 31, 2024, is doubtful due to the failure to dispose obsolete items and the lack of recognition for impairment allowances, which is inconsistent with COA and DBM Joint Circular No. 2024-1 dated January 30, 2024 and Philippine Accounting Standards (PAS) 2. Additionally, inadequate safekeeping of medical and dental supplies has led to losses amounting to ₱69,518.96.**
- 4.1 In partial adherence to last year’s audit recommendations, the Procurement and Property Management Department (PPMD) instructed all personnel in charge of the preparation of Project Procurement Management Plan (PPMP) in each department during the three budget-day Budget Forum held on May 29-31, 2024, to conduct an inventory of their supplies in preparation for the 2025 PPMP, thus preventing inventory overstocking. Furthermore, the Issuance Section of PPMD conducts a monthly cycle count of materials to ensure efficient inventory management.
- 4.2 As of December 31, 2024, the Inventory Account reflected a total balance of ₱28,009,788.45 presented as follows:

Table 20. Inventory Account Breakdown

Inventory Account	Cost (In Philippine Peso)
Medical, Dental, and Laboratory Supplies Inventory-Stocking	6,858,360.22
Maintenance Supplies Inventory-Stocking	5,093,003.02
Excess Materials Inventory from Completed Projects	952,689.16
Office Supplies and Materials- Stocking	4,017,935.33
Official Receipts	136,206.45
Official Tickets	193,462.69
Other Forms	845,713.89
Fuel, Oil & Lubricants-Stocking	2,922,138.53
Spare Parts-Stocking	6,990,279.16
Total	28,009,788.45

a. **The Authority’s prolonged delay in disposing of obsolete inventories has left the said items vulnerable to further deterioration, potentially resulting in greater losses for the government.**

4.3 The Commission on Audit (COA) and Department of Budget and Management (DBM) Joint Circular No. 2024-1 dated January 30, 2024, Revised Manual on the Disposal of Government Properties states:

2.1 The proper disposal of government properties is an equally important part of the asset lifecycle. The Philippine Government Asset Management Policy, in accordance with EO No. 292 dated July 25 1987, stipulates that all resources of the government shall be managed, expended, or utilized in accordance with laws, rules and regulations and shall be safeguarded against loss or wastage through illegal or improper disposition to ensure efficiency, economy, and effectiveness in the operations of the government.

2.2 Furthermore, systematic and timely disposal proceedings are essential to avoid further deterioration of the properties and consequent depreciation in their value. It would ensure the elimination of the continuing storage costs of the government, relieve accountable employees from unnecessary or excess accountability, and effectively decongest government offices.

2.3 The heads of agencies/offices have the authority and responsibility to ensure the judicious management of government properties and undertake the systematic disposal of propertied/supplies/materials that are already unserviceable, obsolete, or no longer needed by the agency.

4.4 In CY 2024, the Property and Procurement Management Division (PPMD) submitted a Report on the Physical Count of Supplies and Material Inventory, indicating that there were some obsolete items awaiting disposal amounting to ₱7,312,849.15, representing 26% of the total inventory.

4.5 The detailed breakdown is as follows:

Table 21. Summary of Obsolete Items for Disposal

Inventory account	Quantity	Amount (In Philippine Peso)
Office Supplies	395	363,559.84
FSC- Office Supplies	466	115,035.20
Maintenance-FSC-Hardware	1,278	36,732.00
Maintenance-FSC-Tires	12	14,920.00
Maintenance-FSC-Toiletries	43	1,830.00
Spare Parts	1,875	1,123,894.95
Spare Parts from Ecology Department	1,575	1,912,071.00
Spare Parts from Transportation Department	1,593	3,540,235.26
Excess Materials from Completed Projects	3,200	204,570.90
Total	10,437	7,312,849.15

- 4.6 The number of obsolete items/properties for disposal increased from 6,616 items, amounting to ₱5,945,213.14 to 10,437 items, amounting to ₱7,312,849.15. This is due to the inclusion of slow moving spare parts, consisting of 1,938 items valued at ₱1,157,348.67, which were noted in the CY 2023 Annual Audit Report.
- 4.7 The 14th Recyclables Collection Even (RCE), organized by the Ecology Center, was held in SBMA on April 24, 2024, for the proper disposal of waste and other unserviceable properties. However, according to PPMD personnel, only used batteries were disposed during the event, while items containing metal components were submitted to the Engineering Department for evaluation and appraisal.
- 4.8 According to the PPMD personnel, the disposal of obsolete properties will be included in the auction that will be made for unserviceable properties for CY 2025. As a result, no obsolete properties were disposed in CY 2024.
- 4.9 The prolonged delay in disposing of obsolete properties, poses safety hazards and environmental risks. As their conditions worsens, their potential resale or scrap value diminishes, leading to financial losses of the government.

b. Non-recognition of Allowance for Impairment amounting to ₱7,312,849.15

- 4.10 Obsolete properties with a carrying amount of ₱7,312,849.15 were recorded under the Inventory account without recognizing an Allowance for Impairment due to lack of appraised values, contrary to Philippine Accounting Standards (PAS) 2.

- 4.11 Paragraphs 1 and 28 of PAS/IAS 2 state that:

1. The objective of this Standard is to prescribe the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized as an asset and carried forward until the related revenues are recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

28. The cost of inventories may not be recoverable if those inventories are damaged, if they have become wholly or partially obsolete, or if their selling prices have declined. The cost of inventories may also not be recoverable if the estimated costs of completion or the estimated costs to be incurred to make the sale have increased. The practice of writing inventories down below cost to net realizable value is consistent with the view that assets should not be carried in excess of amount expected to be realized from their sale or use.

- 4.12 Also, COA Circular No. 2020-002 provides the use of the following accounts:

- *Allowance for Impairment-Construction Materials for Distribution*
- *Allowance for Impairment-Other Supplies and Materials for Distribution*
- *Allowance for Impairment-Office Supplies Inventory*
- *Allowance for Impairment-Other Supplies and Materials Inventory*

- these accounts are credited for any initial or subsequent write-down due to fortuitous events, pests and other similar infestations.

4.13 According to the Accounting personnel, for CY 2024, no appraisal amount was provided for the obsolete properties by the PPMD, thus inventory write-downs were not properly recognized for the period.

4.14 The Authority's omission in recognizing an allowance for impairment on obsolete inventories amounting to ₱7,312,849.15, resulted in the overstatement of the Inventory and Maintenance and Other Operating Expenses (MOOE) accounts in the Financial Statements.

c. The inadequate safe keeping of medical and dental supplies in the Dispensary caused damage and deterioration, making them unusable and resulting in a loss amounting to ₱69,518.96.

4.15 Sections 123 and 124 of the Presidential Decree (P.D.) No. 1445 state:

Internal control is the plan of organization and all the coordinate methods and measures adopted within an organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control.

4.16 On November 14, 2024, the Audit Team was requested for the inspection of damaged supplies presented as follows:

Table 22. Summary of Damaged Supplies

Items	Quantity	Unit Cost (In Philippine Peso)	Total Cost (In Philippine Peso)
Dental Supply:			
Gloves Small/Box	20	335.68	6,713.60
Gloves Medium/Box	20	394.48	7,889.60
Gloves Extra Small/Box	30	335.65	10,069.50
Dental Polybib/Pack	4	154.66	618.64
Facemask-Disposable	3	202.54	607.62
Earloop/Box			
Pharmacy Supply:			
Gloves Small/Box	30	731.56	21,946.80
Gloves Medium/Box	30	722.44	21,673.20
Total			69,518.96

4.17 The Audit Team noted that various medical and dental supplies were damaged due to flooding on July 24-25, 2024. These supplies had been stored in boxes placed directly on the floor of the storage room and were submerged when the dispensary flooded. Although, they have since dried out, they are no longer suitable for use, especially for medical and dental purposes, due to concerns on hygiene. Proper storage could have prevented these supplies from being exposed to floodwaters. We also observed that the storage area was disorganized. According to dispensary personnel, the boxes were left on the floor because no cabinets or shelves were provided to keep the

- supplies elevated. Additionally, the storage area is located on the ground floor and lacks water proof containers, which are essential for maintaining hygiene standards.
- 4.18 To prevent such damage, it is crucial to store patient care supplies at least five inches off the floor to protect them from contamination due to flooding or routine cleaning. Implementing proper storage solutions, such as installing cabinets and using waterproof containers, can help maintain the integrity of medical and dental supplies and ensure they remain safe for use.
- 4.19 Control involves overseeing and directing activities within an organization to prevent losses from various operational hazards, including safeguarding inventories. Effective control ensures that resources are used efficiently and assets are protected from waste, loss or misuse. The inadequate safeguarding of these medical and dental supplies resulted in a loss to the government amounting to ₱69,518.96.
- 4.20 This observation is a reiteration with addition and modification of the last year's audit.
- 4.21 We recommended and Management agreed to undertake the following courses of action:**
- a. Accelerate the disposal of obsolete inventories to prevent further deterioration in line with COA and DBM Joint Circular No. 2024-1 dated January 30, 2024;**
 - b. Adhere to PAS 2, by evaluating the inventories for impairment and recognizing the necessary allowance to reflect accurate financial positions; and**
 - c. Implement systematic organization within the storage areas, ensuring that the medical, dental and other supplies are stored in water proof containers and maintained under optimal condition to preserve their usability.**
- 4.22 The Authority concurred with the recommendation and expressed its intent to implement it once feasible. The PPMD's planned course of action depends on the completion of the assessment and evaluation of items for disposal. At present, the PPMD is prioritizing compliance with disposal guidelines, particularly for items posing potential hazards, as well as other unserviceable or scrap materials recommended for disposal. Due to time constraints in vacating the Yard facility at Building 709, the PPMD is focusing on the disposal of potentially PCB-positive transformers stored with metal components, which already been endorsed to the Engineering Department for evaluation and appraisal.
- 4.23 The Accounting Department upon receipt of the appraisal report, will recognize and record an allowance for Impairment on obsolete inventories.
- 4.24 The PHSD concurred with the recommendation such as to store patient care supplies at least five inches off the floor to protect them from contamination due to flooding or routine cleaning and implement systematic organization within storage areas, ensuring that the medical, dental and other supplies are stored in water proof contains and maintained under optimal condition to preserve their usability.

- 4.25 According to them, this happened due to the on going repair and renovation of Building 280. They lacked the proper storage areas for supplies and materials. Temporarily, their supplies and materials are stored in their Pharmacy area located in the ground floor. They did not expect that the flood waters will reach the floor that was already elevated around half a meter from street level.

B. Other Financial Related Issues

5. The reasonableness of the Traveling Expense – Foreign account of SBMA with a balance of ₱8,779,405.57 as of December 31, 2024, could not be fully ascertained due to non-compliance with the requirements and conditions set forth under Executive Order (EO) No. 77.

- 5.1 Executive Order No. 77 establishes guidelines for the authorized expenses of government officials and personnel on local and official travel, emphasizing the principle of minimum costs to the government. It standardizes allowable expenses, including travel allowances, per diems, and incidental costs, to ensure accountability, transparency, and efficiency in public spending. The order mandates that such travel serves official purposes aligned with agency mandates while adhering to budgetary limits and reporting requirements to prevent resource misuse.
- 5.2 Sections 3(a), 3(b) and 9 of the Executive Order No. 77 dated March 15, 2019 provide that:

Section 3. Authorized Official Travel

- a. *Official local or foreign travels and assignments under this Order shall cover only those which meet the following criteria: (i) it is essential to the effective performance of an official or employee's mandates or functions; (ii) is required to meet the needs of the department, agency, bureau or office, or there is substantial benefit to be derived by the State; (iii) the presence of the official or employee is critical to the outcome of the meeting, conference, seminar, consultation or any official activity to be attended; and (iv) the projected expenses are not excessive or involve minimum expenditure.*
- b. *All officials authorized to approve local or overseas travels are required, as far as practicable, to minimize travel cost. Hence, all forms of communications, such as, but not limited to teleconferencing and videoconferencing or submission of briefs and position papers, as alternatives to travel, must be explored, provided, these do not compromise national security and confidentiality of official communications.*

Section 9. Types of Foreign Travels. Foreign travels authorized under Section 3 of this Order shall refer only to those under the following categories:

- a. *International conferences or meetings to which the Philippine Government has commitments, or to undertake official missions/assignments which cannot be assigned to government officials posted abroad;*

- b. *Scholarships, fellowships, trainings, and studies abroad which are grant-funded or undertaken at minimal cost to NGAs, including SUCs, GOCCs, GFIs and LGUs; and*
- c. *(c)Invitations for speaking engagements or receiving of awards from foreign governments/institutions or international agencies/organizations as defined under international law, whether fully or partially funded by the government, upon endorsement of the DFA.*

In case of trips involving delegations, the authorized approving authority shall ensure that the number of participants is kept to the barest minimum and the role of each member in the delegation is clearly specified and justified in the travel application or proposal.

5.3 For CY 2024, the Travelling Expense-Foreign account has a balance of ₱8,779,405.57, as compared to last year's balance of ₱4,989,153.14 as of December 31, 2023. The Audit Team conducted an audit of the official foreign travel of SBMA employees from January to December 2024, as detailed below:

Table 23. Summary of Official Foreign Travels for CY 2024

Event	Venue	Purpose	Date of Travel	Participants
Seatrade Cruise Global 2024	Miami, Florida	Conference	April 8-11, 2024	Mary Jamelle A. Camba Michael Philip M. Lazaro
InnoEx 2024 Physical Fair	Hong Kong	Physical Fair and other investment meetings	April 12-19, 2024	Karen G. Magno
Business Meetings	Taipei, Taiwan	Business meetings	May 19-22, 2024	Josephine Ivy F. Alipoon Nolan T. Sudario Karen G. Magno Renato W. Lee III
21 st AANZFTA Joint Committee & Related Meetings	Auckland, New Zealand	Joint Committee and Related Meetings	May 27-31, 2024	Rhonalyn B. Balingit Karen G. Magno
132 nd Session of the International Maritime Organization (IMO) Council in London, United Kingdom; visit the Jebel Ali Free Zone Authority (JAFZA), Dubai; and attend meetings in UAE.	London, United Kingdom Dubai UAE	Conference in London; visit the Jebel Ali Free Zone Authority (JAFZA), Dubai and attend meetings	July 8-17, 2024	Karen G. Magno Regina Marie J. Buya Ronnie R. Yambao
2024 Asia Cruise Forum	Jeju, South Korea	Forum	July 10-12, 2024	Hilarion E. Abitan III Wilfredo T. Zapanta Jr. Rodel R. Mayor

Event	Venue	Purpose	Date of Travel	Participants
Benchmarking homeporting and turnaround activities for cruise ships	Singapore	Benchmarking	August 3-7, 2024	Raul F. Marcelo Michael Philip M. Lazaro Lilibeth S. Baza Mary Jamelle A. Camba
Offshore Wind Study Visit	Taipei, Taiwan	To learn more about how the offshore wind industry developed in Taiwan (Benchmarking)	August 6-10, 2024	Vicente A. Evidente Jr. Amethya Dela Llana-Koval Beatrix S. Anagaran
110 th Association Pacific Ports Annual Conference	Kaohsiung, Taiwan	Conference	August 11-14, 2024	Florence S. Basobas Anna Joy T. Quito
Central Luzon Roadshow	Seoul, South Korea	To promote Subic Bay	August 21-23, 2024	Raquel J. Delos Reyes
12 th China International Cruise Summit	Qingdao, China	Summit	August 25-30, 2024	Jonnalyn P. Caluza
Smart Digital Ports of the Future Europe 2024	Rotterdam, Netherlands	Conference	September 21-27, 2024	Martin Kristoffer F. Roman Michael Philip M. Lazaro
1 st Regional Congress on Organics and Climate	Bengaluru, India	Conference	September 23-30, 2024	Rossell L. Abuyo
Meeting with PITC Commercial Counsellor	Bangkok, Thailand	Business Meetings	September 25-29, 2024	Clareese Aila S. Nilo
Tourism Expo Japan 2024	Tokyo, Japan	To promote Subic Bay	September 26-29, 2024	Karen G. Magno Lilian O. Raguine Cheryl Mae L. Canlas
First Meeting of SBDMC Task Force on the Master Lease Agreement for Phase 2 and CUSA Fee Issues	Taipei, Taiwan	Meeting	October 17-19, 2024	Atty. Ramon O. Agregado
Internationale Tourismus Borse (ITB) Asia 2024	Singapore	To promote Subic Bay	October 23-25, 2024	Clarice P. Briones Ariel Galliguez
Philippine Freeports and Economic Zones Roadshow	Nagoya, Japan	To promote Subic Bay and participate in other investment meetings	October 27 – November 2, 2024	Regina Mae B. Oandasan Edralin V. Besmonte Maria Agnes A. Manalili

Event	Venue	Purpose	Date of Travel	Participants
World Business Outlook Awards 2024	Bangkok, Thailand	To receive award and attend business meeting	October 31- November 3, 2024	Josephine Ivy F. Alipoon Cleofe C. Espineli
Super Terminal Expo	Hong Kong	Speaking Engagement	November 4-8, 2024	Ronnie R. Yambao
38th CACCI Conference and Asia Pacific Economic Forum (AEF)	Singapore	Conference	November 10-14, 2024	Hazel B. Aguilar Edwina S. Taguiam Jannette T. Miranda Almira C. Bautista Gerry Ryan DC. Vistan
International Conference on Sea Transportation and various meetings	Washington DC, Philadelphia & New York, USA	Conference and various meetings	November 13-26, 2024	Dir. Maria Cecilia B. Bitare Jerome M. Martinez
19th AIVP World Conference	Lisbon, Portugal	Speaking Engagement	November 24- December 2, 2024	Ronnie R. Yambao

- 5.4 The Audit Team observed that official foreign travels approved by the Chairman and Administrator of SBMA included conferences, benchmarking activities, and business meetings related to trade, tourism and maritime. However, benchmarking trips, need clearer justification to show their direct relevance to the mandates of the Authority, as this purpose is not explicitly included in the guidelines. Furthermore, expos and forums attended must specify measurable outcomes to validate their substantial benefit to the Authority. Several trips involved large delegations of three to five participants, yet the specific purpose or role of each participant was not clearly determined to assess whether their presence was critical to the outcome of the meeting and conference to be attended. In cases, where one or two participants could effectively represent the delegation, the excess participants impose unnecessary costs on the Authority.
- 5.5 We noted that the Maritime Authority (MARINA) sent an invitation to the Authority to attend the 132nd Session of International Maritime Organization (IMO) Council, held from July 8 to 12, 2024 at IMO Headquarters, London, United Kingdom. According to the letter from the MARINA Administrator, nominated participants were given option to join via remote sessions. While this option would have minimized travel costs, the participants opted to attend in person, which is contrary to Section 3(b) of EO No. 77. This decision resulted in a total expenditure of ₱1,087,689.00 which could have been avoided had the participants attended remotely, leading to unnecessary expenses for the Authority. Moreover, the participants made a transit trip to Dubai from July 13 to 15, 2024, to visit Jebel Ali Free Zone. They also attended a meeting with the Abu Dhabi Ports Group in Abu Dhabi on July 16, 2024. These additional activities incurred further travel expenses for the Authority.
- 5.6 Additionally, the Audit Team determined that the daily subsistence allowance (DSA) granted to Ms. Jonnalyn P. Caluza for participating in the 12th China International

Cruise Summit 2024 in Qingdao, China on August 25-30, 2024 included accommodation for four nights. However, the invitation letter from the Organizing Committee of China International Cruise Summit (Qingdao) stated that a two night stay on board the vessel Blue Dream Melody would be provided at no cost. As a result, the DSA was overpaid.

5.7 Section 15(a) of EO No. 77 states that:

Where personnel on travel abroad, to attend international conferences or meetings or to undertake official missions or assignments, are provided by the host government with DSA and allowances lower than those prescribed in this Order, such personnel shall only be entitled to the difference.

5.8 The Cost Accounting Division admitted that they overlooked the details of the invitation and mistakenly paid the full DSA instead of the differential amount. They stated that Ms. Jonnalyn P. Caluza would be asked to refund the excess DSA to the Treasury Department. The excess DSA was refunded as per CI No. 02-900569 dated November 21, 2024.

5.9 The SBMA received the award for the “Most Sustainable Investment Hub in the Philippines 2024” at the World Business Outlook Awards 2024 in Bangkok, Thailand. It also participated in speaking engagements at the Super Terminal Expo in Hong Kong and 19th AIVP World Conference in Lisbon, Portugal. However, these activities were conducted without an endorsement from the Department of Foreign Affairs (DFA). This is contrary to Section 9 Item C of EO No. 77, which states, *“Invitations for speaking engagements or receiving of awards from foreign governments/institutions or international agencies/organizations as defined under international law, whether fully or partially funded by the government, are authorized, provided, upon the endorsement of the DFA.”*

5.10 In summary, the foreign travel expenses of the Authority highlight areas requiring immediate attention to ensure compliance with Executive Order No. 77. The lack of justification or authority for non-allowable activities, large delegations, failure to minimize costs, overpayment of allowances and engagement in unauthorized activities without proper endorsements indicate weaknesses in oversight and adherence to established guidelines. As a result, the reasonableness of the Traveling Expense – Foreign account of SBMA could not be fully ascertained.

5.11 We recommended and Management agreed to undertake the following courses of action:

- a. Ensure that all foreign travels approved by the Chairman and Administrator are authorized under Sections 3 and 9 of EO No. 77;**
- b. Explore alternative options, such as virtual participation or other cost-effective measures, before approving official travel to minimize expenses;**
- c. Ensure that the payment of allowances for foreign travels are in accordance with EO No. 77;**

- d. **Limit participation to individuals whose roles are clearly defined and vital to the success of the activity, in order to minimize expenses;**
 - e. **Require the proper endorsement from the Department of Foreign Affairs (DFA) for all foreign engagements, including awards and speaking invitations, as mandated by EO No. 77; and**
 - f. **Require participants to submit detailed post-travel reports that highlight tangible benefits to the Authority.**
- 5.12 The Authority concurred with the recommendations. The Accounting Department will continue to adhere with the provisions of EO No. 77 in processing allowances for foreign travel.
- 5.13 Further, the respective officials provided rationale/purpose of attending the said foreign travels and explained the pertinent roles of the individuals joining the delegation.
- 5.14 They also concurred with the recommendation to require the concerned department or personnel to obtain an endorsement from the DFA for invitations for speaking engagements or receiving awards and speaking invitations, as mandated by EO No. 77.
- 5.15 The concerned SBMA officials submitted narrative/accomplishment/post-travel reports detailing the key events/activities undertaken, including the accomplishments/tangible benefits derived from attending the foreign travels.
- 6. The obligation rate of 63% and disbursement rate of 6% fell significantly short of the Authority's targets of 100% and 80%, respectively. Consequently, this hindered the optimal delivery of benefits to the intended beneficiaries of these programs, activities, and projects (PAPs), due to constraints in the procurement planning and execution for Goods and Services under Capital Outlay (CO).**
- 6.1 Budgeting is an essential planning and control tool that allows government agencies to implement various Programs, Activities, and Projects (PAPs) within the bounds of approved budget appropriations, while gearing towards the achievement of their respective mandate and objectives.
- 6.2 Corollary to that, since the subject funds are for public use, they must be spent in a timely and systematic manner to deliver tangible benefits to its citizens. Likewise, a government should not only carefully plan its budget but also implement it in the most prudent and efficient way.
- 6.3 Thus, efficient and effective budget utilization plays an important role in carrying out the agency's responsibilities towards its stakeholders, because delays or issues in program implementation can have extensive consequences. Therefore, understanding the factors and learning strategies to optimize fund utilization as well as enhancing the agency's capability to effectively manage and disburse its funds while ensuring full compliance with laws and regulations will bring greater benefit to the people.

- 6.4 In the case of SBMA as an income-generating agency, the Board of Directors has the authority to approve their operating budget which will then be translated into the Department of Budget and Management (DBM) budget forms for submission to and approval of the latter. On April 22, 2024, the DBM approved the Corporate Operating Budget (COB) of the SBMA for CY 2024 in the amount of ₱6,687,199,000.00, broken down as follows:

Table 24. Corporate Operating Budget for CY 2024

Particulars	Amount (In Philippine Peso)
Personnel Services (PS)	1,156,473,000.00
Maintenance and Other Operating Expenses (MOOE)	886,914,000.00
Capital Outlays (CO)	2,827,065,000.00
Other Expenditures	1,816,747,000.00
Total	6,687,199,000.00

- 6.5 As specified in the said budget, the SBMA still has the flexibility to modify its utilization within the total DBM-approved budget level. Nonetheless, all expenditures, whether for current operating expenditures or COs, shall be made within the limits of available funds realized from corporate receipts, authorized corporate borrowings and National Government (NG) budgetary support either in the form of subsidy, equity or loans outlay.
- 6.6 An initial review was conducted on the list of PAPs for CO – Goods and Services under the original COB approved by the DBM, in comparison with the Authority's CY 2024 Final Annual Procurement Plan (APP). The details are presented below:

Table 25. Breakdown of CO – Goods and Services under COB based on the Final APP for CY 2024

Category	No. of Procurement Activities (as planned)	Estimated Budget per APP	
		Amount (In Philippine Peso)	Percentage
Goods and Services*	44	592,249,981.31	58.07%
Infrastructure	16	427,587,954.88	41.93%
Consultancy	0	-	-
Total	60	1,019,837,936.19	100.00%

**With various adjustments based on clarifications with concerned department*

- 6.7 The results of the comparison indicated variances in the list, quantity, and budgeted cost of PAPs under CO – Goods and Services of the Final APP and COB. The key discrepancies identified include the following:
- Out of the 44 planned procurement activities, five projects with estimated budget of ₱16,027,856.51, as reflected in the APP, were not allocated funding under the original COB.
 - Conversely, 39 procurement activities with a total budget allocation of ₱866,823,575.67 in the COB but were not included in the APP for CO – Goods and Services as per initial review.
- 6.8 A summary report of these discrepancies was forwarded to the concerned division for their clarification and its response is currently pending. Similarly, a request was made to the relevant department for the breakdown of the revised budget, particularly on the

related category of CO – Goods and Services, taking into account any realignment within the total DBM-approved budget level, which is also pending submission.

- 6.9 Based on the documents posted on the SBMA Transparency Seal, requested reports submitted, and other information gathered through inquiry, the budget utilization for Capital Outlay – Goods and Services for CY 2024 is presented below:

Table 26. Budget Utilization for Capital Outlay – Goods and Services for CY 2024

Year	Estimated Budget per Final APP (In Philippine Peso)	Obligations (In Philippine Peso)	Disbursements (In Philippine Peso)
CY 2024	592,249,981.31	371,195,143.81	23,798,906.00
Percentage of Obligations to Estimated Budget			62.68%
Percentage of Disbursements to Obligations			6.41%

- a. **The absorptive capacity for Goods and Services of 63% for CY 2024 did not meet the target rate of 100%**

- 6.10 The agency’s obligation rate reflects its capacity to properly utilize appropriations for the operations and implementation of agency programs. It is calculated based on the obligations incurred over the allotment issued and/or approved budget of the agency.

- 6.11 For CY 2024, the agency’s obligation rate for CO – Goods and Services is significantly below the overall target rate of 100%, which can be directly related to the efficiency of the execution of the procurement process. Generally, the agency records its obligations upon perfection of awarded contracts, but per normal occurrence as inquired, the Procurement and Property Management Department (PPMD) completes the set documents up to the issuance of Notice to Proceed (NTP) before forwarding the same to the Budget Department for recording. In this case, if the procurement process is prolonged, the longer it will also take to obligate a contract within the budget year the project’s fund is supposed to be utilized.

- 6.12 The Audit Team conducted an analysis of the procurement reports for CY 2024, encompassing the review of Final APP, Procurement Monitoring Report (PMR) as of December 31, 2024, and List of Awarded Contracts through Public Bidding and Alternative Modes of Procurement, to determine the causes of budget underspending.

- 6.13 The status of procurement of the identified PAPs in the CY 2024 Final APP under CO – Goods and Services is shown below:

Table 27. Status of Procurement of the Identified PAPs in the CY 2024 Final APP

Status of Procurement of Goods and Services	Quantity	Estimated Budget per Final APP (In Philippine Peso)	Percentage
Awarded	21	444,488,752.91	75.05%
Failed	7	89,581,237.84	15.13%
On-going	7	43,768,690.56	7.39%
No procurement status	9	14,411,300.00	2.43%

Status of Procurement of Goods and Services	Quantity	Estimated Budget per Final APP (In Philippine Peso)	Percentage
Total	44	592,249,981.31	100.00%

6.14 The following reasons were noted during the organization of information at hand and inquiry with department(s) or personnel involved:

- Taken from the resolutions of the Bids and Awards Committee (BAC), the failed biddings stemmed from reasons such as non-compliance by the bidder(s) with the technical requirement or specification as discovered during post qualification, failure of the BAC to comply with the allowable time period from submission/opening of bids, and discrepancy in approved budget cost (ABC) noted by the BAC-Technical Working Group (TWG).

Additionally, one project cited in its BAC Resolution, Section 41(c) of the Revised IRR of R.A.No. 9184 as the reason for failed bidding, that is, for any justifiable and reasonable ground where the award of the contract will not redound to the benefit of the GoP². However, no reason was specified for its cancellation in the copy of Board Resolution No. 24-09-0835 with Certification No. 24-457, s. 2024 dated September 23, 2024, even after the BAC declared the bid as the Lowest Calculated and Responsive Bid (LCRB) and recommended the award thereto, for their approval.

- As indicated in the returned report initially forwarded to PPMD for clarification, the seven on-going procurements are still at the stage of TWG technical evaluation including post-qualification as of year-end, even when the submission/opening of bids for these projects were conducted in the months of July, August, and November 2024. Looking into the procurement statuses of the biddings which remained ongoing as at year-end, it was noted that they were either started only in the 4th quarter of CY 2024 or are taking too long to award the contract from the date of submission of bids/bid opening. The team inquired with the concerned department about the situation of these projects and gathered the following:

² R.A. 9184, Revised Implementing Rules and Regulations

Section 41. Reservation Clause. The HoPE reserves the right to reject any and all bids, declare a failure of bidding, or not award the contract in the following situations:

- If there is prima facie evidence of collusion between appropriate public officers or employees of the Procuring Entity, or between the BAC and any of the bidders, or if the collusion is between or among the bidders themselves, or between a bidder and a third party, including any act which restricts, suppresses or nullifies or tends to restrict, suppress or nullify competition;
- If the BAC is found to have failed in following the prescribed bidding procedures; or
- For any justifiable and reasonable ground where the award of the contract will not redound to the benefit of the GoP, as follows: (i) if the physical and economic conditions have significantly changed so as to render the project no longer economically, financially, or technically feasible, as determined by the HoPE; (ii) if the project is no longer necessary as determined by the HoPE; or (iii) if the source of funds for the project has been withheld or reduced through no fault of the Procuring Entity

- The cut-off for the submission of purchase requests (PR) by the end-users was set in May 2024, however, there were PRs that were submitted after the cut-off that are still being accommodated by the BAC. Hence, the advertisement and posting of Invitation to Bid (IB) for these projects were extended;
- Instances where there are many bidders subject for financial evaluation and subsequent post qualification when the Lowest Calculated Bid (LCB) was post-disqualified, prolonging the awarding of contract. In such a case, the BAC is given the same fresh period to conduct the post- qualification of the next LCB/highest rated bid until a bidder is post-qualified or failure of bidding is declared³;
- The projects have been re-budgeted in CY 2025, as the corresponding contracts and obligations will be executed that year.
- The department also noted in the returned report that those appearing with no procurement statuses were inadvertently not updated/deleted in the 2nd Semester's Amended APP. As verified, these pertain to programs or projects that did not materialize as no Purchase Requests (PRs) were submitted by the end-users.

6.15 Furthermore, 17 out of 21 awarded contracts were obligated by the agency with a total contract amount of ₱371,195,143.81 detailed as follows:

Table 28. Summary of Obligated Awarded Contracts for CY 2024

Obligation of Awarded Contracts for Goods and Services	Qty	Estimated Budget per Final APP (In Philippine Peso)	Contract Amount (In Philippine Peso)	Obligations (In Philippine Peso)
Obligated	17	404,425,883.91	371,195,143.81	371,195,143.81
Pending Obligation	4	40,062,869.00	31,490,831.00	0.00
Total	21	444,488,752.91	402,685,974.81	371,195,143.81

6.16 Per PMR 2nd Sem CY 2024, the team noted that the status of procurement of the four contracts pending obligation were awarded late in the year or early the following year, subsequently delaying the obligation at their contract amount, as Budget Utilization Requests (BURs) were submitted for recording upon perfection of awarded contracts or completion of documents up to NTP.

³ R.A. 9184, Revised Implementing Rules and Regulations

Section 34.8 The post-qualification process shall be completed in not more than twelve (12) calendar days from the determination of the Lowest Calculated Bid/Highest Rated Bid. In exceptional cases, the post-qualification period may be extended by the HoPE, but in no case shall the aggregate period exceed forty-five (45) calendar days for Goods and Infrastructure Projects, or thirty (30) calendar days in Consulting Services.

In case of post-disqualification of the bidder with the lowest calculated bid/highest rated bid, the BAC shall be given the same fresh period to conduct the post- qualification of the next lowest calculated bid/highest rated bid until a bidder is post qualified or failure of bidding is declared based on Section 35.1(c) of this IRR.

- 6.17 Moreover, it was disclosed that even if some PRs were submitted earlier, discussions during pre-procurement conference prompted the identification of discrepancies or clarifications, necessitating revisions to the PR, thereby affecting the start of the procurement through advertisement and posting of Invitation to Bid (IB). Furthermore, confirmation from the budget officer revealed that the funding for these projects will be re-budgeted in CY 2025, as their contracts were perfected, and corresponding obligations will be taken up in that year.
- 6.18 From the above discussion, we can infer that ongoing and failed biddings, with the addition of unobligated but awarded contracts, dominantly contributed to the weak absorptive capacity of the agency, all of which were generally caused by the conditions during procurement execution.
- 6.19 Such other factors that collectively contribute to the timing of obligation of contracts, which if delayed, may result to a lower obligation rate, include the actual receipt of the BAC-issued notices at various stages of procurement, submission of required documents for post qualification, and other requirements such as the posting of performance security for those awarded nearing year-end.
- b. The actual disbursement rate of six percent for Goods and Services is much lower than the target rate of 80 percent set by the agency.**
- 6.20 The disbursement rate is used to measure an agency's ability to settle its obligations and utilize the allocated budget and/or released cash. It assists in determining areas where it can enhance budget utilization and project execution. The disbursement rate is calculated by dividing total disbursements by total obligations.
- 6.21 For CY 2024, the disbursement rate for CO – Goods and Services was as low at six percent from its target of 80 percent, the details of which is shown below:

Table 29. Disbursement of Obligated Contracts for Goods and Services

Disbursement of Obligated Contracts for Goods and Services	Qty	Obligations (In Philippine Peso)	Disbursements (In Philippine Peso)
Disbursed	6	23,867,906.00	23,798,906.00
No Disbursement Made Yet	11	347,327,237.81	0.00
Total	17	371,195,143.81	23,798,906.00

- 6.22 Relative to the obligated contracts with no disbursements, the domino effect of the late procurement and prolonged awarding of contracts paved way to the issuance of NTP at almost nearing the end of the year. Some other details specifically gathered on these obligated contracts without disbursement are the following:
- No delivery yet or ongoing delivery as of year-end for NTPs received in August with delivery terms of 180 calendar days (CD), and December with delivery terms of 30 CD and 180 CD. The delivery term runs from the time of receipt of NTP by the contractor or supplier.
 - One project whose NTP was received on October 9, 2024, with delivery terms of 60 CD were all delivered and accrued per JGL-24-12-000575 but was not yet paid due to on-going installation of the units.

- The accumulated days elapsed for the financial bid evaluation, issuance of notice to the LCB and their receipt, submission of documents by the LCB, the thorough verification and validation of all statements or documents submitted during post qualification, including preparation of TWG report, issuance of BAC Resolution, and approval by the Board of the LCRB, when applicable, were cited as reasons for the long gap noticed by the team from the submission of bids/bid opening and the awarding of contract. Such situations led to the NTPs' issuance and receipt near the end of the year. Consequently, delivery will also be affected as the delivery terms will start from the receipt of the NTP. Since most of the NTPs were received late in December 2024, the respective delivery periods within which the contractors or suppliers are bound to comply were also moved.

6.23 In addition to the results of the analysis of the aforementioned utilization rates, we also noted the following discrepancies during the comparison of reports:

- The APP, PMR, and Awarded Contracts List lack consistency in certain terms, particularly in the number of related PAPs, budget cost and the classification of expenditures as either CO or MOOE. Additionally, some information are missing from all three documents. Upon verification, these discrepancies were clarified and the department acknowledged that inadvertent omissions, mistakes or misclassifications occurred due to the bulk or large volume of PAPs undergoing procurement.
- The APP provides only a very general timeline for scheduling of activities such that no specific dates was included.
- Percentage of contracts awarded over the number of PAPs listed in the APP range from 51% to 78%

Table 30. Percentage of Contracts Awarded over the number of PAPs listed in the APP

Awarded PAPs	CY 2022	CY 2023	CY 2024
Number of PAPs per APP*	429	270	388
Awarded PAPs thru Public Bidding	37	22	52
Awarded PAPs thru Alternative Mode	297**	167***	147
Total Awarded PAPs	334	189	199
Percentage	77.86%	70.00%	51.29%

*Based solely on the list per Final APP and Awarded Contracts List on the Transparency Seal without any adjustment

**Adjusted count to exclude line items without awarded contract (no contract or purchase order no. and supplier name)

***Adjusted count to exclude line items with double/multiple contracts awarded for one PAP only

6.24 Overall, the quality of execution of the procurement plan directly affects the recording of obligations, and subsequently the disbursement of funds. Hence, it is important to note that in the objective of achieving higher absorptive capacity and disbursement rate, it is essential to focus first on the factors affecting the effective and efficient procurement.

- 6.25 Minimizing roadblocks in the prepared plans shall be given consideration such as the consistency in the list of PAPs, their classifications, and budget amounts which should respectively coincide with the content of the corporate budget, and the proper and predictable scheduling of the important dates in the procurement, to ensure that the basis for the execution is reliable as well.
- 6.26 Such inconsistencies in the relevant documents coupled with the lenient scheduling provided under the APP essentially played a factor in the weakened internal control or resulting difficulty with respect to the monitoring of the planned procurement as against the actual execution. In the same way, it will also be challenging to arrive with accurate utilization rates for the use of the agency if the contents of the documents vary with one another.
- 6.27 Moreover, the agency can also reflect on the number or bulk of essential PAPs being included in the APP which, in some ways, can possibly have affected the performance capacity of the agency to procure all the listed PAPs.
- 6.28 Considering its immediate effect, the intended use or output of these goods and services was constrained, deferring the benefits to the end-user, and potentially causing a cascading effect on the Authority's operations. In addition, projects being re-budgeted in the following year will be more frequent if the procurement of PAPs tends to be fiscally executed rather than within the calendar year in which they are originally budgeted.
- 6.29 If the said inconsistencies persist, increased costs may be incurred, delivery of services in a responsive manner may not be provided to the agency stakeholders, and contribution to the economic growth may be lessened.
- 6.30 We recommended and Management agreed to undertake the following courses of action:**
- a. Ensure consistency among the relevant reports in relation to the identified PAPs to be included, their classifications and budget amounts;**
 - b. Provide a more definite procurement schedule within the calendar year on the Annual Procurement Plan;**
 - c. In the planning, execution and monitoring phase of the procurement, observe the recommended earliest possible time and maximum period allowed for the procurement of goods and services under Annex C of the Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184;**
 - d. Identify programs and projects with historical trend for longer procurement timelines as well as those with anticipated delays and consider adopting Early Procurement Activities (EPA) per GPPB Circular No. 06-2019 dated July 17, 2019 for these projects, to warrant the timely delivery of goods and services, so as to mitigate the negative effects of unforeseen events that may affect the timeliness of the procurement activity; and**
 - e. Enhance risk assessment in the procurement planning and develop risk-reduction plans based on identified risks in the overall process.**

- 6.31 The Authority concurred with the recommendation. According to them, to address the inconsistencies between the Annual Procurement Plan (APP), Corporate Operating Budget (COB) and the Procurement Monitoring Report (PMR), the PPMD will work closely with the Financial Planning and Budget Department (FPBD) and other concerned departments to ensure alignment among these documents, allowing for more accurate procurement planning and execution.
- 6.32 They recognize that the lack of specific timelines in the APP has contributed to delays in procurement execution. To address this, the PPMD will implement a more structured scheduling approach that incorporates firm deadlines for each phase of procurement process. Specifically, the deadline for the submission of Purchase Request (PRs) for the current year will be set on April 30. This will allow various Bids and Awards Committees (BACs) ample time to process and evaluate procurement activities within the required time frame.
- 6.33 Additionally, the PPMD have started conducting regular meetings with Expense Account Managers and end-user departments to review and evaluate their Project Procurement Management Plans (PPMPs). This initiative ensures that they submit the correct procurement documents to the PPMD and adhere to the prescribed timeline for their respective Project Procurement requests.
- 6.34 To further improve compliance and efficiency, the PPMD will implement a digital tracking system that will notify end-user departments of upcoming deadlines and allow real-time monitoring of their procurement requests. The procurement dashboard will be developed in coordination with the management Information Service Department (MISD) to provide automated tracking, reduce paperwork delays, and enhance accountability among departments.
- 6.35 The BAC-GS expressed its appreciation for the courses of action recommended and affirmed its commitment to uphold transparent and fair procurement processes in accordance with RA No. 9184. It emphasized that while it exerted all efforts to efficiently process procurement activities within its mandate, many factors contributing to low obligation and disbursement rates-such as planning, budgeting, preparation of purchase requests, and project implementation, fall outside its responsibilities. The BAC-GS clarified that its role begins with the receipt of complete documents for pre-procurement and ends with the recommendation for the issuance of award. It also noted challenges such as failed biddings due to bidder-non compliance, the need to reinforce TWG composition to handle the project volume and the obligation to accommodate late PRs beyond the May 2024 cut-off, all while ensuring the procurement cycle is completed to avoid wastage of time and effort.
- 6.36 The PPMD will strengthen its role monitoring the procurement process to complement adherence to the specific timeframes of procurement activities set by the BACs. The PPMD will implement a real time procurement dashboard, in collaboration with the Management Information Service Department (MISD), to track procurement progress, flag potential delays, and ensure timely execution of procurement activities. They will also conduct monthly procurement performance reviews to assess adherence to schedules, identify recurring bottlenecks, and propose corrective actions. These reviews will be documented and use as basis for continuous process improvements.

- 6.37 They will adopt GPPB Circular No. 06-2019, on Early Procurement Activities (EPA), for projects identified as requiring extended procurement periods. This initiative will enable the procurement process to commence ahead of budget approval, ensuring that critical procurements are completed within the intended fiscal year. To address the failed biddings and prolonged procurement processes that led to significant project delays, the PPMD will work closely with end user departments in pre-bid assessments to ensure the completeness and accuracy of procurements documents, minimizing procedural setbacks and increasing the likelihood of successful biddings. The Financial Planning and Budget Department (FPBD) commits to continuously provide support to all departments and offices to help increase not only the budget utilization rate but also the disbursement rate of the Authority.
- 6.38 The PPMD in coordination with the BAC, the SPBD, and end user departments, will identify procurement risks early and implement appropriate mitigation strategies. A structured risk assessment framework will be established to evaluate procurement activities based on factors such as project complexity, likelihood of delay and funding availability. To further strengthen internal controls, they will integrate risk management principles into procurement planning processes, ensuring that inconsistencies in procurement documents are addressed before procurement activities commence.
- 7. Various reimbursable expenses incurred by the SBMA Board of Directors (BODs) in CY 2023 were inappropriately charged to the CY 2024 Corporate Operating Budget (COB) instead of the CY 2023 COB, which resulted in the overstatement of Other Professional Services account by ₱291,747.27 and understatement of Income by the same amount, contrary with the Conceptual Framework of Philippine Financial Reporting Standards (PFRS). Furthermore, the significant increase in BOD reimbursements for CY 2024 is not in conformity with the objectives of Executive Order No. 24, which promotes fiscal discipline and responsible government spending.**
- 7.1 Executive Order (EO) No. 24 establishes rules governing the compensation of members of the Board of Directors/Trustees in Government-Owned or Controlled Corporations (GOCCs), including government financial institutions, to promote transparency, accountability, and prudence in government spending. The order also aims to prevent excessive allowances and irregularities to promote fiscal discipline.
- 7.2 EO No. 24 defines Reimbursable Expenses as the “actual and reasonable expenses incurred by the member of the Board of Directors/Trustees in their performance of official functions which may be legally reimbursed”.
- 7.3 In addition, Section 12 of EO No. 24 provides that:
- Reimbursable Expenses – All necessary expenses of members of the Board of Directors/Trustees to attend Board and other meetings and discharge their official duties shall be paid directly by the GOCC. However, when due only to the exigency of the service and subject to the submission of receipts, it is necessary for members of the Board of Directors/Trustees to advance the same, they may be reimbursed but only for the following items incurred in the performance of official functions subject to budgeting, accounting, and auditing rules and regulations:*

- a. Transportation expenses in going to and from the place of meetings;
- b. Travel expenses during official travel;
- c. Communication expenses; and
- d. Meals during business meetings.

a. Misallocation of Prior Year Reimbursable Expenses

7.4 The Audit Team noted that various reimbursable expenses incurred by some of the Board of Directors (BOD) in CY 2023 were charged to the Corporate Operating Budget (COB) for CY 2024, amounting to ₱291,747.27, as follows:

Table 31. Summary of Reimbursements of BODs that were charged to CY 2023 COB (In Philippine Peso)

BOD	Meals	Accommodation	Fuel	Toll	Total
1. BOD-1	0.00	0.00	10,981.60	0.00	10,981.60
2. BOD-4	1,420.00	0.00	11,666.53	2,094.00	15,180.53
3. BOD-12	4,568.00	40,000.00	25,036.93	0.00	69,604.93
4. BOD-13	0.00	50,000.00	12,256.79	0.00	62,256.79
5. BOD-16	14,695.00	30,000.00	15,772.82	0.00	60,467.82
6. BOD-17	10,529.00	0.00	17,367.29	0.00	27,896.29
7. BOD-18	10,005.00	30,000.00	4,500.31	854.00	45,359.31
TOTAL	41,217.00	150,000.00	97,582.27	2,948.00	291,747.27

7.5 The reimbursements listed in the table above include expenses incurred by the Board of Directors (BODs) from October to December 2023. Since, these were submitted after the closing of the books, these reimbursements were charged to the CY 2024 COB.

7.6 This resulted in an overstatement of the accounts for Other Professional Services-Fuel (5-02-11-990-002), Other Professional Services-Travel (5-02-11-990-003) and Other Professional Services-Meals, Accommodation and other Reimbursements (5-02-11-990-004) accounts amounting to ₱97,582.27, ₱2,948.00 and ₱191,217.00, respectively and understatement of the Profit before Tax amounting to ₱291,747.27, which is not in accordance with Item 33 of the Philippine Financial Reporting Standards Framework for the Preparation and Presentation of Financial Statements, which states:

“To be reliable, information must represent faithfully the transactions and other events it either purports to represent or could reasonably be expected to represent. Thus, for example, a balance sheet should represent faithfully the transactions and other events that results in assets, liabilities and equity of the entity at the reporting date which meet the recognition criteria.”

7.7 In addition, charging of CY 2023 reimbursable expenses to the CY 2024 COB is not in accordance with the matching principle in accounting. This fundamental concept requires that income earned and expenses incurred within a given period be recorded in the same period to fairly present the actual net income/loss from operations.

b. Delayed submission of reimbursable expenses

7.8 The Audit Team also noted the recurring late submission of some reimbursable expenses by the BOD, as evidenced by the recording of prior- year expenses to the current year’s budget.

7.9 As early as 2015, the Accounting Department issued a memorandum to the BODs regarding the proper and timely submission of reimbursable expenses to ensure they are recorded in the period in which they were actually incurred. The said memo reiterated a previous directive issued in 2011 by the former Chairman as stated in Paragraph 2, item 4 of the Memorandum from the Chairman dated September 5, 2011, which stipulates that:

“Directors are requested to submit all claims for reimbursement for expenses paid during the month within the first ten (10) days of the following month with the Reimbursement of Allowable Expenses Form filled-up chronologically according to the dates indicated in the attached Official Receipts”.

7.10 The late submission of reimbursable expenses by some of the SBMA Board of Directors has led to improper budget allocation and misstated financial reports. Timely submission of claims is essential to ensure proper allocation and compliance with accounting principles.

c. Significant increase in reimbursable expenses for meals and accommodations in CY 2024, is contrary to the objectives of the Executive Order (EO) No. 24

7.11 Item a, Section 1 of EO No. 24 states that:

Section 1. Policy Considerations- Cognizant of the role of the Board of Directors/Trustees as steward of the corporation it serves and caretaker of the best interests of the people who are the true shareholders of the corporation, the rationalization of the compensation for members of the Board of Directors/Trustees in GOCCs shall be anchored on the following policy considerations of the State:

a. Promote transparency, accountability, and prudence in government spending; Xxx

7.12 A comparison of the Annual Report on Salaries and Allowances for CY 2023 and CY 2024 revealed the following significant increases:

Table 32. Comparison of Annual ROSA for CY 2023 and CY 2024

Allowances and Other Benefits	CY 2023 (In Philippine Peso)	CY 2024 (In Philippine Peso)	Increase/Decrease (In Philippine Peso)	% Inc./Dec.
Per Diem on Board and Committee Meetings	6,456,000.00	8,352,000.00	1,896,000.00	29%
Food subsidy/meal allowance/subsistence	762,027.70	1,495,915.17	733,887.47	96%
Gasoline Allowance	2,529,196.53	2,731,754.92	202,558.39	8%

Allowances and Other Benefits	CY 2023 (In Philippine Peso)	CY 2024 (In Philippine Peso)	Increase/Decrease (In Philippine Peso)	% Inc./Dec.
Transportation Allowance (Toll Fees only)	132,613.00	131,029.00	(1,584.00)	(1%)
Productivity Incentives (PBB)	1,263,751.16	905,263.10	(358,488.06)	(28%)
Accommodation	2,640,000.00	4,995,000.00	2,355,000.00	89%
Communication	320,811.08	354,833.15	34,022.07	11%
Total	₱14,104,399.47	₱18,965,795.34	₱4,861,395.87	34%

- 7.13 Analysis conducted by the Audit Team revealed that the 29% increase in per diem for Board and Committee Meetings was due to the Authority's reclassification from Category C to Category B, in accordance with the provisions of Executive Order No. 24 and as approved by the Office of the President (OP) on April 19, 2024.

Table 33. Summary of Reimbursements of the BODs for CY 2024 (In Philippine Peso)

BOD	Per Diem (Regular & Committee Meeting)	Fuel	Meals	Accommodation/ Lodging	Toll	Communication
BOD-1	686,000.00	247,015.19	39,873.13	180,000.00	33,111.00	38,602.21
BOD-2	509,000.00	148,204.82	48,532.15	300,000.00	853.00	26,396.08
BOD-3	81,000.00	41,006.56	11,266.00	55,000.00	4,170.00	3,533.99
BOD-4	669,000.00	252,389.42	55,364.40	265,000.00	28,192.00	59,068.98
BOD-5	72,000.00	13,485.53	341.00	20,000.00	5,066.00	0.00
BOD-6	464,000.00	120,836.50	37,553.06	95,000.00	1,365.00	0.00
BOD-7	455,000.00	97,767.93	173,518.35	0.00	0.00	0.00
BOD-8	20,000.00	0.00	0.00	0.00	0.00	0.00
BOD-9	308,000.00	42,933.91	33,987.26	0.00	7,770.00	3,400.00
BOD-10	492,000.00	166,401.56	44,924.98	115,000.00	2,199.00	0.00
BOD-11	698,000.00	308,912.63	210,155.37	950,000.00	6,370.00	0.00
BOD-12	698,000.00	274,271.14	76,089.40	665,000.00	1,849.00	22,563.12
BOD-13	680,000.00	318,179.55	260,157.74	1,090,000.00	9,994.00	23,222.59
BOD-14	20,000.00	0.00	0.00	0.00	0.00	0.00
BOD-15	654,000.00	0.00	0.00	0.00	0.00	24,659.18
BOD-16	686,000.00	319,195.23	198,974.24	810,000.00	23,108.00	65,000.00
BOD-17	686,000.00	185,391.10	219,957.82	5,000.00	0.00	58,395.00
BOD-18	474,000.00	195,763.85	85,220.27	445,000.00	6,982.00	29,992.00
TOTAL	8,352,000.00	2,731,754.92	1,495,915.17	4,995,000.00	131,029.00	354,833.15

- 7.14 Regarding the significant increase in meal reimbursements during business meetings amounted to ₱733,887.47 or a 96% increase compared to CY 2023, and the increase in accommodations/lodging expenses, which totaled to ₱2,355,000.00 or 89% increase from the previous year were attributed to the substantial increase in number of business meetings charged by some BOD members for CY 2024.
- 7.15 As shown on the table above, the accommodation expenses per BOD for CY 2024 ranged from zero or no charges to ₱1,090,000.00. This reflects a significant increase of 89% compared to the previous year.
- 7.16 A review of the accommodation charges revealed that the majority of these expenses were incurred by some BOD members during business meetings. The Audit Team also noted that some BOD members held special meetings for more than 10 days, during which they availed of lodging/accommodations. We also noted that the official

- receipts submitted for accommodations reimbursements were consistently fixed at ₱5,000.00 per night regardless of the place of accommodations.
- 7.17 Furthermore, there was no set limit on meal expenses for BOD members during business meetings, resulting in a significant increase of 96% compared to the previous year.
- 7.18 A review of the vouchers revealed that these business meetings were supported by accomplishment reports, as required by the Accounting Department, which were attached to the request for reimbursements. These reports included details of the attendees and the purpose of the meeting. The Audit Team noted that the attendees of these special meetings were primarily other BOD members.
- 7.19 Regarding fuel expenses, the Audit Team noted that despite the increase in accommodation during special meetings, some of the BOD members incurred nearly the same amount of fuel expenses. The total fuel expenses increased by 8% compared to the previous year. Ideally, fuel and accommodation expenses should have an inverse correlation, however, this was not observed in the records.
- 7.20 In CY 2021, for the second time, the Authority's request for Reimbursable Expenses was approved by the Office of the president (OP), but are still subject to relevant laws, rules and regulations, enumerated as follows:
- a. *Gasoline expenses, with a cap of 450 liters per month, and in excess thereof, the same shall be subject to justification and submission of receipts;*
 - b. *Toll fees subject to actual expense and presentation of official receipts;*
 - c. *Reimbursement of lodging expenses up to ₱5,000.00 per night in going to and from the place of board meetings and official travels, WITHOUT the additional accommodation expenses when the length of travel to Subic is more than one day or the place of origin is outside Luzon; and*
 - d. *Communication expenses, with a spending limit of ₱5,000.00 per month.*
- 7.21 The lack of restrictions on the number or total cost of accommodations per month or year, the absence of a cap on meal reimbursements, and the provision allowing reimbursement for up to 450 liters of fuel per month emphasize the need for responsible government spending. Maintaining prudent fiscal management is crucial to ensuring transparency and accountability, as outlined in Executive Order No. 24.
- 7.22 We recommended and Management agreed to undertake the following courses of action:**
- a. **Ensure that the BOD members to strictly adhere to the Memorandum from the Office of the Chairman dated September 5, 2011 regarding the proper and timely submission of claims for reimbursable expenses; and**
 - b. **Develop and implement policy that sets clear limitations and thresholds for meal and accommodations reimbursements to ensure alignment with the objectives of Executive Order No. 24.**

- 7.23 The Authority will adhere to the COA recommendations. For CY 2025, the Accounting Department had already declined various request for reimbursement of the BODs that pertains to the excess incurred for CY 2024. They also submitted Resolution No. 25-03-1113 dated March 11, 2025, through which the Governance Board set a cap or limit on the provision of accommodations for members of the Board of Directors at a maximum of 120 room nights per director per annum.
- 8. The non-confirmation or clarification with the proper authority resulted in various SBMA Officials and Employees receiving housing privileges and other benefits, that were not specifically enumerated as separate allowances, incentives or other benefits under the adopted Compensation and Position Classification System, contrary to Section 12 of R.A. 6758, Senate and House of Representatives Joint Resolution No. 4, and Executive Order (E.O.) No. 201, series of 2016, thereby preventing the agency from earning additional lease income from these housing units.**
- 8.1 The Subic Bay Metropolitan Authority (SBMA) was established to be the operating and implementing arm of the Government of the Philippines for the development of the area of Subic Bay Freeport (SBF) into a self-sustaining tourism, industrial, commercial, financial, and investment center to generate employment opportunities.
- 8.2 SBF's diverse revenue-generating sources show that while the Seaport plays a significant role in supporting the Freeport's revenue, the leases to locators and residents have also been a major source of income for the Authority throughout the years. In CY 2023, these leases generated ₱2.12 billion, or 49.73% of the total Service and Business Income account. The majority of this revenue came from the commercial or industrial leases by investors, while the residential leases contributed 3.64%. Although their contribution is relatively small, residential leases not only serve as a form of business diversification for the Freeport but also function as a marketing or networking tool to attract investors who can bring financial benefit to SBMA and enhance overall value.
- 8.3 Over the years, the Authority is faced with the task of allocating housing units to the numerous housing applicants. Each application is thoroughly evaluated to determine the urgency of the applicants' housing need and its alignment with the SBMA's vision, policies and goals. To ensure prudent, economical and beneficial allocation of SBMA housing units, policies were developed and adopted to address current and future demand.
- a. Housing Privilege of Officials and Employees**
- 8.4 In the early years of the SBMA, qualified officials and employees started having housing privileges, subject to the availability of housing units, and with the grant of housing being positional in nature. Terms and conditions then, were perceived to be onerous and prejudicial to the interests of SBMA by the succeeding Administration, thus, new policies were formulated and promulgated. The New Housing Policy was established under Board Resolution No. 08-11-2707 dated November 21, 2008, and an amendment under Board Resolution No. 10-03-3548 dated March 5, 2010 was subsequently issued for certain portion of the said policy.

8.5 As identified, the existing benefit granted to qualified officials and employees relative to housing can be categorized as follows:

- Housing privileges of qualified officials and employees with SG-23 and above, who may avail one housing unit, free-of-charge (FOC), during their employment or official relations with SBMA; and
- Opportunity to lease one housing unit within SBF on a long-term basis at commercial rate, of qualified SBMA officers and employees, with or without current Authority to Use (ATU), who garnered a cumulative term of employment or service with SBMA of at least six years (SG-27 and below) or three years (SG-28 and above)

Housing Privilege of Qualified Officials and Employees, FOC, positional in nature

8.6 Under the Authority's existing policy, the Chairman & Head of Agency, and the Administrator & Chief Executive Officer, may avail two (2) adjacent housing units, free-of-charge, during his/her term of appointment / employment, provided that these units are conjoined or will be converted into one (1) single unit. Additionally, the designated unit shall be considered as his official residence and extension of his office during the term of appointment. Based on inquiries, a specific residence is assigned to the incumbent Chairperson and Administrator of the Freeport. Over time, assessments by the concerned department have indicated the need for repairs, prompting a planned renovation which will be carried out in accordance with the proper procedures on procurement. At present, it was verified that a temporary residence is allocated to the Chairperson and Administrator, with utility expenses such as water and electricity, charged to the account of SBMA.

8.7 Meanwhile, all other qualified officers may avail one housing unit, free-of-charge, during the period of their employment or official relations with SBMA. Likewise, garbage fees are at no cost and in terms of electricity, the grantee is allowed free power consumption up to ₱5,000.00, any excess from which is chargeable to them.

8.8 Expenses related to the minor repairs and maintenance of the housing unit are borne by the grantee once the unit is occupied. These costs are either billed to them or paid through salary deduction. In line with SBMA's unnumbered memorandum dated December 27, 2024, salary deduction shall be the automatic payment scheme beginning January 2025. Meanwhile, major renovation, and improvements, also covered by the grantee, are usually paid directly to the contractor.

8.9 Officers and employees who are granted housing privilege shall personally and physically occupy the units assigned to them and shall not sublease, rent, assign or transfer the unit nor its premises in favor of any third party.

8.10 The Authority employs the prioritization system as their method of allocating the housing units based on the following criteria:

- a. Number of years in service – 35%
- b. Position / Salary Grade (SG) Rating – 55%
- c. Period of Initial Request to Grant of Privilege (number of months) – 10%

- 8.11 When the available housing units are not enough to accommodate all applicants, such waitlist is prioritized in accordance with the results from the percentage scores of the waitlisted proponents based on the above criteria. In no case shall SBMA Officers and Employees Housing exceed 15% of the total supply of SBMA Housing Units as indicated in their policy.
- 8.12 Occupancy of the units shall only commence upon approval of their Authority to Use (ATU) agreement. In the case of those with existing Residential Lease Agreement (RLA) but became qualified on the said benefit, commencement of the privilege to occupy FOC shall be upon the approval of their amended RLA to account for its temporary suspension (in terms of lease payment, electricity charges, and lease period).

Qualified Officials and Employees' Opportunity to Avail Long-term Lease at Commercial Rate

- 8.13 Aside from the privilege of qualified and incumbent officials and employees to occupy a housing unit FOC while under employment or official relations with the Authority, some were also given opportunity to lease long-term upon cessation of their official relations with the agency. Those who garnered a cumulative term/period of employment or service with the SBMA of at least six years, in the case of officials and employees under SG-27 and below, and of at least three years, in the case of those under SG-28 and above, shall be eligible to lease, long-term, one housing unit on an as-is, where-is basis, provided that a housing unit is available.
- 8.14 Per existing policy, rate reduction was mentioned for qualifying officials and employees based on performance of the said officer or employee, but it was disclosed that there was no rate reduction effected and that the rate applied to those who took advantage of the long-term lease is the commercial rate.
- 8.15 Just the same, the Authority employs the prioritization system as their method of awarding long-term lease based on the following criteria:
- a. Number of years in service – 60%
 - b. Position / Salary Grade (SG) Rating – 30%
 - c. Period of Initial Request to Grant of Privilege (number of months) – 10%3
- 8.16 According to the New Housing Policy, the term of the residential lease shall be for a period equivalent to twice the cumulative years of service of the employee, and may be renewed for the same period on the payment of additional rent equivalent to 12% of the prescribed rate of the original lease. In no case shall the employee be allowed to lease the unit awarded to him/her under the ATU agreement as the latter is strictly positional in nature.
- 8.17 It was disclosed, however, that most of the awardees' terms of lease range from 25 to/or 50 years, and the units awarded to them were usually the same as those occupied under their respective ATU. Mostly because, many of the units were awarded prior to the New Housing Policy, while those units falling under the latter were subjected to the board for approval, with the effect that the same units under ATU were the same unit to be leased.

- 8.18 For calendar year 2024, the audit team requested from the Accounting Department a listing of SBMA Employees with housing units as of December 31, 2024, while a request was also made to Land Asset Development Department (LADD) for their Housing Database as of the same date.
- 8.19 Initial comparison was made between the two listings in terms of officials and employees with housing privilege, and no significant variance was noted. Below is the summary of the housing database as gathered from the submitted report:

Table 34. Composition of Housing Units

Purpose	Number of Units	Percentage
SBMA Use	75	3.92%
Locator	1,830	95.76%
Under MOA – other government agency	6	0.31%
Total	1,911	100%

Table 35. Status Composition of Housing Units for SBMA Use

Status of Units Under SBMA Use	Number of Units
Occupied	42
Vacant	30
Guest House	3
Total	75

8.20 Details noted from the records were as follows:

- Out of the 1,911 housing units within the Freeport, 75 or 3.92% were allocated for SBMA use, of which 42 units were currently occupied under the Authority to Use agreement;
- 28 out of these 42 grantees have availed of the long-term lease opportunity for qualified officials and employees. Amortization payment were either due commensurate with their lease term, if awarded prior to the New Housing Policy, or otherwise, upon approval of their RLA even if the lease term is yet to start upon cessation of their official relations with the agency; and
- Aside from the 42 grantees under ATU, there were two other employees per Accounting’s list categorized in the LADD’s database as “locator” due to their existing RLA. This was subsequently confirmed, and the team noted that although no ATU was executed, these two were also granted with housing privilege – FOC, free electricity up to ₱5,000.00 and CUSA fee suspension, all on the basis of their amended RLA.

b. Other Benefits

8.21 During the validation of the housing benefits by certain officials, the team noted that the Authority also grants an annual, non-cumulative and non-commutable medical benefit up to ₱10,000.00, which extend to their immediate dependents. However, this contradicts the provision set forth in DBM Budget Circular No. 2024-6 dated December 12, 2024.

- 8.22 Likewise, Section 12 of the Republic Act No. 6758 or the “Compensation and Position Classification Act of 1989” provided that:

Consolidation of Allowances and Compensation

All allowances, except for representation and transportation allowances; clothing and laundry allowances; subsistence allowance of marine officers and crew on board government vessels and hospital personnel; hazard pay; allowances of foreign service personnel stationed abroad; and such other additional compensation not otherwise specified herein as may be determined by the DBM, shall be deemed included in the standardized salary rates herein prescribed. Such other additional compensation, whether in cash or in kind, being received by incumbents only as of July 1, 1989 not integrated into standardized salary rates shall continue to be authorized.

Existing additional compensation of any national government official or employee paid from local funds of a local government unit shall be absorbed into the basic salary of said official or employee and shall be paid by the National Government.

- 8.23 Whereas, Senate and House of Representatives Joint Resolution No. 4, approved on June 17, 2009, was further issued authorizing the President of the Philippines to modify the Compensation and Position Classification System (CPCS) of civilian personnel and the base pay schedule of military and uniformed personnel in the government, and for other purposes.

- 8.24 Section 4 of this joint resolution provided the following:

Compensation System – (a) Total Compensation Framework – The existing basic salaries, allowances, benefits and incentives granted to government officials and employees shall be rationalized and standardized in accordance with the herein established Total Compensation Framework. Under this Framework, the total payment given to an employee for services rendered shall hereinafter be limited to the following:

- i. Basic Salaries, including Step Increments;*
- ii. Standard Allowances and Benefits;*
- iii. Specific-Purpose Allowances and Benefits; and*
- iv. Incentives.*

Provided, that the Total Compensation Framework shall exclude all indirect compensation under existing laws such as, but not limited to: life and retirement insurance benefits; employee compensation insurance; health insurance; Pag-IBIG Fund benefits; and Provident Fund benefits. Xxx

e) Rationalization of Allowances, Benefits and Incentives – The coverage, conditions for the grant, including the rates of allowances, benefits and incentives to all government employees, shall be rationalized in accordance with the policies to be issued by the President upon recommendation of the DBM.

For this purpose, all existing and authorized allowances, benefits and incentives shall be categorized as Standard Allowances and Benefits, Specific-Purpose Allowances and Benefits or Incentives in accordance with items (4)(f), (g) and (h) hereof: Provided, that henceforth all allowances, benefits and incentive to be granted to any and all government employees shall be limited to the foregoing categories: Provided, further, that said allowances, benefits and incentives shall be granted only upon compliance with all of the qualification and conditions laid down by the President.

Provident fund benefit and other benefits, which are excluded in the Total Compensation Framework as may be determined by the DBM, shall be rationalized in accordance with the policies to be issued by the President upon recommendation of the DBM. Xxx

(f) Standard Allowances and Benefits – These are allowances and benefits given to all employees across agencies at prescribed rates, guidelines, rules and regulations, which shall be limited to the following:

- i. Personnel Economic Relief Allowance – xx*
- ii. Uniform/ Clothing Allowance – xx*
- iii. Year-End Bonus and Cash Gift – xx*

(g) Specific-Purpose Allowances and Benefits – These are allowances and benefits given to employees across agencies under specific conditions and situations related to the actual performance of work; at prescribed rates, guidelines, rules and regulations. These are limited to the following:

- i. Representation and Transportation Allowances – xx*
- ii. Per Diem – xx*
- iii. Honoraria – xx*
- iv. Night-Shift Differential – xx*
- v. Overtime Pay – xx*
- vi. Subsistence Allowance – xx*
- vii. Hazard Pay – xx*
- viii. Special Counsel Allowance – xx*
- ix. Overseas and Other Allowances for Government Personnel Stationed Abroad – xx*
- x. Other allowances and benefits granted under specific conditions and situations, related to the actual performance of work as may be determined by the DBM. Xxx*

(h) Incentives – This shall be limited to the following:

- i. Incentives to reward an employee’s loyalty to government service and contributions to the agency’s continuing viable existence, as follows:*
 - (aa) Loyalty Incentive – xx*
 - (bb) Anniversary Bonus – xx*

ii. *Incentives as rewards for exceeding agency financial and operational performance targets, and to motivate employee efforts toward higher productivity, as follows:*

- (aa) Collective Negotiation Agreement (CNA) – xx*
- (bb) Productivity Enhance Incentive – xx*

iii. *Other existing benefits to be categorized by the DBM as incentives. Xxx*

8.25 The same Joint Resolution under Section 1 (e) sets a periodic review of the government's CPCS taking into account the changes in skills and competency requirement in the bureaucracy, the relative demand for certain expertise, the possible erosion in the purchasing power due to inflation, and other factors.

8.26 Based on the above, Executive Order (E.O.) No. 201, series of 2016, was issued further, modifying the salary schedule for civilian government personnel and authorizing the grant of additional benefits for both civilian and military uniformed personnel for the purpose of ensuring the comparability of the compensation structure of government personnel. Included in the coverage of the said E.O. are the Government-Owned or Controlled Corporations (GOCCs) not covered by Republic Act No. 10149.

8.27 This E.O. adopts the following changes as applicable to the Authority:

Section 1. Compensation Adjustment Strategy. To ensure that the compensation structure of government personnel is comparable with the prevailing rates in the private sector thereby attracting and retaining competent and committed civil servants, the existing CPCS is hereby revised or updated to conform with the following:

- a. Raise the minimum salary for Salary Grade 1 from the current rate of Nine Thousand Pesos (P9,000) to Eleven Thousand Sixty Eight Pesos (P11,068) to make it even more competitive with the market rates;*
- b. Bring the compensation of government personnel closer to their private counterparts to at least 70% of the median of the market for all salary grades;*
- c. Eliminate overlaps in between salary grade allocations of government personnel to recognize differences in duties and responsibilities of the positions;*
- d. Maximize the net take home pay of government personnel through the inclusion of additional benefits; and*
- e. Strengthen the performance-based incentive system in recognition of government personnel who play a greater role and carry a heavier responsibility in attaining performance targets and delivering results.*
Xxx

Section 4. Mid-Year Bonus. Beginning FY 2016, a Mid-Year Bonus equivalent to one (1) month basic salary as of May 15, shall be granted to those who have rendered at least four (4) months of satisfactory service and are still in the service as of same date, to be given not earlier than May 15 of every year. This shall be in addition to the Standard Allowances and Benefits under the Total Compensation Framework embodied in the Congress Joint Resolution No. 4 (s. 2009). The existing Year-End Bonus equivalent to one (1) month basic salary and Cash Gift at prescribed rates shall be given in November of every year.

Section 5. Enhanced Performance-Based Bonus. The existing PBB granted to qualified government personnel, including those in LGUs, shall be enhanced to strengthen its results orientation, to be given in an amount equivalent to one (1) month basic salary up to two (2) months basic salary, to be implemented in two (2) phases starting in FY 2017. The PBB shall be subject to the achievement by departments or agencies, including LGUs and individual employees of their performance targets or commitments and compliance with good governance and other conditions.

The grant of the enhanced PBB shall be based on a progressive rate system. As the position and responsibility in improving agency performance becomes higher, so is the amount of PBB.

The Inter-Agency Task Force on the Harmonization of National Government Performance Monitoring, Information and Reporting Systems created under Administrative Order No. 25 (s. 2011) shall prescribe the conditions on eligibility and procedures for the grant of the enhanced PBB, including the ranking system to recognize differences in levels of performance.

Section 6. Productivity Enhancement Incentive. Beginning FY 2016, the Productivity Enhancement Incentive shall be given not earlier than December 15 of every year to all qualified government employees at Five Thousand Pesos (P5,000) each for the purpose of improving the government employees' productivity. Xxx

- 8.28 On March 28, 2016, Board Resolution No. 16-03-5689 was approved effecting all compensation adjustment due to the SBMA employees to be at par with SSL III, Tranche 4 based on E.O. No. 76, series of 2012. Such salary adjustment was also noted to be retroactively effected from January 1, 2013 to December 31, 2015. Subsequent years' modifications on the salary schedule and other benefits issued by the DBM, including E.O. 201 were prospectively implemented.
- 8.29 Hence, the above provisions became applicable to the Authority as soon as the migration to the modified Salary Schedule was accepted. Thus, the existing housing privilege enjoyed by certain officials and employees of the Authority should have ceased, since they were not explicitly identified as a separate allowance or benefit as determined by the DBM, even with the subsequent rules and regulations further issued by the latter for the salary schedule modification and grant of additional benefits.
- 8.30 As gathered from the Authority, the specific matter on the housing privilege had been mixed up with confusion on the standards as the privilege had been given to them

even prior to the adoption of the modified salary schedule. However, since the Authority had previously asked the DBM relating to other specific benefits given by them, to which the Department answered on the negative, it should have been proper if the same was referred as well for clarification.

- 8.31 Furthermore, in comparison with the quarter's privilege⁴, as initially laid down under DBM National Budget Circular (N.B.C.) No. 571 dated December 4, 2017, and currently under the General Provisions of the FY 2024 GAA, which was set as a privilege applicable to officials who are assigned or transferred, by virtue of reshuffling or rotation, to a place other than that of their domicile and do not own houses or rooms therein, the housing privilege being enjoyed in the Authority were positional in nature and the rationale or purpose were also not clearly indicated in their policy.
- 8.32 In their defense, prior to the adoption of the modified salary schedule, these housing units were reportedly granted to officials or employees whose functions required them to be readily available or to attend to significant matters within the Freeport.
- 8.33 The said budget circular also determines the amount limit of the cost of rental – which is inclusive of the amount for telephone, water, and electricity – based on locational assignment and category of the official, provided that the difference between the actual rental cost and the amount authorized therein shall be paid by the official concerned.
- 8.34 In effect, the non-action through non-confirmation with the proper authority caused the agency to give these benefits not particularly enumerated or determined by DBM and rationalized in accordance with the policies to be issued by the President upon recommendation of the DBM.
- 8.35 Similarly, although officials and employees were of importance in the operation and growth of the Freeport, this created additional cost to the agency while leaving out the opportunity for increased revenue from residential leases as reflected below, thereby, straying from its mandate as an income generating agency geared towards being a self-sustaining, industrial, commercial financial and investment center, to attract and promote productive foreign investments.

Table 36. Estimated Cost of Reduction to SBMA's Annual Revenue

SBMA Used Housing Units	Estimated Revenue* (In Philippine Peso)	Estimated Electricity Subsidy** (In Philippine Peso)
Occupied Units	2,211,195.05	2,620,000.00

⁴ FY 2024 GAA, General Provisions, Sec. 66. Quarters Privileges. Officials who are transferred from one station to another by virtue of agency policies on reshuffling or rotation of personnel and do not own houses or rooms therein, shall be provided free quarters within their office premises.

Where there are no available quarters, the agency may rent rooms which shall serve as quarters for said officials, subject to the rules and regulations prescribed under N.B.C. No. 571 dated December 4, 2017. For those who opt for more expensive quarters other than those rented by their agencies, such preferred quarters may be secured provided that the difference in amount between the one preferred by the officials and that rented by their respective agencies shall be paid by the officials concerned.

Government personnel who are not entitled to quarters privileges but are allowed to use government quarters shall be charged the corresponding cost of rentals subject to guidelines as may be issued by the DBM.

Total	4,831,195.05
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**Based on long-term lease rate*

***Based on the rate of ₱5,000.00/month*

- 8.36 Furthermore, the continuous grant of housing privilege under ATU and the awarding of long-term leases to qualified officials and employees may eventually impact the availability of housing units for external investors or locators. Over time, a significant number of occupants may consist of current or former officials and employees who later become locators themselves after ending their affiliation with the Authority.
- 8.37 This situation could come at the expense of applicants with more urgent housing needs, whose eligibility undergoes thorough evaluation to ensure alignment with the SBMA's vision, policies and goals.
- 8.38 We recommended Management to take the necessary courses of action:**
- a. Make a representation with the proper authority to clarify whether the agency is authorized to give such benefits to officers and employees and/or justify the approval of the said benefit if not, to make it official;**
 - b. Immediately stop the existing privilege enjoyed by the concerned employees pending approval or result of clarification with the proper authority;**
 - c. Consider starting the leasing of the concerned units to the respective qualified officials and employees at commercial rate;**
 - d. Revisit the terms of the contracts of long-term leases to assess any provisions that are disadvantageous to the SBMA, and initiate amendment thereto when necessary and legally possible; and**
 - e. Observe the rules and regulation on the grant of medical allowance to civilian government personnel under DBM Budget Circular No. 2024-6 dated December 12, 2024.**
- 8.39 The SBMA sent a letter of query to Hon. Amenah F. Pangandaman dated March 5, 2025 through registered mail. In the said letter, the Authority requested the DBM's, validation and confirmation that the grant of housing privileges by SBMA is consistent with National Budget Circular No. 571, dated December 4, 2017.
- 8.40 The Authority is requesting reconsideration of the directive for the immediate cessation of housing privileges, pending DBM's response to their query, citing humanitarian concerns as many employees reside in the housing units with their families, including school age children and elderly dependents. SBMA reasons that abruptly ending these privileges would not only be harsh but could also expose the Authority to civil liabilities due to existing Residential Lease agreements (RLAs), which are binding contracts. These RLAs contain provisions on lease terms and rates that can only be amended by mutual agreement, and employees are unlikely to accept less favorable terms. Moreover, enforcing rent payments now may violate the RLAs which specify that lease terms begin only upon cessation of their employment with SBMA.

- 8.41 In compliance with Article 157 (c) of the Labor Code and its implementing rules, which require hazardous workplaces with over 300 employees, including government agencies and GOCCs, to operate an infirmary or emergency hospital, SBMA maintains a Dispensary under its Public Health and Safety Department (PHSD). This is further reinforced by the CSC-DOLE Memorandum Circular No. 1 s. 2020 which mandates adherence to Occupational Safety and Health Standards in the public sector. Given, SBMA's more than 1,400 plantilla employees and engagement of some of the departments in hazardous operations, annual budget of ₱10,000.00 per employee is allocated for Dispensary operations, serving as cap on the value of medical and dental services of each employee may avail. This budget is not a direct allowance and is non-transferable or cumulative. To ensure prudent use of government resources, SBMA will discontinue the extension of Dispensary services to employees' dependents.
- 8.42 During the exit conference, the Audit Team responded that, pending the DBM's reply to the Authority's letter of query, the housing privileges of the officers shall remain in status quo. Furthermore, the Audit Team acknowledge the validity of the Authority's position on the MEDCAP and noted of its initiative to discontinue the extension of Dispensary services to employee's dependents. It was also mentioned that MEDCAP is identified as an employee benefit on the Authority's website.
- 9. The Authority's reliance on cash advances for the procurement of Petroleum Fuel, Oil and Lubricants (POL) through Direct Retail Purchases amounting to ₱12,863,110.11 is not in accordance with the specific guidelines on cash advances and the responsibility of the Authority as a withholding agent, provided in COA Circular No. 97-002 and Section 114 of the National Internal Revenue Code (NIRC), respectively. Additionally, the absence of Purchase Orders (POs) or Contracts compromises transparency and proper procurement procedures as required by RA 9184.**
- 9.1 Section 53.14 of RA No. 9184 "Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL) Products and Airline Tickets" which provides:
- Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL) Products, Airline Tickets and Online Subscriptions. Where Goods and Services are required by a Procuring Entity for the efficient discharge of its principal mandate, governmental functions, or day-to-day operations, direct retail purchase of (i) petroleum fuel, oil and lubricant (POL) products; (ii) airline tickets; and (iii) online subscriptions may be made by end-users delegated to procure the same from identified direct suppliers or service providers.*
- 9.2 Annex H of IRR of RA 9184 pertaining to Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL), Airline Tickets, and Online Subscriptions provides the following relevant provisions:
- All procurement of POL products, airline tickets, and online subscriptions shall be done through competitive bidding, except when the Procuring Entity has determined that Direct Retail Purchase is the best modality for the procurement of (i) non-bulk POL products or where fees for additional services or functionalities are charged on top of the payment for the required POL products, (ii) airline tickets, or online subscriptions.*

xxx

d. Procedure.

- i. *The end-user delegated to directly purchase POL products, airline tickets, and online subscriptions in accordance with Part IV (J) of this Guidelines shall determine the supplier or service provider capable of delivering the required POL Products, airline tickets, and online subscriptions at retail pump price or at the most reasonable retail price, as the case may be.*
- ii. *Taking into account the usual trade and business practices being observed in the industry and the requirements and other reasonable considerations identifies by the end-user, direct retail purchase of the required POL products, airline tickets or online subscriptions shall be carried out in accordance with pertinent accounting principles and practices as well as of sound management and fiscal administration provided that they do not contravene existing laws and regulations applicable to financial transactions.*
- iii. *The End-User shall carefully review the terms and conditions or similar agreements which shall contain a provision on compensation for losses incurred caused by delays of the supplier or service provider.*
- iv. *The PE shall require the submission of a warranty security based on the End-User's determination that the terms and conditions or similar agreements do not provide corrective actions to be undertaken by the supplier or service provider on any noted defects in the procured online subscription.* (Underscoring supplied)

- 9.3 In last year's audit, the Audit Team recommended to revisit the procedures for the implementation of the Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL) to incorporate stringent controls in the procurement of fuel in compliance with Annex H of the IRR of RA No. 9184. This includes the establishment of purchase orders or contracts and elimination of payment through the cash advances. In partial compliance to the recommendation, the Authority included in the 2024 COB and APP the procurement of fuel through bidding, they also prepared the bidding documents and the fine tuning of the Terms of Reference to avoid failure of bidding.
- 9.4 The Authority's procurement of fuel through public bidding in CY 2024, failed due to the absence of bidders on October 26, 2023. Given the necessity of fuel for SBMA's daily operations, the Procurement and Property Management Department (PPMD) issued a memorandum on December 27, 2023, recommending an alternative procurement method.
- 9.5 Based on the PPMD's recommendation, the Bids and Awards Committee (BAC) for Goods and Services resolved to adopt Negotiated Procurement under Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL), a pertinent portion of Resolution No. 088-RMP-2023 states that:

Now, therefore, we, the members of the BAC for Goods and Services hereby resolve as it is hereby resolved that based on the recommendations of the PPMD as stated in its Memorandum dated December 27, 2023 which is made part of this resolution, to recommend to resort to the Alternative Method of Procurement particularly Negotiated Procurement under Direct Retail Purchase of Petroleum Fuel, Oil and Lubricant (POL) Products and Airlines pursuant to Section 53.14 of the 2016 Revised R.A. No. 9184 for the Purchase of Petroleum Fuel while the procurement for One(1) Year Fuel Supply is on process.

9.6 In CY 2024, the same procedures were adopted by the Authority in the implementation of the Direct Retail Purchase. The Direct Retail Purchase was delegated to office heads, with the PPMD, soliciting weekly or price-adjusted quotations at least three suppliers to determine the lowest-priced fuel station for transactions. The PPMD monitored daily fuel purchases to ensure departments stayed within their monthly allocations, with an on-site Monitoring Clerk logging the transactions. Payments were processed through cash advances with Group Heads or Deputy Administrators acting as disbursing officers. The PPMD submitted liquidation requests and summaries to the Accounting Department on a weekly basis.

a. The procurement through cash advances is not in accordance with the specific guidelines of COA Circular No. 97-002

9.7 As of December 31, 2024, the Fuel, Oil and Lubricant Expense account of the Authority amounted to ₱12,863,110.11.

9.8 The cash advances granted to designated office heads ranged from ₱20,000.00 to ₱1,000,000.00 covering a two-month fuel consumption period for the departments under their jurisdiction. The Audit Team noted that the Special Disbursing Officers increased from the originally designated nine (9) group heads to sixteen (16) due to various requests from different departments, which were subsequently approved. Instead of discontinuing this practice as recommended last year, the number of personnel handling the cash advances for fuel further increased.

9.9 COA Circular No. 97-002 dated February 10, 1997 provides that:

General Principles

Ideally, cash should be handled under the general principles of the imprest system, to wit:

- 1. Daily receipts on collections must be deposited intact with the proper bank.*
- 2. All payments must be made by check.*
- 3. Only payments in small amounts may be made through the petty cash fund. Replenishment of the petty cash fund shall equal to the total amount of expenditures made there from.*

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Cash Advances shall be of two types, namely, the regular cash advances and the special cash advances.

3.1 Regular Cash Advances are those granted to cashiers, disbursing officers, paymasters, and/or property/ supply officers for any of the following purposes:

3.1.1 Salaries and Wages

3.1.2 Commutable Allowances

3.1.3 Honoraria and other similar payments to officials and employees

3.1.4 Petty operating expenses consisting of small payments for maintenance and operating expenses which cannot be paid conveniently by check or are required to be paid immediately.

3.2 Special cash advances are those granted on the explicit authority of the Head of the Agency only to duly designated disbursing officers or employees for other legally authorized purposes, as follows:

3.2.1 Current operating expenditures of the agency field office or the activity of the agency undertaken in the field when it is impractical to pay the same by check, such as-

- Salaries, Wages and Allowances

- Maintenance and Other Operating Expenses

3.2.2 Travel expenditures, including transportation fare, travel allowance, hotel room/ lodging expenses and other expenses incurred by officials and employees in connection with official travel.

(Underscoring supplied)

9.10 The Audit Team noted, that the procurement of fuel under Direct Retail Purchase through cash advances amounting to ₱12,863,110.11 although categorize as special cash advances, this does not apply to salaries, wages and allowances, MOOE pertaining to the miscellaneous operating expenses of the activity and travel expenditures specified in the circular.

9.11 Furthermore, since the procurement is through cash advances, payments of fuel were in cash, this is contrary to general principle of the imprest system. The use of cash advances should be limited only on the instances when it may be very difficult, impractical or impossible to make payments by check. The cash advances are usually for small, urgent but not large scale procurement. Cash advance should be restricted to emergency expenses and not for recurring operating expenses. It is also important to note that holding significant amount, increases the risk of physical loss and misappropriation.

b. Use of cash advance hinders the Authority's ability to fulfill its responsibility as a withholding agent

9.12 On the other hand, this practice prevented the Authority from fulfilling its role as a withholding agent at the time of disbursement. Since, disbursing officers are

designated to make cash advances, which are later liquidated for fuel payments, no withholding tax was deducted. However, withholding tax should be withheld at the time of payment to the payee by the government agency. As a result, this practice hindered the Authority from complying with its duty as a withholding agent, as mandated by Section 37 of R.A. No. 10963.

9.13 Section 37, Republic Act no. 10963 provides that:

Section 114 of the NIRC, as amended, is hereby further amended to read as follows:

Section 114. Return and Payment of Value-Added Tax –

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(C) Withholding of Value-added Tax- The Government or any of its political subdivisions, instrumentalities or agencies, including government-owned or- controlled corporations (GOCCs) shall, before making payment on account of each purchase of goods and services which are subject to the value- added tax imposed in Sections 106 and 108 of this Code, deduct and withhold the value-added tax imposed in Sections 106 and 108 of this Code, deduct and withhold a final value-added tax at the rate of five percent (5%) of the gross payment thereof: provided, That beginning January 1, 2021, the VAT withholding system under this Subsection shall shift from final to creditable system: xxx For purposes of this Section, the payor or person in control of the payment shall be considered as the withholding agent. (Underscoring supplied)

c. Absence of Purchase Orders (POs) and Contracts for POL procurement

9.14 Moreso, since the procurement was made through cash advance, there was no PO and contract agreement made with the supplier. The current practice of the Authority of choosing the supplier every week depending on who will submit the lowest quotations is contrary to the procedures outlined in Part V, No. 10-d, items iii and iv of Annex H. With no terms for review, the Authority could not require warranty since the procurement is made without a PO/Contract.

9.15 In the absence of a PO/Contracts, the Authority is exposed to risks such as fuel quality concerns, non-competitive pricing, unforeseen incidents and low service quality, with limited recourse for legal action.

9.16 In summary, the Authority's practice of using cash advances and liquidations for implementing Direct Retail Purchase which contradicts existing laws and regulations, may result in significant financial, legal and operational risks.

9.17 This is a reiteration with addition and modification of the last year's audit.

- 9.18 We recommended and Management agreed to undertake the following courses of action:**
- a. Discontinue the use of cash advance payments for fuel procurement, and shift to direct payments through checks in accordance with the imprest system requirements under COA Circular No. 97-002;**
 - b. Implement proper withholding and remittance of VAT to the BIR to ensure tax compliance;**
 - c. Establish Contracts/POs for fuel transactions to ensure enforceability and accountability; and**
 - d. Conduct a study or analysis of the terms of reference to identify and address the factors preventing bidders from participating in the procurement of petroleum fuel, oil and lubricants.**
- 9.19 The Authority concurred with the recommendations. A Memorandum was issued by the Office of the Deputy Administrator for Finance dated January 13, 2025 for fuel transactions to specifically address the problem on the long and tedious process of cash advance liquidation. The PPMD mentioned that efforts are underway to transition from cash advance disbursement to direct payment through checks in coordination with the Finance Group to ensure compliance with proper disbursement procedures. The PPMD, through the BAC for Goods and Services, has initiated the bidding process for POL procurement. The pre-bid conference has been scheduled March 19, 2025, followed by the submission and opening of bids. The Accounting Department committed to comply with COA's recommendation once PPMD has implemented a new alternative mode of procurement for petroleum fuel, oil and lubricants.
- 9.20 For taxable year 2024, all withholding taxes were remitted to the BIR. With the change of payment terms, they will withhold as well as remit appropriate expanded withholding taxes as well as VAT.
- 9.21 The PPMD has initiated the drafting of a framework agreement for fuel procurement, which will establish enforceable contracts with suppliers to ensure accountability and transparency. Future fuel procurement will be conducted through public bidding and in cases where direct retail purchase are necessary, contracts will be established to define terms, pricing and service expectations. Coordination with the BAC and Legal Department is ongoing to finalize contract templates for fuel suppliers.
- 9.22 According to the Authority, while the existing process generally aligns with RA No. 9184, they acknowledged the need for enhancements to recognized procurement controls. These include the establishment of contracts and improved supplier engagement to ensure the successful conduct of public bidding in the future procurement cycles.
- 10. The Authority's non-compliance with the Climate Change Expenditure Tagging (CCET), due to limited understanding of the guidelines, may impact the transparency and credibility of the climate change expenditures, hindering the Government's efforts to advance resilience, sustainability and climate action**

goals, contrary to the objectives of the DBM-CCC JMC No. 2015-01 and Section 42 of the FY 2024 General Appropriations Act.

10.1 General provisions for Fiscal Year 2024 states that:

Section 42. Climate Budget tagging. All national government agencies, SUCs and GOCCs shall tag their budgets for climate change adaptation and mitigation in accordance with the DBM-CCC J.M.C. No. 2015-01 dated March 24, 2015 and the LGU's shall tag their climate budget in their Annual Investment Plans pursuant to DBM-CCC-DILG J.M.C. No. 2015-01 dated July 23, 2015. The results of the budget tagging shall guide the formulation of subsequent budgets to mainstream climate change adaptation and mitigation strategies in the national development process.

10.2 The National Government (NG) has integrated various climate change programs in alignment with the Philippine's commitment under the United Nations Framework Convention on Climate Change (UNFCCC), the Paris Agreement and the 2030 Agenda for Sustainable Development, including the Sustainable Development Goals (SDGs). To facilitate this, the Government has mobilized the National Budget Preparation Process to tag climate change expenditures using common policy-based typology guidelines. All climate change related strategies and investment of the government shall be identified as adaptation and/or mitigation. This includes government-owned or controlled corporations with projects appropriated from General Appropriations Act (GAA).

10.3 For CY 2024, the Authority's budget includes the following projects funded by the National Government (NG) in the total amount of ₱681,010,000.00:

Table 37. NG Funded Projects for CY 2024

No.	Program/Project	2024 GAAAO per Annex A of NBC No. 592, FY 2024 GAA, RA No. 11975 (In Philippine Peso)
1	Road Rehabilitation Project 2024	112,000,000.00
2	Rehabilitation of Post Facilities and Navigational Equipment (Navigational Buoys)	8,960,000.00
3	Rehabilitation of Seaport Facilities: Upgrading of Fender System at Marine Terminal	158,691,845.00
4	Rehabilitation of Seaport Facilities: Illumination of Leyte Wharf	12,320,000.00
5	Construction of Temporary Oil Recovery Storage Facility	896,000.00
6	Rehabilitation of Seaport Facilities: Seaport Department Building (TOD)	77,940,800.00
7	Improvement of Runway End Safety Area (RESA)	168,000,000.00
8	Traffic Control System (3-Upgrades and 4 New Traffic Signaling System)	16,800,000.00
9	Renovation of Bldg. 309 (Labor Center Training Facility)	23,340,800.00
10	Construction of Overhead Water Tank with Pump System	3,360,000.00
11	Services and Materials for the Installation of CCTV Surveillance System on Perimeter Fence	98,700,555.00
Total		681,010,000.00

10.4 The Audit Team noted that these projects were not identified or classified as either adaptation or climate change mitigation expenditures. Additionally, the Authority did not evaluate and finalize the P/A/PPs to be tagged based on the CC typology, as the

Quality Review and Assurance (QAR) form was neither accomplished nor submitted to the Climate Change Commission (CCC).

- 10.5 Furthermore, although DBM Form 711, Climate Change expenditures, was submitted to DBM as part of the FY 2024 Budget Proposal, it included P/A/Ps such as the Recyclable Collection Event/Waste Management Program, Arbor Day Celebration and SBMA Coastal Clean-up which are funded under the Corporate Operating Budget (COB). It is important to note that while these activities and programs fall under climate change expenditures, they are funded by the Authority's COB and should not have been included in the form, as it is intended solely for NG-funded climate change expenditures.
- 10.6 An inquiry with the Ecology personnel disclosed that they were unaware that only the NG funded projects should be included in the QAR and tagged accordingly. This clarification was only provided during the CCET Orientation for GOCCs conducted by DBM held on March 8, 2023. At the time, they are also not aware of the details of the NG funded projects, thus the identification and classification of the P/A/Ps with climate-related adaptation and mitigation expenditures were not made.
- 10.7 DBM-CCC Joint Memorandum Circular (JMC) No. 2015-01 dated March 24, 2015 provides that:
 - 4.1 *All climate change related strategies and investments of the government shall be identified as adaptation and mitigation as defined in Sections 3.2 and 3.5 of the JMC.*
 - 4.2 *Agencies shall be guided by the Quality Review and Assurance (QAR) Guidelines (Annex A) developed by the CCC, which shall be accomplished by the Agencies in the evaluation and finalization of the P/A/Ps that will be tagged based on the CC typology. The QAR shall provided for the basis for tagging, analysis of proposed P/A/Ps and relationship of contributing factors toward the attainment of NCCAP outcomes.*
 - 4.3 *To classify climate change related- expenditures to be tagged in the Online Submission of Budget Proposal (OSBP), NEP and GAA, the following shall be undertaken:*
 - 4.3.1 *National Government Agencies, SUCs and GOCCs shall review/examine the P/A/Ps technical documents if it qualifies as an adaptation or mitigation response based on the guided questions included in Annex A;*
 - 4.3.2 *For P/A/Ps that qualify as adaptation or mitigation, the entire P/A/P budget shall be tagged as CC expenditures, if one of the main objectives of the P/A/P is to address CC. Otherwise, only the budgets for those components of the P/A/P that directly address CC, based on the CC typology (Annex B), will be included as CC expenditure;*
 - 4.3.3 *NGA, SUCs, and GOCCs will tag the identified CC expenditures based on the CC typology, which will be included in the BP Form 201-*

F or DBM Form 712 as part of their online submission of budget proposed (OSBP).

- 10.8 The Audit Team also noted that although the Ecology, Budget and MPDO departments coordinate for the CCET, there is no specific committee responsible for ensuring the proper identification, tagging, reporting and monitoring of climate change expenditures.
- 10.9 Item 5.1.5 of the same JMC provides that, *“Set up an internal quality review process to ensure P/A/Ps are identified based on their objectives using a standardized Quality Review and Assurance (QAR) (Annex A) with support of the CCC. Xxx*
- 10.10 Moving forward, Item VII of the COA Circular No. 2023-001 dated April 18, 2023 provides the responsibility of the audited agency stated as follows:
- The audited agencies shall mainstream climate adaptation and mitigation initiatives in its annual PAPs. It shall also submit within five (5) working days from receipt of the approved QAR from the CCC, a copy of the annual climate change plan, as an annex to BP Form No. 201-F or DBM Form 712, as the case maybe, Annex C hereof, and its corresponding appropriations, to the COA Audit Team assigned to the agency. Likewise, a copy of the corresponding Annual Accomplishment Report shall be furnished to the Audit Team within fifteen (15) working days from January of the ensuing year.*
- 10.11 The Authority’s non-compliance in the climate change budget tagging undermines the Climate Change Commission (CCC) and DBM’s efforts to accurately track and allocate climate- related expenditures, weakening the integration of adaptation and mitigation strategies into national development plans and hindering the Government’s progress toward resilience, sustainability and climate action commitments.
- 10.12 We recommended and Management agreed to undertake the following courses of action:**
- a. Ensure proper documentation and timely submission of QAR Forms and other required reports to the Climate Change Commission (CCC) and DBM;**
 - b. Designate a specific committee to oversee the proper identification, tagging, reporting and monitoring of the climate change related expenditures;**
 - c. Provide regular training and workshops to the committee to ensure proper implementation of the DBM-CCC JMC No. 2015-01; and**
 - d. Ensure the submission of all required documents to the COA Audit Team, including the approved QAR from CCC, a copy of the annual climate change plan as an annex to DBM Form 711 with its corresponding appropriations within five working days from receipt, and the Annual Accomplishment Report within 15 working days from January of the following year.**
- 10.13 The Ecology Department commits to assist in the preparation of QAR forms and other reportorial requirements for SBMA in compliance with the DBM-CCC Joint MC No. 2015-01.

- 10.14 The Authority will formally request the Climate Change Commission (CCC) to provide appropriate training on Climate Change Expenditure Tagging and DRRM for all SBMA projects. Once the training has been conducted, the knowledge gained will be cascaded to the Authority’s project development officers through discussions in the Priority Project and Capital Expenditure Committee (PPCEC) meetings.
- 10.15 The Authority will comply and submit all necessary documents in compliance to the Annex of DBM Form 711 as needed. AS to the Annual Accomplishment Report, Finance shall coordinate with the designated committee for their submission of the report as required.
- 11. The inadequate capacity building to induce technically competent project staff(s) with sufficient gender expertise, generally affected the weak linkage of the listed attributed programs to the objective of gender mainstreaming. This resulted in the GPB’s non-endorsement by Philippine Commission on Women (PCW), while also hindering the attainment of the Authority’s GAD mandate, inconsistent with Republic Act No. 9710 or the Magna Carta of Women (MCW) and the relevant circulars therefor. Likewise, the agency’s GFPS failed to submit the GAD Accomplishment Report to the team for two consecutive years, CY 2023 and 2024, contrary to COA Circular No. 2014-001 dated March 18, 2014.**
- 11.1 Pursuant to Republic Act (RA) No. 9710 or the Magna Carta of Women (MCW), and Section 35 of the General Appropriations Act (GAA) for the Fiscal Year (FY) 2024, all government agencies shall formulate their annual GPBs within the context of their mandates to mainstream gender perspectives in their policies, programs and projects. GAD Planning shall be integrated in the regular activities of the agencies, the cost of implementation of which shall be at least five percent (5%) of their total budgets.
- 11.2 In addition, Section 3.4 of the PCW-NEDA-DBM Joint Circular No. 2012-01 provided that *mainstreaming gender perspectives in agency PAPs to attain the desired outcomes for GAD shall be a priority in GAD planning and budgeting. Using the 5% GAD budget for gender mainstreaming is a way for agencies to influence the entire agency program, plan and budget. To aid gender mainstreaming, agencies shall perform gender analysis using existing tools, such as the Harmonized Gender and Development Guidelines (HGDG), to ensure that different concerns of women and men are addressed equally and equitably in their PAPs. Activities to address these differential concerns through capacity development on GAD or GAD-focused activities shall be included in agency GPBs.*
- 11.3 For CY 2024, the Authority allocated ₱514,463,000.00 or 7.69% of the DBM-approved Corporate Operating Budget (COB) of ₱6,687,199,000.00, for the implementation of GAD PAPs reflected in its GPB. The activities planned by the Authority consisted of three client-focused, two organization-focused, and nine attributed programs, totaling 14 PAPs, to wit:

Table 38. Composition of GAD PAPs reflected in GPB

GAD Activity	No. of PAPs	GAD Budget per GPB (In Philippine Peso)
Client-Focused Activities	3	15,000,000.00
Organization-Focused Activities	2	35,000,000.00
Attributed Programs	9	464,463,000.00

GAD Activity	No. of PAPs	GAD Budget per GPB (In Philippine Peso)
Total GAD Budget	14	514,463,000.00
DBM-approved COB		6,687,199,000.00
Percentage of GAD Budget over COB		7.69%

- 11.4 During audit, it was noted that although the GPB, initially, was compliant with the 5% minimum requirement, the same remained unendorsed, as the prevalent case in previous years, due to the weak linkage of the listed attributed programs to the mainstreaming of gender and development.
- 11.5 In determining what can or cannot be charged to the GAD Budget, Annex A – Guide in Completing the GAD Plan and Budget Template of the PCW-NEDA-DBM Joint Circular No. 2012-01 provides that, *the primary consideration is the gender issue being addressed by the expense or activity. If the gender issue is clear, the expense may be charged to the GAD budget.*
- 11.6 It can be observed from the above table that attributed programs make up the significant portion of the GAD budget with an amount of ₱464,463,000.00 or 90% of total GAD budget. Based on the review of the project profiles of various attributed programs for CY 2024, the program objective statement, output, and outcome indicator showed no reference to any gender issues that the Authority identified and would like to address or resolve through the said project(s).
- 11.7 Relative to that, and as a reiteration of prior year’s observation, the team verified that the agency still encounters difficulties with providing sufficient and relevant means of verification⁵ (MOVs). These pertain to documents required by PCW Memorandum Circular No. 2023-02 dated September 11, 2023, to properly evaluate that the attributed projects included in the GPB actually serve as a gender-mainstreaming platform for the agency.
- 11.8 This complication can be related to the agency’s weak capacity building to produce and/or strengthen technically competent project staff or members for promoting gender equality or integrating GAD. It can also be in the form of assigning an individual or group with adequate gender expertise, responsible for promoting gender equality throughout the project. In the same vein, such weak linkage is also affected by the absence of the identification of a development problem, collection of data, and the resulting gender issues, which are core elements in program and project development.
- 11.9 In general, the agency comes up with various PAPs for the year based on requests from end-users or proponents within the Authority, then evaluate the same if GAD-related or not, for listing in the GPB. As observed, this is normally the case, instead of starting off with the identification of a development problem among women and men

⁵ *Preparation and Online Submission of Fiscal Year (FY) 2024 Gender and Development (GAD) Plans and Budgets.* Section 1.2.2.2.3 Copies of the results of the assessment using the appropriate HGDG design checklist and relevant supporting documents or means of verification (e.g., project design, concept note, and highlights of the stakeholders’ meeting/consultation with a summary of attendees by sex) shall be attached to the agency’s GPB submission. Supporting documents or means of verification should be signed by the project/program head, the Chairperson of the GAD Focal Point System (GFPS) Technical Working Group (TWG) or other authorized officials of the agency.

in the surrounding community, to which the projects in the attributed programs should emanate from, while being within the context of the agency's mandate.

- 11.10 Such norm or procedure creates challenge in terms of policymaking and program development that will ensure women and men will have equal access to development opportunities.
- 11.11 Moving forward, the team received no GAD Accomplishment Report (AR) for CY 2024, as in the case with prior year, contrary to Section V of the COA Circular No. 2014-001 indicating the responsibility of the agency in the submission of the copies of the Annual GPB and the Accomplishment Report, to wit:

The Audited agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case maybe. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year.

- 11.12 This is a recurring observation since no submission was also received in CY 2023, making it two consecutive years with no GAD AR submitted to the team.
- 11.13 Interview with the outgoing/former GAD TWG noted that there was no instruction given to them for the preparation of the GAD AR for CY 2024, and that there were changes in the set of officers within the GAD Focal Point System per Officer Order No. 2025-02-173, series of 2025, issued on February 19, 2025. Confirmation with the new GFPS Chairperson disclosed that no GAD AR for CY 2024 was also prepared by or endorsed to them. Thus, no accomplishment report was also prepared and submitted to the PCW in compliance with PCW Memo random Circular No. 2024-05 dated December 10, 2024 on the submission of FY 2024 GAD AR.
- 11.14 Nonetheless, the team verified the actual GAD expenditures which showed no actual amount for attributed programs, as the certification from Accounting mostly accounts direct GAD activities. For attributed programs' expenditures, the Harmonized Gender and Development Guidelines (HGDG) shall be used to determine the actual cost or expenditure that can be attributed to GAD, which should have been translated in the GAD AR for CY 2024. Summarized below are the GAD expenditures based on the certification submitted by Accounting.

Table 39. GAD Expenditures based on the Certification submitted by Accounting

GAD Activity	No. of PAPs	GAD Budget per GPB (In Philippine Peso)	Actual Expenditure per Accounting Certification (In Philippine Peso)
Client-Focused Activities	3	15,000,000.00	882,500.00
Organization-Focused Activities	2	35,000,000.00	3,001,320.00
Attributed Programs	9	464,463,000.00	0.00
Total	14	514,463,000.00	3,883,820.00
Percentage of Actual Expenditure to GAD Budget			0.75%

- 11.15 Since no accomplishment report to base from relative to attributed programs, the GAD expenditures reflected is at a minimal amount of ₱3,883,820.00 or 0.75% of total GAD Budget, which is far from the required minimum 5%.
- 11.16 Not only does this limit the reach of the agency in promoting or mainstreaming gender and development, but also affects the contribution or opportunities presented to all stakeholders, women and men, in being more involved in empowering or strengthening gender-responsive governance.
- 11.17 This observation is a reiteration with modification of the last year's audit.
- 11.18 We recommended the GAD Focal Point System (GFPS) as well as other units concerned to:**
- a. Conduct or strengthen capacity development activities (HGDG training, various GAD training and seminar) to equip the new GFPS as well as those identified as project or program proponents from various departments with adequate gender expertise that translates to gender-responsive major PAPs, and include the same in the GPB;**
 - b. Properly identify and address gender issues and women's special needs on proposed major PAPs for attributed programs, within the context of the agency's mandate, based on the 10 core elements of a gender-responsive design (Item 1 to 3 of Project Identification and Item 4 to 10 of Project Design of the HGDG); and**
 - c. Submit to the Audit Team and the PCW in a regular and timely manner, the GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) in accordance with Section V of the COA Circular No. 2014-001 and the related memorandum circular annually issued by the PCW.**
- 11.19 The Authority constituted their GFPS and they will have their initial meeting on April 2, 2025. To take up among others the observation issued by COA. They already requested from HRMD to coordinate GAD trainings for the newly reconstituted GFPS.
- 11.20 The GFPS has submitted the Fiscal Year (FY) 2024 GFPS Profile Form on March 31, 2025. They will also submit the new details for the Gender Mainstreaming Monitoring System (GMMS) Registration to the PCW the platform for submission of plans and budgets, as well as the accomplishment report.
- 12. The Authority has substantially complied with Bureau of Internal Revenue (BIR) Revenue Regulations No. 2-98, dated April 17, 1998, as amended, regarding the withholding and remittance of taxes from employees' compensation and payments to suppliers and contractors for the calendar year (CY) 2024.**
- 12.1 Government agencies, as tax withholding agents, are required to remit taxes withheld on employee compensation and business contracts on or before the 10th day of the succeeding month, pursuant to Bureau of Internal Revenue (BIR) Revenue Regulations No. 2-98 dated April 17, 1998.

- 12.2 Verification of the Authority's accounts on withholding and remittance for the current year confirmed compliance with the provisions of the aforementioned law. The schedules of taxes withheld by SBMA for CY 2024 and the corresponding remittances to the BIR, are presented below:

Expanded Withholding Taxes

Table 40. CY 2024 Schedule of Withholding and Remittance to BIR for Expanded Withholding Tax (In Philippine Peso)

Month	Taxes Withheld	Total	Taxes Remitted	Due to BIR, Ending
Beg. Balance	0.00	4,324,758.99	0.00	4,324,758.99
January	256,272.16	4,581,031.15	4,324,758.99	256,272.16
February	1,571,457.36	1,827,729.52	211,248.59	1,616,480.93
March	973,125.47	2,589,606.40	997,206.04	1,592,400.36
April	675,895.05	2,268,295.41	928,886.73	1,339,408.68
May	1,314,346.70	2,653,755.38	1,213,102.56	1,440,652.82
June	1,484,159.53	2,924,812.35	1,329,446.47	1,595,365.88
July	6,456,435.87	8,051,801.75	475,893.52	7,575,908.23
August	279,366.63	7,855,274.86	7,329,675.37	525,599.49
September	539,948.28	1,065,547.77	429,633.85	635,913.92
October	1,272,818.51	1,908,732.43	206,332.76	1,702,399.67
November	1,702,248.34	3,404,648.01	1,209,312.93	2,195,335.08
December	2,758,020.09	4,953,355.17	1,749,386.34	3,203,968.83
Total	19,284,093.99		20,404,884.15	

- 12.3 The ending balance for taxes withheld on EWT amounting to ₱3,203,968.83 was remitted to the BIR under Payment Reference No. 402500063511070 on January 13, 2025, and recorded in the books through JAP-25-01-000158 dated January 10, 2025.

Withholding Taxes on Compensation

Table 41. CY 2024 Schedule of Withholding and Remittance to BIR for Withholding Taxes on Compensation (In Philippine Peso)

Month	Taxes Withheld	Total	Taxes Remitted	Tax Adjustment	Due to BIR, Ending
Beg. Balance	0.00	5,513,904.81	0.00	0.00	5,513,904.81
January	3,397,166.37	8,911,071.18	5,513,904.81	0.00	3,397,166.37
February	3,488,465.26	6,885,631.63	6,707,789.91	0.00	177,841.72
March	3,447,839.92	3,625,681.64	3,508,339.32	0.00	117,342.32
April	3,536,894.55	3,654,236.87	-	0.00	3,654,236.87
May	7,621,798.79	11,276,035.66	11,138,753.42	0.00	137,282.24
June	3,393,193.98	3,530,476.22	3,400,954.70	0.00	129,521.52
July	3,394,606.49	3,524,128.01	3,375,140.34	0.00	148,987.67
August	6,073,730.13	6,222,717.80	6,073,388.54	0.00	149,329.26
September	3,808,192.83	3,957,522.09	3,669,909.84	0.00	287,612.25
October	3,629,124.03	3,916,736.28	3,778,246.35	0.00	138,489.93
November	8,390,837.47	8,529,327.40	8,384,727.91	0.00	144,599.49
December	7,568,403.78	7,713,003.27	5,513,904.81	1,124,148.03	6,588,855.24
Total	57,750,253.60		55,551,155.14	1,124,148.03	

- 12.4 The total taxes withheld on compensation for December 2024, amounting to ₱6,588,855.24, were fully remitted to the BIR on January 13, 2025, under Payment Reference No. 12500063557404.
- 12.5 On the other hand, since the Authority was created under Section 13 of RA 7227, otherwise known as the “Bases Conversion and Development Act of 1992”, it was subject to a 5% Preferential Tax. However, beginning CY 2024, the Authority adopted the 25% Regular Corporate Income Tax by virtue of the Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act and as affirmed by the Department of Finance (DOF) in a letter to SBMA dated December 13, 2023, resulting in a significant increase in SBMA’s Due to BIR year-end balance, from ₱50,230,157.80 in CY 2023 to ₱430,884,928.07 in CY 2024.
- 12.6 We recommended that Management continually ensure the full and timely remittance of withheld taxes in compliance with RR No. 2-98 dated April 17, 1998, as amended.**
- 12.7 The Authority will adhere to COA recommendation. They will strictly comply with BIR Revenue regulation on the proper withholding of taxes and prompt remittance thereof.
- 13. The Authority substantially complied with its obligations to GSIS to withhold and remit premium contributions, loan amortizations and other amounts for CY 2024 in accordance with the Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 8291, or the Government Service Insurance System (GSIS) Act of 1997. However, a sum of ₱84,331.60 remained unaccounted as of year-end.**
- 13.1 Section 14 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 8291, The Government Service Insurance System (GSIS) Act of 1997, in consonance with Section 6(b) of the same Act, states the following provisions on remittance of contributions to GSIS:
- Section 14.1 – Each government agency shall remit directly to the GSIS the employees’ and government agency’s contributions within the first Ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the government agency of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.*
- Section 14.2 – The government agency shall also deduct from the fixed monthly compensation of the employee the loan amortizations (consolidated loans, policy loan, emergency loan, housing loan and other loans), premium payments (optional, pre-need and other non-life insurance) and other amounts due the GSIS.*
- Section 14.3 – The said amounts shall be remitted to GSIS within the first Ten (10) days of the calendar month following the month when the deductions were effected, accompanied by supporting lists in the form prescribed by the GSIS.*

13.2 Audit of the premium contributions including the employer's shares, loan amortizations and other amounts due to GSIS for CY 2024 showed that the SBMA complied with the provisions set forth by the aforementioned law.

13.3 The schedule of GSIS premiums and other withholdings of SBMA for CY 2024 as recorded in the books of accounts and corresponding remittances to the GSIS are presented below:

Table 42. CY 2024 Schedule of Withholding and Remittance to GSIS (In Philippine Peso)

Month	Withheld*	Total	Remitted	Due to GSIS, ending
Beg. Balance	0.00	17,009,842.78	0.00	17,009,842.78
January	16,698,331.50	33,708,174.28	16,817,730.70	16,890,443.58
February	16,589,058.41	33,479,501.99	16,620,129.88	16,859,372.11
March	16,307,987.94	33,167,360.05	27,246,267.69	5,921,092.36
April	16,225,154.47	22,146,246.83	5,613,419.78	16,532,827.05
May	16,591,992.06	33,124,819.11	16,099,717.39	17,025,101.72
June	15,804,534.19	32,829,635.91	16,696,445.40	16,133,190.51
July	15,686,852.74	31,820,043.25	15,995,423.30	15,824,619.95
August	16,778,377.49	2,602,997.44	15,555,044.73	17,047,952.71
September	15,685,504.76	32,733,457.47	15,277,218.32	17,456,239.15
October	17,140,456.21	34,596,695.36	15,488,305.16	19,108,390.20
November	15,217,445.42	34,325,835.62	18,669,695.74	15,656,139.88
December	15,276,184.24	30,932,324.12	15,294,376.64	15,637,947.48
Total	194,007,933.68		195,373,774.73	

*Net of various adjustments

13.4 Further analysis and verification of the accounts showed that the amount of ₱15,420,826.14 was remitted to the GSIS on January 10, 2025 per JAP-25-01-000151 while a net amount of ₱132,789.74 was refunded/adjusted per JGL-25-01-000001 dated January 3, 2025 and JAP-25-01-000068 dated January 9, 2025. As of January 31, 2025, the amount of ₱84,331.60 remained unremitted/unadjusted, as shown in the table:

Table 43. Unremitted/Unadjusted Amount of Premium Contributions as of January 31, 2025 (In Philippine Peso)

Year	Employee Share	Employer Share	Policy Loan	Multi-Purpose Loan	Financial Assistance Loan	MPL Lite	Total
2005	0.00	(0.01)	0.00	0.00	0.00	0.00	(0.01)
2017	(985.53)	1,502.05	0.00	0.00	0.00	0.00	516.52
2018	(1,078.34)	0.00	0.00	0.00	0.00	0.00	(1,078.34)
2019	3,447.44	0.00	0.00	0.00	0.00	0.00	3,447.44
2020	3,989.45	0.00	0.00	0.00	0.00	0.00	3,989.45
2021	1,016.94	0.00	0.00	0.00	0.00	0.00	1,016.94
2022	(91.84)	0.00	0.00	0.00	0.00	0.00	(91.84)
2024	17,790.68	0.00	950.00	25,145.72	31,945.04	700.00	76,531.44
Net Amount for Remittance / Adjustment as of January 31, 2025	24,088.80	1,502.04	950.00	25,145.72	31,945.04	700.00	84,331.60

- 13.5 In compliance with last year's audit recommendation, the Audit Team acknowledges the Authority's effort, reflected in the net decrease of unreconciled balance from prior year's observation amounting to ₱34,233.87. Comparison of the unremitted/unreconciled amount with prior year's figure is shown below:

Table 44. Comparison of Unremitted/Unrecorded Amount with Prior Year's Figure

Account Name	Amount of Unremitted Ending Balance as of January 31, 2025 (In Philippine Peso)	Amount of Unremitted Ending Balance as of January 31, 2024 (In Philippine Peso)	Increase / (Decrease) (In Philippine Peso)
GSIS Premium - EE	6,298.12	23,385.95	(17,087.83)
GSIS Premium - ER	1,502.04	18,648.08	(17,146.04)
Total	7,800.16	42,034.03	(34,233.87)

- 13.6 On the other hand, verification of the unremitted balance of ₱84,331.60 as of January 31, 2025, revealed that a portion of the amount listed as unremitted premium and loan payments from various Due to GSIS sub-accounts comprised of withholdings and/or adjustments from CY 2024 transactions, and therefore, should not be included in the prior year's unreconciled amount. Analysis of the records showed that premium and loan payments amounting to ₱77,324.28 were pending remittance, including a sum of ₱792.84 for a personnel refund, as illustrated below:

Table 45. Breakdown of Unremitted/Unadjusted Amount from CY 2024 Transactions as of January 31, 2025

Date	GSIS Sub-Account	For Remittance, net (In Philippine Peso)	For Refund, net (In Philippine Peso)
June 2024	Financial Assistance Loan	7,936.01	0.00
August 2024	GSIS Premium - EE	2,082.30	588.44
September 2024	GSIS Premium - EE	137.47	0.00
October 2024	GSIS Premium - EE	462.84	104.40
December 2024	GSIS Premium - EE	15,800.91	0.00
	Policy Loan	1,050.00	100.00
	Multi-Purpose Loan	25,145.72	0.00
	Financial Assistance Loan	24,009.03	0.00
	MPL Lite	700.00	0.00
Total for Remittance / Refund		77,324.28	792.84

- 13.7 Inquiry with the personnel in charge of the reconciliation of GSIS accounts disclosed that the amount of ₱18,560.19 was remitted/refunded per JAP-25-02-000117 dated February 7, 2025, and JGL-24-02-000001 dated February 2, 2025, while the amount of ₱57,971.25 is still in the process of checking/reconciliation.
- 13.8 The Audit Team acknowledges the Accounting Department's efforts in reducing the long outstanding unaccounted balances in their GSIS dues. Although, identifying prior year errors and deficiencies requires significant time and effort, it is equally important

to prioritize monitoring the current year's account movements to prevent the accumulation of adjustments in the succeeding years.

13.9 We recommended and Management agreed to undertake the following courses of action:

a. Continuously monitor and ensure that all contributions/premiums, loan amortizations and other amounts due to the GSIS are appropriately withheld and remitted on time; and

b. Regularly reconcile their recorded balances on withheld and remitted GSIS premiums to ensure the correctness of the monthly remittances.

13.10 The Authority concurred with the recommendations. The Human Resource Management Department (HRMD) and the Accounting Department are constantly coordinating to resolve issues concerning the GSIS.

13.11 The unremitted employees share of GSIS is still for reconciliation. This pertains to premiums from the Final Pay of separated employees and re-computation of salary of employees who were on prolonged leave which was accrued after the remittance of GSIS. Also, unremitted loan balances pertain to loan amortization which are for refund which has no outstanding balance as per GSIS eBilling and Collection System (eBCS) for the month of February. This will be refunded on March 2025 payroll.

13.12 The Authority will concur with the recommendation. The HRMD and the Accounting Department are constantly coordinating to resolve issues concerning the GSIS.

14. The Authority substantially complied with the requirements set forth in Republic Act (RA) No. 9679 or An Act Further Strengthening the Home Development Mutual Fund (HDMF), and for other purposes, otherwise known as "Pag-IBIG (Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno) Fund" on the withholding and remittance of premium contributions and other amounts within the required period amounting to ₱26,337,880.14.

14.1 Republic Act (RA) No. 9679 mandates that every employer, whether private or public, shall be responsible for setting aside and remitting the required contributions to the Home Development Mutual Fund (HDMF), in accordance with the mechanism determined by the Board of Trustees.

14.2 The law further mandates that all government instrumentalities, agencies and government-owned and controlled corporations must include the payment of contributions in their annual appropriations as a mandatory and compulsory requirement.

14.3 As stipulated in Section 2 of Rule VII of R.A. No. 9679, all employers are required to remit their contributions along with those of their covered employees, as well as the employees' loan amortizations or payments to the Fund when applicable. This must be remitted within 15 days from the date of collection unless a different period has been previously agreed upon between the employer and the Fund or prescribed otherwise by the Fund.

- 14.4 The schedule of Pag-IBIG Contributions for CY 2024 as recorded in the books of accounts and corresponding remittance to the HDMF is presented below:

Table 46. CY 2024 Schedule of Withholding and Remittance to Pag-IBIG (In Philippine Peso)

Month	Withheld*	Total	Remitted	Due to Pag-IBIG, ending
Beg. Balance	0.00	1,843,174.36	0.00	1,843,174.36
January	1,925,834.77	3,769,009.13	1,826,804.90	1,942,204.23
February	2,217,374.29	4,159,578.52	1,930,260.13	2,229,318.39
March	2,185,844.97	4,415,163.36	2,219,707.98	2,195,455.38
April	2,225,410.20	4,420,865.58	2,148,332.54	2,272,533.04
May	2,232,386.73	4,504,919.77	2,231,943.11	2,272,976.66
June	2,163,806.44	4,436,783.10	2,217,316.24	2,219,466.86
July	2,229,560.94	4,449,027.80	2,180,878.80	2,268,149.00
August	2,224,469.07	4,492,618.07	2,239,177.73	2,253,440.34
September	2,211,769.65	4,465,209.99	2,211,388.67	2,253,821.32
October	2,204,308.40	4,458,129.72		
			2,223,873.69	2,234,256.03
November	2,258,951.03	4,493,207.06	2,207,789.11	2,285,417.95
December	2,258,163.65	4,543,581.60	2,257,156.99	2,286,424.61
Total	26,337,880.14		25,894,629.89	

**Net of various adjustments*

- 14.5 Verification of the accounts of the Authority on the fund contributions, loan amortizations and other amounts due to the HDMF for the current year showed compliance with the provisions set forth by the aforementioned law.
- 14.6 The amounts withheld during the year were duly remitted within the prescribed period. The year-end balance of ₱2,286,424.61 was remitted and/or refunded/adjusted as per JGL-25-01-000001 and JGL-25-01-000003 dated January 3, 2025, JAP-24-01-000012 to 14 and JAP-24-01-000044 to 45 dated January 7, 2025, and JAP-24-01-000062 to 65 dated January 9, 2025.
- 14.7 We recommended and Management agreed to undertake the following courses of action:**
- a. Continuously monitor and ensure that all contributions/premiums are correctly withheld and remitted on time; and**
 - b. Regularly verify and reconcile recorded balances of withheld and remitted Pag-IBIG premiums to ensure accurate monthly remittances.**
- 14.8 The Authority concurred with the recommendations and will continuously monitor and ensure the timely withholding and remittance of all contributions/premiums due to HDMF.
- 15. The Authority substantially complied with the requirements set forth in Republic Act (RA) No. 7875, also known as the “National Health Insurance Act of 1995”, as amended by RA Nos. 9241 and 10606, on the withholding and remittance of premium contributions within the required period amounting to ₱31,242,070.23.**

- 15.1 All government agencies are mandated to allocate funds for PhilHealth premium contributions in their annual appropriations.
- 15.2 Premium contributions of employees, together with the employer’s counterpart premium, should be remitted to PhilHealth or any accredited bank/agent on or before the 10th day of the month following the applicable period.
- 15.3 The schedule of PhilHealth premiums of SBMA for CY 2024 and the corresponding remittances to the PHIC, is presented below:

Table 47. CY 2024 Schedule of Withholding and Remittance to PhilHealth (In Philippine Peso)

Month	Withheld*	Total	Remitted	Due to PhilHealth, ending
Beg. Balance	0.00	1,758,813.08	0.00	1,758,813.08
January	2,333,161.17	4,091,974.25	2,090,860.06	2,001,114.19
February	2,860,363.56	4,861,477.75	2,607,583.56	2,253,894.19
March	2,605,020.48	4,858,914.67	2,616,646.66	2,242,268.01
April	2,593,956.61	4,836,224.62	2,604,726.16	2,231,498.46
May	2,589,611.69	4,821,110.15	2,591,821.44	2,229,288.71
June	2,578,536.22	4,807,824.93	2,591,437.57	2,216,387.36
July	2,563,436.24	4,779,823.60	2,576,131.84	2,203,691.76
August	2,574,199.51	4,777,891.27	2,577,136.46	2,200,754.81
September	2,661,908.98	4,862,663.79	2,570,483.78	2,292,180.01
October	2,634,928.99	4,927,109.00	2,660,688.59	2,266,420.41
November	2,630,658.35	4,897,078.76	2,629,924.25	2,267,154.51
December	2,616,288.43	4,883,442.94	2,624,828.89	2,258,614.05
Total	31,242,070.23		30,742,269.26	

**Net of various adjustments*

- 15.4 The amounts withheld during the year were duly remitted within the prescribed period. The year-end balance of ₱2,258,614.05 was remitted on January 9, 2025 per JAP-25-01-000067.
- 15.5 We recommended that Management undertake the following courses of action:**
- a. Continuously monitor and ensure the timely withholding and remittance of all contributions/premiums; and**
 - b. Conduct regular reconciliations of recorded balances for withheld and remitted PhilHealth premiums to verify the accuracy of monthly remittances.**
- 15.6 The Authority concurred with the recommendations.
- 16. Out of the audit disallowances amounting to ₱13,027,789.56, a total of ₱2,040,000.00 has already been settled pursuant to COA Circular No. 2009-006 dated September 15, 2009, also known as the Rules and Regulations on the Settlement of Accounts (RRSA), leaving an ending balance for settlement of ₱10,987,789.56 as at December 31, 2024.**
- 16.1 The Commission on Audit (COA) issued Notice of Finality of Decision (NFD) Nos. 2023-001-SBMA and 2024-001-SBMA dated May 19, 2023 and October 1, 2024,

respectively, for Notice of Disallowance (ND) Nos. ND-SBMA 2010-11-001 (2009) and ND-SBMA 2010-11-002 (2010), with a total amount of ₱6,440,000.00. Subsequently, the COA Order of Execution No. RO3-2024-130 was issued on August 14, 2024 for ₱5,740,000.00, pertaining to the aforementioned NFD, instructing the SBMA to recognize and enforce the settlement of the related ND.

- 16.2 The Authority has already collected a total of ₱1,480,000.00 as reflected in the beginning balance of CY 2024, covered by seven Notices of Settlement of Suspensions / Disallowances/ Charges (NSSDCs) issued to Management on various dates, as reported in the prior years' quarterly Statement of Audit Suspensions, Disallowances and Charges (SASDC).
- 16.3 In CY 2024, there were no new notices of suspension, disallowances and charges issued while three NSSDCs totaling ₱560,000.00 were issued by the team to the agency's favor, to wit:

Table 48. NSSDCs Issued in CY 2024 (In Philippine Peso)

No.	NS/ND/NC Reference No.	Date	Amount Suspended/ Disallowed/ Charged	Reference/ Settlements Made	Amount Settled in CY 2024
1	ND-SBMA 2010-11-001 (2009)	11/09/2010	5,740,000.00	Partial settlement of ₱440,000.00 per NSSDC No. 2024-002 dated December 20, 2024	440,000.00
2	ND-SBMA 2010-11-002 (2010)	11/12/2010	700,000.00	Partial settlement of ₱60,000.00 per NSSDC No. 2024-001 dated November 4, 2024	60,000.00
3	ND-SBMA 2010-11-002 (2010)	11/12/2010	700,000.00	Partial settlement of ₱60,000.00 per NSSDC No. 2024-003 dated December 20, 2024	60,000.00
Total					560,000.00

- 16.4 As can be gleaned from the above data, it was noted that the settlements made were partial payments by the persons liable relative to the disallowance on payment of Board of Directors' (BODs) per diem / allowances.
- 16.5 It is through the effort and determination of the Management to collect payment that they were able to continuously reduce the amount of the unsettled disallowances, which the team greatly acknowledges.
- 16.6 Based on the foregoing, the status of audit suspensions, disallowances and charges as of year-end is as follows:

Table 49. Audit Suspensions, Disallowances and Charges (In Philippine Peso)

Audit Action	Beginning Balance	This period January 1 to December 31, 2024		Ending Balance
	January 1, 2024	Issued	Settled	December 31, 2024
Suspensions	0.00	0.00	0.00	0.00
Disallowances	11,547,789.56	0.00	560,000.00	10,987,789.56

Audit Action	Beginning Balance January 1, 2024	This period January 1 to December 31, 2024		Ending Balance December 31, 2024
		Issued	Settled	
Charges	0.00	0.00	0.00	0.00
Total	11,547,789.56	0.00	560,000.00	10,987,789.56

- 16.7 In addition to the above, as shown below is the balance as of December 31, 2024 of the suspensions, disallowances and charges prior to the effectivity of COA Circular No. 2009-006 dated September 15, 2009, that became final and executory under NFD No. 2021-233 dated October 13, 2021 and COE No. 2021-023 dated November 2, 2021:

Table 50. Audit Suspensions, Disallowances and Charges Prior to 2009 RRSA

Particulars	Amount (In Philippine Peso)
Amount due and demandable per COE No. 2021-023 dated November 2, 2021	146,817,449.10
Less: NSSDCs issued as of December 31, 2023	12,641,308.26
Beginning Balance, January 1, 2024	134,176,140.84
Add / (Less):	
Adjustment to the COE amount of NS 98-036(98) based on NFD amount per JGL-24-01-000144 dated January 24, 2024	3,523,669.15
Ending Balance, December 31, 2024	137,699,809.99

- 16.8 **We recommended that the SBMA through the Chairman and Administrator continuously cause the enforcement and immediate settlement of the outstanding audit disallowances, especially those with issued NFD and/or COE.**
- 16.9 The Authority will adhere to the COA recommendation. The SBMA had already set demand letters dated January 15, 2025 to previous SBMA Board of Directors who are accountable under COA Notice of Disallowance (ND) No. ND-SBMA 2010-11-001(2009) dated November 9, 2010 with COE No. RO3-2024-130 dated August 14, 2024.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 103 audit recommendations embodied in prior years' Annual Audit Reports (AARs) and Management Letter (ML), 33 were fully implemented, and 70 were not implemented.

Reference	Observations	Recommendations	Status of Implementation
CY 2023 AAR, Observation No. 1, page 49	1. The reliability and completeness of the Property, Plant and Equipment (PPE) accounts with a carrying amount of ₱19,466,402,100.15 as of year-end, are uncertain due to several noted deficiencies which include (i) failure to reconcile RPCPPE with Accounting records for Buildings and Other Structures; (ii) omission to derecognize demolished and non-existing facilities amounting to ₱1,410,312,118.41; (iii) non-recognition of existing facilities; (iv) inclusion of leasable land in the PPE valued at ₱13,933,376,379.10; (v) unreconciled discrepancies in Other PPE records; (vi) inclusion of disposed properties in the RPCPPE; (vii) non-disposal and failure to recognize impairment losses for unserviceable properties with carrying amount of ₱33,305,636.08; and non-reclassification of Construction in Progress.	We recommended that Management undertake the following courses of action: <i>Unreconciled Fixed Asset – Buildings and Other Structures</i> a. For the Accounting Department (AD) and Land and Asset Development Department (LADD) to prepare schedules or enhance current records that will be comparable-ready once wall-to-wall inventory is finished by setting up common tagging or reference number in addition to presenting therein important details of individual facilities as much as possible, to ease the reconciliation process and to ensure that proper adjusting entries will be made;	Not Implemented Current records are being enhanced for comparability using the Unique Property Identification System (UPIS). However, concurrent with the inspection of all existing fixed facilities, the assignment of unique identification number is still not yet completed. Reiterated in Audit Observation No. 1 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 to 2023.

Reference	Observations	Recommendations	Status of Implementation
		<p>b. Pursue the procurement or engagement of a Property Appraiser for the appraisal of unrecorded facilities;</p> <p><i>Land</i></p> <p>c. Pursue the procurement of the Perimeter Boundary Survey to proceed with the determination of the fair value of the land at present;</p>	<p>Not Implemented</p> <p>Existing properties without cost remained unrecorded as no appraisal has been conducted yet. The hiring of a Property Appraiser is subject for re-budgeting and according to LADD, the appraisal itself shall be initiated once the Perimeter Boundary Survey has been completed.</p> <p>Reiterated in Audit Observation No. 1 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 to 2023.</p> <p>Not Implemented</p> <p>The procurement of the Perimeter Boundary Survey has been approved in CY 2025 and will be subject to the procurement process therefrom.</p> <p>Reiterated in Audit Observation No. 1 of AAR CY 2024. This observation was first raised in</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>d. Reclassify the value of the leasable land to Investment Property;</p> <p><i>Unreconciled Movable Assets – Other PPE, and Works of Arts and Archeological Specimens</i></p> <p>e. AD to reclassify fully depreciated assets from Other Property, Plant and Equipment which were already identified and reconciled with PPMD;</p> <p>f. PPMD to validate the existence of Works of Arts and Archeological Specimens account amounting to ₱3,517,000.00 which was not</p>	<p>the AAR for CY 2020 and reiterated on CY 2021 to 2023.</p> <p>Not Implemented</p> <p>No adjusting entry for the reclassification is made yet.</p> <p>Reiterated in Audit Observation No. 1 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 to 2023.</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>There are still two paintings not yet located.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>included in the RPCPPE;</p> <p><i>Impairment Loss Recognition</i></p> <p>g. Cause the disposal of unserviceable properties as listed under the prepared IIRUP in accordance with COA-DBM Joint Circular No. 2024-01 dated January 30, 2024;</p> <p>h. Pending disposal, pursue the appraisal of the items listed per IIRUP and recognize any impairment loss, if necessary;</p> <p>i. Validate and de-recognize the amount disposed per RPCPPE in the books with a</p>	<p>Not Implemented</p> <p>The listed items for disposal is still being appraised by the Engineering Department prior to disposal.</p> <p>Reiterated in Audit Observation No. 1 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2022 to 2023.</p> <p>Not Implemented</p> <p>No impairment loss recognized yet as the appraisal by the Engineering Department is ongoing.</p> <p>Reiterated in Audit Observation No. 1 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2022 to 2023.</p> <p>Not Implemented</p> <p>No adjusting entry for the de-recognition is</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>total carrying amount of ₱653,235.64;</p> <p><i>Construction in Progress</i></p> <p>j. Validate and upon determination on the proper nature and its status, reclassify/adjust the amounts in the CIP account not directly related to infrastructure projects amounting to ₱1,149,296.00;</p> <p>k. Cause the transfer of fully paid and completed projects to their appropriate PPE accounts; and</p> <p>l. Ensure recognition of the accumulated cost or other appropriate value of any</p>	<p>made yet. The documentation or list relative to the said disposed properties is pending transmittal to the Accounting for validation and de-recognition.</p> <p>Reiterated in Audit Observation No. 1 of AAR CY 2024. This observation was first raised in the AAR for CY 2023.</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>project which is still in the process of construction or development including its corresponding accruals at year-end.</p>	
<p>CY 2023 AAR, Observation No. 2, page 61</p>	<p>2. The accuracy and existence of Motor Vehicles, Land Transportation Equipment and Accessories account with a net carrying amount of ₱ 213,239,995.15 could not be ascertained due to: (a) unrecognized motor vehicles with total net carrying amount of ₱458,515.70 and nine unbooked vehicles due to lack of valuation; (b) non-disposal of 150 unserviceable motor vehicles and the non-provision of impairment loss, with a carrying value of ₱7,619,154.89; and (c) other lapses/deficiencies.</p>	<p>We recommended that Management undertake the following courses of action:</p> <p>a. Require the PPMD, Transportation Division and Accounting Division to reconcile the unrecorded vehicles, closely coordinate for the timely recording of acquired vehicles thru donation and effect the necessary adjustment in the books of account if warranted;</p>	<p>Not Implemented</p> <p>No adjusting entry is made yet for the subject vehicles not recorded. Coordination and reconciliation is ongoing between the concerned departments for the valuation and gathering of documents of unrecorded vehicles specifically those without cost upon receipt of the agency. Such amount will be determined by the PPMD thru appraisal.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>b. Dispose the unserviceable motor vehicles in accordance with the COA and DBM Joint Circular No. 2024-1 dated January 30, 2024, Revised Manual on the Disposal of Government Properties, to prevent losses to the government resulting from further deteriorations;</p> <p>c. Pending disposal, provide allowance for impairment loss of unserviceable motor vehicles to ensure that the assets are carried at no more than their recoverable amount;</p> <p>d. Provide budget and register the vehicles to government plates and mark the remaining vehicles "For Official Use Only" and name of the agency;</p>	<p>Not Implemented</p> <p>No disposal was effected yet. The list and inspection of vehicles identified for disposal has been done and is ongoing appraisal by the Engineering Department for the determination of the scrap value prior to the actual disposal.</p> <p>Not Implemented</p> <p>No entry for impairment is made yet, pending final appraisal report from the PPMD.</p> <p>Not Implemented</p> <p>There are still vehicles not yet registered under government plates while the marking of vehicles for official use only is already being implemented. The PPMD is currently administering the required documents for</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>e. Renew the PAR every 3 years or upon change in custodianship to ensure accurate and up-to-date records of property accountability are maintained;</p> <p>f. Ensure that the proper accountable officer signs the Property Acknowledgement Receipt;</p> <p>g. Maintain proper monitoring and control in the use of motor vehicles, ensuring they are strictly used for</p>	<p>converting the green plate vehicles to government plate.</p> <p>Not Implemented</p> <p>Renewal or updating of records, including the respective PAR of properties, by the PPMD is ongoing concurrent with the one-time cleansing process. A total of 17,052 line items were already been updated for the whole year of 2024.</p> <p>Not Implemented</p> <p>Renewal or updating of records, including the respective PAR of properties, by the PPMD is ongoing concurrent with the one-time cleansing process. A total of 17,052 line items were already been updated for the whole year of 2024.</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>official business purposes; and</p> <p>h. Require the PPMD and the Transportation Division to reconcile the accountability of the motor vehicles, with respect to the assigned department and accountable officers.</p>	<p>Not Implemented</p> <p>Renewal or updating of records, including the respective PAR of properties, by the PPMD is ongoing concurrent with the one-time cleansing process. On the other hand, adjustments on PAR had been made relative to the two vehicles located at Seaport but was issued to an employee assigned to Transportation Division.</p>
<p>CY 2023 AAR, Observation No. 3, page 70</p>	<p>3. Due to inadequate detection controls and delayed submission of Sublease Agreements/Lease Agreements (SLAs/LAs) and pre-termination documents, transactions pertaining to Accounts Receivable in the Integrated Financial Management System (IFMS) were not timely recognized, thereby understating the Receivables by ₱37.42 million, Retained Earnings by ₱9.40 million, Service and Business Income by ₱33.13 million, and overstating the Deferred</p>	<p>We recommended that Management:</p> <p>a. Require the Land and Asset Development Department (LADD), Business and Investment Group (BIG) and other concerned departments the timely submission of duly approved contracts and pre-termination documents to the Accounting Department;</p>	<p>Not Implemented</p> <p>Although a monitoring database system and coordination with Accounting has been established, late submission of the necessary documents from both LADD and BIG to Accounting is still persistent in CY 2024, affecting the account balances of receivable, income</p>

Reference	Observations	Recommendations	Status of Implementation
	Credits/Unearned Income by ₱5.10 million.	<p>b. Establish a board policy that outlines guidelines for the structured timeline for the submission of signed SLAs/LAs and other required documents by the locators, specifying the required turnaround time for post-approval signing and enforce penalties for the non-compliance;</p> <p>c. Consider streamlining the documentation process and provide locators with clear instructions and templates to facilitate faster and more efficient submissions;</p>	<p>and the other related accounts.</p> <p>Not Implemented</p> <p>The existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Reiterated in Audit Observation No. 3 of AAR CY 2024. This observation was first raised in the AAR for CY 2021 and reiterated on CY 2022 to 2023.</p> <p>Not Implemented</p> <p>The existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Reiterated in Audit Observation No. 3 of AAR CY 2024. This observation was first raised in the AAR for CY</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>d. Conduct regular communication and reminders to locators regarding the importance of timely submission of signed lease agreements; and</p> <p>e. Submit to the Audit Team duly approved contracts within the prescribed period as required in COA Circular No.2009-001 dated February 12, 2009.</p>	<p>2021 and reiterated on CY 2022 to 2023.</p> <p>Not Implemented</p> <p>The existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Reiterated in Audit Observation No. 3 of AAR CY 2024. This observation was first raised in the AAR for CY 2021 and reiterated on CY 2022 to 2023.</p> <p>Not Implemented</p> <p>There are still contracts or lease agreements submitted late to the team within CY 2024.</p> <p>Reiterated in Audit Observation No. 3 of AAR CY 2024. This observation was first raised in the AAR for CY 2023.</p>
CY 2023 AAR, Observation	4. The accuracy of the balance of Inventory accounts in the amount of	We recommended that Management undertake the following courses of	

Reference	Observations	Recommendations	Status of Implementation
No. 4, page 77	<p>₱26,158,833.48 as of December 31, 2023 is doubtful due to the various deficiencies such as a) overstocking of supplies and materials; b) non-disposal of obsolete items costing ₱5,945,213.14; and c) non-recognition of allowance for impairment.</p>	<p>action:</p> <ul style="list-style-type: none"> a. Establish clear inventory control policies and strategies to prevent over stocking and minimize wastage; b. Inform the end users in the proper preparation of PPMP; c. Conduct regular review and assessments of inventory management practices to identify areas for improvement and implement corrective actions as needed; d. Ensure compliance with relevant regulations and guidelines regarding inventory management, including limitations on stock accumulation as stipulated in EO 	<p>Not Implemented</p> <p>Although the PPMD informed various departments to conduct inventory of their respective supplies in preparation for the PPMP 2025, no official inventory control policy is made yet.</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>No. 292 or Administrative Code of 1987;</p> <p>e. Establish and adhere to a systematic and timely disposal process for obsolete inventories, in accordance with the COA and DBM Joint Circular No. 2024-1 dated January 30, 2024, as a way forward;</p> <p>f. Implement a regular schedule of inventory inspections and disposal, ensuring that unserviceable or obsolete items are promptly identified and disposed of; and</p> <p>g. Require the Accounting Department to properly recognize an Allowance for Impairment on obsolete properties in accordance with PAS 2. This involves assessing the net realizable value of inventories and</p>	<p>Not Implemented</p> <p>Not all obsolete items were disposed yet.</p> <p>Reiterated in Audit Observation No. 4 of AAR CY 2024. This observation was first raised in the AAR for CY 2021 and reiterated on CY 2022 to 2023.</p> <p>Not Implemented</p> <p>Not all obsolete items were disposed yet.</p> <p>Not Implemented</p> <p>No entry for impairment is made yet, pending appraisal report from PPMD.</p> <p>Reiterated in Audit Observation No. 4 of AAR CY 2024. This observation was first raised in the AAR for CY 2021 and</p>

Reference	Observations	Recommendations	Status of Implementation
		writing down their carrying amount to reflect any impairment.	reiterated on CY 2022 to 2023.
CY 2023 AAR, Observation No. 5, page 82	5. The Authority's inadequate transparency in leasing listings, lack of departmental monitoring oversight and gaps in lease transfer processes for lease with development commitments have potentially limited investors' offers and led to unrecorded investment properties.	<p>We recommended that Management:</p> <p>a. Ensure that the list of available land/property for lease, including those available for development commitment, is regularly updated and posted on the Authority's official website with corresponding rates or base rent, to facilitate wider dissemination of information to prospective investors in adherence with Executive Order (EO) No. 62 s. 1993, Prescribing Policies and Guidelines to Implement Republic Act No. 7227;</p> <p>b. Develop and implement a centralized monitoring system accessible to all concerned departments</p>	<p>Fully Implemented</p> <p>The List of Available Properties for Lease in SBFZ can now be downloaded in the agency website.</p> <p>Reiterated in Audit Observation No. 2 of AAR CY 2024. This observation was first raised in the AAR for CY 2023.</p> <p>Not Implemented</p> <p>No centralized monitoring system is yet in place for the concerned department to access. Likewise,</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>(BID, Treasury, BPSD, Legal, LADD and Accounting) to facilitate coordination tracking and accuracy of reports;</p> <p>c. Upgrade the Subic Bay Freeport Business Registration System (SBFBR) to make it functional for all relevant departments, allowing transparency and real-time updates on modules related to their responsibilities;</p>	<p>the existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Reiterated in Audit Observation No. 2 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 and 2023.</p> <p>Not Implemented</p> <p>No centralized monitoring system is yet in place for the concerned department to access. Likewise, the existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Reiterated in Audit Observation No. 2 of AAR CY 2024. This observation was first raised in</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>d. Develop standardized procedures and guidelines for the turn-over of expired/terminated lease properties to ensure timely valuation or appraisal, recording and recognition in the books of the Authority;</p> <p>e. Strengthen coordination among the BID, LADD, PPMD and other concerned departments to expedite the final inspection process and facilitate the transfer of properties;</p> <p>f. Conduct a physical verification of the beginning balance of the Investment</p>	<p>the AAR for CY 2023.</p> <p>Not Implemented</p> <p>The existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Reiterated in Audit Observation No. 2 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 and 2023.</p> <p>Not Implemented</p> <p>The existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Not Implemented</p> <p>The wall-to-wall inventory of various lots and buildings is still in</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>Property accounts and ensure proper reclassification to the appropriate accounts;</p> <p>g. Properly identify, appraise/value and record the properties resulting from development commitments in the Investment Property account;</p> <p>h. Conduct a comprehensive review of the initial planning and assessments of development investment and timelines to ensure they are</p>	<p>progress at 40% completion.</p> <p>Reiterated in Audit Observation No. 2 of AAR CY 2024. This observation was first raised in the AAR for CY 2023.</p> <p>Not Implemented</p> <p>No appraisal has been conducted yet as the hiring of a Property Appraiser is subject for re-budgeting. Meanwhile, in-house valuation is being established for application to all facilities without cost awaiting the hiring of an appraiser.</p> <p>Reiterated in Audit Observation No. 2 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 and 2023.</p> <p>Not Implemented</p> <p>The existing policies are being reviewed for any necessary revisions to further streamline the business process. Data gathering</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>realistic and designed to specific conditions and requirements of the lease agreements; and</p> <p>i. Conduct thorough background checks on prospective lessees to verify their financial stability, business reputation, and track record in fulfilling development commitments and evaluate the lessee's previous leasing history to assess their reliability and commitment in fulfilling contractual obligations.</p>	<p>related to the locator's development commitment will begin once the physical inventory of fixed assets is completed, which is currently at 40% completion.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p> <p>Not Implemented</p> <p>The existing policies are being reviewed for any necessary revisions to further streamline the business process.</p> <p>Effectiveness of the changes made shall be subject for reassessment.</p>
CY 2023 AAR, Observation No. 6, page 92	6. The existence of the long outstanding payables of more than three (3) years amounting to ₱38,373,849.41, and unreversed accounts payables for more than 10 years amounting to ₱556,884.10 cast doubt	<p>We recommended that Management:</p> <p>a. Instruct the Treasury (CMD) and Accounting (Payable Division) to coordinate</p>	Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
	<p>on the accuracy and reliability of the Accounts Payable account with the balance of ₱490,114,532.16, thus resulting to overstatement of accounts payable and understatement of equity accounts.</p>	<p>regarding the unclaimed checks and make a monthly reconciliation to determine the status of the unreleased checks;</p> <p>b. Instruct the HRMD and the Cost Accounting Division to coordinate in evaluating the unclaimed terminal pay due to lack of documents/requirements; and</p> <p>c. Evaluate the validity of the long outstanding payables specially those more than 10 years and revert back to appropriate equity account.</p>	<p>Fully Implemented</p> <p>Not Implemented</p> <p>Currently under evaluation by the concerned department, pending adjustment or possible request for disposition of dormant accounts, whichever is applicable, and if warranted.</p>
<p>CY 2023 AAR, Observation No. 7, page 96</p>	<p>7. Deficiencies noted in the disbursement of funds from the dollar account for Advances to Officers and Employees pertaining to foreign travel is an indication that the internal control system of the Authority is inadequate which is contrary to Sections 123 and 124 of P.D.1445,</p>	<p>We recommended that Management:</p> <p>a. Ensure that requests for Authority to Travel from Office of the President are made at the earliest possible time to ensure</p>	<p>Fully Implemented</p> <p>Review of current year 2024 travels that require authority from OP were compliant.</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>thus this practice may expose funds to undue risk of loss and potential misuse.</p>	<p>that such authority will be received at least a week prior to departure to give the participants ample time to process the corresponding travel allowance;</p> <p>b. Ensure that the control procedures in the disbursement process will be strictly followed and complied with; and</p> <p>c. Revisit the internal control system on the disbursement of funds particularly from the dollar account and devise additional control procedures to prevent the recurrence of the abovementioned observations.</p>	<p>Fully Implemented</p> <p>Review of current year 2024 travels showed compliance with the disbursement process</p> <p>Fully Implemented</p> <p>Controls such as the establishment of alternate signatories and them being bonded were put in place. Review of current year 2024 travels showed compliance with the disbursement process.</p>
<p>CY 2023 AAR, Observation No. 8, page 98</p>	<p>8. The CY 2023 Budget Utilization Rate for Infrastructures, with an obligation rate of 70% and a disbursement rate of 14% as of year-end, fell below the agency's overall target rates of 100% and 80%, respectively. The low utilization rates were attributed to bottlenecks within the program/project</p>	<p>We recommended that Management undertake the following courses of action:</p> <p>a. Observe the recommended earliest possible time and maximum period allowed for the procurement of infrastructure projects under</p>	<p>Not Implemented</p> <p>Per PMR as of December 31, 2024, most of the total calendar days of procurement of Infrastructure projects are within</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>procurement and implementation processes, along with some necessary improvements needed in the project development phase, thus, limiting the benefits provided to the public in terms of functional programs/projects.</p>	<p>Annex C of the Revised Implementing Rules and Regulations (RIRR) of R.A. No. 9184;</p> <p>b. During the planning stage of project development, strengthen the integration of all other variables that can be accounted in terms of actual site condition to avoid or lessen project delays or extensions;</p> <p>c. Evaluate the process for granting time extensions and consider implementing measures such as stricter criteria for granting extensions to minimize delays and ensure adherence to project timelines;</p>	<p>the maximum period allowed. However, there are 2 projects whose total CD were beyond the maximum allowable period.</p> <p>Not Implemented</p> <p>For projects started in CY 2024, total time extensions per project ranged from 47 to 156 CDs, from which a total of 188 CDs were approved and attributed to variation/ change/ extra work order, change in design or workability of design and other site conditions, which could've been lessened if these variables are integrated well in the planning stage. For revalidation in CY 2025 projects.</p> <p>Not Implemented</p> <p>For projects started in CY 2024, total time extensions per project ranged from 47 to 156 CDs (varying from 1 to 6 time extensions approved), from which a total of 159 CDs were approved and</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>d. Set a realistic project timeline by re-evaluating the procedure or factors considered in the computation of project duration to enhance project scheduling and lessen time extension requests;</p> <p>e. Consider adopting the Early Procurement Activities (EPA) or starting the procurement process in the 1st quarter of the year to provide ample time in the completion of the procurement process and implementation of the projects;</p> <p>f. Implement stringent monitoring mechanisms to address the prolonged delays and closely over-</p>	<p>attributed to certain delays or unfavorable weather condition. Subject to revalidation on ongoing projects.</p> <p>Not Implemented</p> <p>For projects started in CY 2024, total time extensions per project ranged from 47 to 156 CDs, from which a total of 159 CDs were approved and attributed to delays or unfavorable weather condition. For revalidation in CY 2025 projects.</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>There are still remaining works on the two projects with percentage of completion of</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>see the completion of the critical infrastructure projects such as the Construction of Magsaysay Bridge and the Road Rehabilitation Project 2020;</p> <p>g. Consider providing a unique code as part of the title of SBMA infrastructure projects to be carried on across various documents (ex. On PPMP, APP, PMR, PPAs etc.) and across years for easier monitoring reference (i.e. 24SBMA001 – Construction of Building); and</p> <p>h. For Engineering, PMO, Airport, Seaport, Maintenance Department and other implementing units, to list down in the monthly submission of PPAs all infrastructure projects for their implementation, whether or not the procurement process for such</p>	<p>94.02% and 97.43% as of December 31, 2024, respectively, subject to liquidated damages per Report on PPAs.</p> <p>Not Implemented</p> <p>The Final APP CY 2024 contain a separate column for PAP code but the same were not consistently used throughout all other procurement documents.</p> <p>Not Implemented</p> <p>There are still implementing offices that are inconsistent with the monthly submission of PPAs for Infrastructure projects.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>project is completed, in reference to the list of infrastructure projects appearing in the APP. For projects whose procurement is on-going, accomplish the table based on available data and include on the remarks the status of procurement of the project for monitoring/informational purposes.</p>	
<p>CY 2023 AAR, Observation No. 9, page 107</p>	<p>9. The Authority did not strictly adhere to the government procurement provisions for the Procurement Process for Goods and Services as outlined in Republic Act (RA) No. 9184, thus failing to fully achieve the Act's goal of enhancing transparency and good governance.</p>	<p>We recommended that Management:</p> <p>a. Require the BAC to:</p> <ol style="list-style-type: none"> 1. Provide explanation for the awarding of the bid to a bidder who did not comply with specific technical requirements; 2. Clarify the circumstances surrounding the late discovery of errors in the technical specifications by the end user; 3. Explain the non-disqualification of the bidders 	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>despite non-compliance to a technical specification;</p> <p>4. Request the bidders to explain for classifying themselves as compliant in the technical specifications despite offering different bid from the requirement;</p> <p>5. Provide the reason for the change in procurement schedule which was not stated in Bid Bulletin No. 1;</p> <p>6. Explain the variance of the term of delivery between the notice of award and Bid Bulletin No.2;</p> <p>7. Provide explanation for the posting of the performance bond on the same day as the signing of the contract; and</p> <p>8. Explain the issuance of the notice of award, agreement, notice to proceed and acceptance was made in the same day which</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>properly accomplished; b) defective odometer in some motor vehicles; and c) the non-submission of Monthly Report of Fuel Consumption of Motor Vehicles, Monthly Report of Official Travel and Summary of Requisition Budget. Moreover, deficiencies were noted in the procurement of fuel through Direct Retail Purchase of POL, including the absence of purchase orders or valid contract with the supplier and reliance on cash advances contrary to Section 53.14 of RA No. 9184 and Part IV (J) of Annex H of the IRR, as amended by GPPB Resolution No. 24-2029 dated October 30, 2019.</p>	<p>fuel consumed</p> <p>b. Require the drivers to present a duly accomplished Driver's Trip Tickets before an official travel;</p> <p>c. Prepare and submit to the Audit Team the Monthly Report of Fuel Consumption properly filled out, including data on the various types of motor vehicles utilized by the SBMA during the month, total distance travelled, total fuel consumed and the normal fuel consumption for each vehicle within ten (10) days of the succeeding month for validation;</p> <p>d. Require the driver of each of the motor vehicle of the SBMA to prepare at the end of the month a Monthly Report of Official Travels, summarizing in chronological order his trips for</p>	<p>Not Implemented</p> <p>Trip tickets were being prepared by drivers from MTD, while those from other departments shall be subject for monitoring.</p> <p>Not Implemented</p> <p>No monthly report of fuel consumption is regularly submitted to the team yet. The MTD is still in the process of establishing the needed data for the report.</p> <p>Not Implemented</p> <p>No monthly report of official travel is regularly submitted to the team yet. The MTD is still in the process of establishing the needed data for the report.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>the month. The Report shall be certified by the driver and approved by the Head of the Agency or his authorized representative;</p> <p>e. Allocate budget and promptly arrange for the repair or replacement of any defective odometer/speedometer;</p> <p>f. Prepare and submit to the Audit Team the report of summary of coupons issued to and utilized by the departments;</p> <p>g. Revisit the procedures for implementing the Direct Retail Purchase of Petroleum Fuel,</p>	<p>Not Implemented</p> <p>22 vehicles were identified with defective odometer to which the MTD inquired the quotation of. Pending response from the supplier, the department is taking into consideration if the benefit outweighs the cost for such repair.</p> <p>Not Implemented</p> <p>A Summary of Fuel Purchased, containing the series and number of fuel coupon used from January to August 2024, was prepared and initially submitted by the MTD. No submission yet from other departments.</p> <p>Not Implemented</p> <p>In CY 2024, the procurement of fuel remained to be through cash</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>Oil and Lubricant (POL) to incorporate stringent controls in the procurement of fuel and in compliance with Annex H of the IRR of RA 9184. This could include the establishment of purchase orders or contracts and elimination of payment through cash advances; and</p> <p>h. Establish mechanism for ongoing monitoring and evaluation of the procurement process to identify areas for improvement and address any emerging challenges promptly.</p>	<p>advance. As of year-end, the Terms of Reference for the procurement of fuel using the fleet card system, is still ongoing revision.</p> <p>Reiterated in Audit Observation No. 9 of AAR CY 2024. This observation was first raised in the AAR for CY 2023.</p> <p>Not Implemented</p> <p>As of year-end, the Terms of Reference for the procurement of fuel using the fleet card system, is still ongoing revision.</p> <p>Reiterated in Audit Observation No. 9 of AAR CY 2024. This observation was first raised in the AAR for CY 2023.</p>
CY 2023 AAR, Observation No. 11, page 125	11. Various deficiencies were noted in the audit of the procurement of Consultancy Services – SBMA Office Consultants, highlighting gaps and issues in the Authority's procurement processes	<p>We recommended that Management:</p> <p>a. Ensure compliance with the timely submission of contracts and supporting documents in</p>	Fully Implemented

Reference	Observations	Recommendations	Status of Implementation
		<p>accordance with COA Circular No. 2009-001;</p> <p>b. Submit justification why market research was not conducted by SBMA to determine the consultant's fee pursuant to COA-DBM Joint Circular No. 2, s.2020 dated October 20, 2020 or if the market research was actually conducted submit the documented results bearing all the necessary information needed to validate its veracity;</p> <p>c. Consider formulating a policy setting out the guidelines and procedures to be undertaken in hiring individual consultants and in determining the consultant's fee;</p>	<p>Fully Implemented</p> <p>Not Implemented</p> <p>In lieu of the establishment of a separate guideline in hiring individual consultants and determining their fees, the BACCS mentioned that they ensure that all procedure done is in accordance with Annex H Item 7 on Highly Technical Consultants, as well with page 11 of Manual of Procedure for procurement of</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>d. Consider discontinuing the contract of some consultants whose work and services can be performed by a regular plantilla personnel of SBMA; and</p> <p>e. Ensure the hiring of the consultants are justified by determining whether the supposed obligations, responsibilities and outputs are met and fulfilled in a timely manner. Otherwise, consider discontinuing their contracts.</p>	<p>Consulting Services for their salary, subject to revalidation.</p> <p>Fully Implemented</p> <p>Not Implemented</p> <p>Ongoing review is being done for submitted and collated consultancy contracts of the agency relative to their terms of reference, accomplishment report, and plantilla job description.</p>
<p>CY 2023 AAR, Observation No. 12, page 132</p>	<p>12. The Programs, Activities and Projects (PAPs) under attributed programs for mainstreaming gender perspectives were not effectively translated into the agency's plan and budget, affecting the ability to produce sufficient means of verification (MOVs) as required by PCW, and resulting to the non-endorsement of the GAD Plan and Budget (GPB)</p>	<p>We recommended that Management direct the GAD Focal Point System (GFPS), as well as other units concerned to:</p> <p>a. Conduct or strengthen capacity building or development activities that will enable or help project or program proponents from various</p>	<p>Not Implemented</p> <p>Insufficient capacity building remained to be a constraint with the effect that the listed attributed programs have</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>for CY 2023, in addition to the untimely submission of GAD Accomplishment Report (AR) for the same year, consequently, hindering the attainment of the Authority's GAD mandate, inconsistent with Republic Act No. 9710 or the Magna Carta of Women (MCW) and the relevant circulars.</p>	<p>departments to properly identify and address gender issues and women's special needs on proposed major PAPs for attributed programs in GPB by considering Item 1 to 3 or the Project Identification Stage under Part 1: Program and Project Development of the HGDG;</p> <p>b. Incorporate GAD statements, specifically the gender equality objectives or goals, as well as the inclusion of gender equality and women's rights outputs and outcomes, to the program profiles of major PAPs and include them as part of the basis in project design and formulation (Item 4 to 10 or the Project Design Phase of Part 1 of HGDG), to keep them aligned with addressing the identified gender issues and constraints; and</p>	<p>weak linkage on GAD</p> <p>Reiterated in Audit Observation No. 11 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 to 2023.</p> <p>Not Implemented</p> <p>Review of the project profiles of various attributed programs for CY 2024, the program objective statement, output, and outcome indicator showed no reference to any gender issues that the Authority identified and would like to address or resolve through the said project(s). Reiterated in Audit Observation No. 11 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 to 2023.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>c. Timely submit the GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR) in accordance with Section V of the COA Circular No. 2014-001.</p>	<p>Not Implemented</p> <p>No GAD Accomplishment Report was submitted to the team for two consecutive years - CY 2023 and 2024.</p> <p>Reiterated in Audit Observation No. 11 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 to 2023.</p>
<p>CY 2023 AAR, Observation No. 13, page 136</p>	<p>13. The Authority substantially complied with Bureau of Internal Revenue (BIR) Revenue Regulations (RR) No. 2-98 dated April 17, 1998 and RR No. 17-2003 dated March 31, 2003, on the withholding and remittances of taxes from employees' compensation and from payment to its suppliers and dealers in CY 2023 within the required period.</p>	<p>We recommended and Management agreed to continuously withhold and remit taxes in accordance with the regulations issued by the BIR, and regularly reconcile the recorded balances on taxes withheld and remitted to ensure the correctness of the monthly remittances.</p>	<p>Fully Implemented</p>
<p>CY 2023 AAR, Observation No. 14, page 138</p>	<p>14. The Authority substantially complied with the withholdings and remittance of premium contributions, loan amortizations and other amounts for CY 2023 in accordance with the Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No.</p>	<p>We recommended that Management undertake continuous reconciliation through service record preparation and/or re-computation of amounts on the account of Life & Retirement Insurance Premium – Employee and Employer in order to immediately remit/refund</p>	<p>Not Implemented</p> <p>Out of the remaining amount for remittance, refund or adjustment of ₱15,264.95 the Authority refunded Php402.22 under JGL-24-12-000001</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>8291 or the Government Service Insurance System (GSIS) Act of 1997. However, the unremitted/unadjusted balance on the Life & Retirement Insurance Premium (Employee and Employer Share) amounting to ₱33,943.31 remained unaccounted for.</p>	<p>and close the balance amounting to ₱33,943.31.</p>	<p>and adjusted the amount of Php7,123.12 under JGL-24-12-000391. Continuous reconciliation thru remittance, refund or adjustment is being done on the remaining amount from prior year as well as with CY 2024 transactions.</p> <p>Reiterated in Audit Observation No. 13 of AAR CY 2024. This observation was first raised in the AAR for CY 2020 and reiterated on CY 2021 to 2023.</p>
<p>CY 2023 AAR, Observation No. 15, page 141</p>	<p>15. The Authority substantially complied with the requirements set forth by Republic Act (R.A.) No. 9679 or the HDMF Law of 2009 and its IRR on the withholding and remittance of premium contributions and other amounts totaling ₱21,677,995.05.</p>	<p>We recommended and Management agreed to continuously reconcile the amount withheld vis-à-vis monthly remittances and balances and monitor the timely remittance of the amounts withheld due to Pag-IBIG, to guarantee the welfare of the SBMA employees as exhibited in prior period.</p>	<p>Fully Implemented</p>
<p>CY 2023 AAR, Observation No. 16, page 141</p>	<p>16. Premium contributions shared by the employees and employer due to Philippine Health Insurance Corporation (PHIC) amounting to ₱25,279,429.11 were withheld and remitted within the required</p>	<p>We recommended and Management agreed to continuously withhold and promptly remit payments for contributions due to PHIC as required under R.A. No. 7875, as amended by R.A. Nos. 9241 and 10606, while</p>	<p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>period, in compliance with Republic Act (R.A.) No. 7875 as amended by R.A. Nos. 9241 and 10606, securing them access to program benefits offered by PhilHealth.</p>	<p>ensuring proper reconciliation of accounts to maintain reliability of records.</p>	
<p>CY 2022 AAR, Observation No. 4, page 71</p>	<p>17. Control procedures for semi-expendable properties (SP) were not fully implemented as provided in COA Circular No. 2022-004 date May 31, 2022 jeopardizing its security over the threat of misapplication or loss.</p>	<p>We recommended that the Management direct the:</p> <p>a. Accounting and PPMD to strengthen their coordination and immediately comply with the implementing guidelines set forth under COA Circular No. 2022-004 and its annexes dated May 31, 2022, specifically to:</p> <p>(i) properly identify and re/classify all items under semi-expendable properties, then categorize into low-value and high-value items;</p> <p>(ii) determine the estimated useful life of each semi-expendable property and incorporate the same in a written policy or memorandum;</p>	<p>Not Implemented</p> <p>Categorization of items into low or high-value per PPMD is still ongoing concurrent with the reconciliation between PPMD and Accounting for one-time cleansing to determine, reclassify and categorize according to value.</p> <p>Not Implemented</p> <p>According to PPMD, the suggested useful life indicated under GAM Chapter 10, Section 27 is being followed and applied to all existing semi-expendable properties as well as with newly purchased ones. No memo was additionally issued</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>b. Make use of the prescribed forms, registry, and reports under the circular and conform to its pertinent application; and</p> <p>c. Observe all other requisite of the implementing guidelines, and device additional control measures as they may see fit, in the monitoring of these properties.</p>	<p>in applying the same.</p> <p>Fully Implemented</p> <p>Increased use of forms like the following: Inventory Custodian Slip, Inventory Transfer Report, Receipt of Returned SEP, Report of Lost/ Stolen/ Damaged or Destroyed SEP, Inventory and Inspection Report of Unserviceable SEP etc. in compliance with the circular and recommendation</p> <p>Not Implemented</p> <p>Compliance is ongoing since the abovementioned actions by the agency are not yet fully completed.</p>
CY 2022 AAR, Observation No. 11, page 99	18. Out of the Notices of Finality of Decision (NFDs) amounting to ₱146,817,449.10 that became enforceable through COA Order of Execution No. 2021-023 dated November 2, 2021, a total of ₱10,023,912.98 had already been settled in full, leaving an outstanding balance of ₱136,793,536.12 as at year-end which requires immediate settlement under COA Circular No.	We recommended and Management concurred that the SBMA through the Chairman and Administrator continue to cause the enforcement and immediate settlement of the outstanding COE.	Not Implemented
			Per Audit Team's monitoring as of December 31, 2024, the Authority's total settlement (not covered by RRSA) amounted to ₱12,641,308.26 out of the total amount per COE of ₱146,817,449.10 plus the adjustment of

Reference	Observations	Recommendations	Status of Implementation
	<p>2009-006 dated September 15, 2009 or the Rules and Regulations on the Settlement of Accounts (RRSA).</p>		<p>₱3,523,669.15 for NS No. 98-036(98) dated August 31, 1998, with reference to NFD No. 2021-233, leaving an adjusted outstanding balance of ₱137,699,809.99. Continuous pursuit of payments from persons liable is being done by the Authority. Other unsettled accounts after issuance of demand letters may be subject to further legal proceedings as applicable.</p>
<p>CY 2022 ML on Compliance with R.A. No. 9184</p>	<p>19. Lapses were noted in the procurement planning process such as a) amendments in the procurement projects procured through public bidding were not reflected and included in the approved revised Annual Procurement Plan (APP) and b) multiple inclusion of the same project in the approved APP which is not in accordance with Section 7, Rule II, of the Revised IRR of RA 9184.</p>	<p>We recommend that Management institute control procedures to ensure the accuracy and completeness of the PPMP and APP prepared and submitted to GPPB and posted in the Transparency Seal.</p>	<p>Not Implemented</p> <p>According to PPMD, the PPMP-APP Management System, which started with the encoding/ uploading therein of the PPMP for CY 2025 (executed in CY 2024), is still in dry-run, and while it was being used, they still required the excel or manually prepared file of the PPMP and APP for check and balance, as well as backup.</p> <p>Per verification, the APP CY 2024 still</p>

Reference	Observations	Recommendations	Status of Implementation
			contains variances and inconsistencies. The PPMP/APP CY 2025 is still subject for validation since the system was used starting CY 2025 PPMP-APP.
CY 2022 ML on Compliance with R.A. No. 9184	20. The Authority's adherence with the pertinent provisions governing the government procurement, specifically the contract implementation as laid out in Republic Act (R.A.) No. 9184 were not strictly observed, thus, the purpose of promoting transparency and good governance in the contract implementation of the government envisioned in the enactment of the Act were not fully attained.	We recommended that the Bids and Award Committee and the other concerned departments, together with the Implementing Offices to: b. Thoroughly assess not only the presence or completeness of required documents, but more importantly, the validity, cut-off, and veracity of its contents in accordance with the provisions surrounding the said circumstance.	Not Implemented A planning checklist entitled Quantity Engineer's Checklist #1 - Request for POW/ABC Approval was created showing whether a certain prescribed procedure was complied with or not. Additionally, ongoing projects are monitored and evaluated by accomplishing the Statement of Time Elapsed & Percentage of Work Accomplished" while updating the contractor on the progress based on the program of works

Reference	Observations	Recommendations	Status of Implementation
			Ongoing validation of the implementation of the updated checklist and process flow documentation through the review of contract packages and payment. This is to verify if the checklist match the actual occurrence.
CY 2021 AAR, Observation No. 3, page 72	21. Certain disclosures applicable to the Authority as provided for under International Financial Reporting Standards (IFRS) 7 – Financial Instruments: Disclosures and IFRS 16 – Leases were not included in the Notes to Financial Statements (FSs) impairing the understandability of the information about the affected accounts, which is one of the qualitative characteristics of a reliable FS.	We recommended that Management include the applicable disclosures mentioned under IFRS 7, Financial Instruments – Disclosures (Loans and Receivables) and IFRS 16, Leases (for Operating Lease-Lessor) for fair presentation of the financial statements (FSs).	Not Implemented The disclosure on the reconciliation of changes in the Allowance for Impairment account during the period was not yet included in the Notes to FS of CY 2024.
CY 2021 AAR, Observation No. 7, page 87	22. Lapses and gaps in project monitoring and reporting of the progress of work were noted due to non-observance of the regulations embodied under Circular No. 03-2019 dated March 8, 2019 of the Government Procurement Policy Board (GPPB), resulting to a high percentage of negative slippages and eventual delays in project completion.	We recommended that Management undertake the following courses of action: a. Establish project monitoring policies stating the specific responsibilities, reporting requirements and standardized project monitoring tools to properly address gaps noted in project implementation; and	Not Implemented The enhanced draft policy manual has been presented during the Quality Management System audit on October 21, 2024,

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			and was recommended for revision to ensure compliance with ISO 9001:2015. The final and approved policy is awaiting submission.
CY 2021 AAR, Observation No. 8, page 92	23. The Authority may not be able to recover from losses of property and financial resources due to absence of Management policy on the posting of performance security to ensure the faithfulness of the contracts on housing renovations.	We recommended and Management agreed to develop policies or include in existing policies the requirement for the posting of performance bond and monitoring of the construction work done on housing units to protect the interest of the Authority.	Fully Implemented While the proposed policy is for presentation to the board, and which still requires to be ONAR-registered after a public hearing, the LADD required to incorporate the requirement or provision for performance bond on construction works done on housing units on the contracts or lease agreements of residents
CY 2020 AAR, Observation No. 6, page 71	24. The accounting entries for the receipt of Government Grants and deliveries of procured items paid out of the Grants did not conform to Philippine Accounting Standard (PAS) 20 resulting in the understatement of related PPE/Investment Property/Expense by ₱74,266,753.70; overstatement of Receivables by ₱422,623,677,.75; overstatement of	We recommended that management: Emphasize to end-users and the PPMD the need to provide prompt information and documentation to the Accounting Department for the proper recording of the receipt of goods/services procured out of the Grants and effect the adjusting entries made for such unrecorded receipts.	Not Implemented Deliverables (Punch Listing) are still not completed on the other projects and Property Acknowledgement Receipt (PAR) are still not yet been signed by the end user.

Reference	Observations	Recommendations	Status of Implementation
	<p>Financial Liabilities by ₱348,356,924.05; understatement of Deferred Income by ₱126,748,606.70; understatement of Trust Liabilities by ₱370,759,356.30; overstatement of retained earnings by ₱502,586,852.00; understatement of Subsidy Income by ₱5,078,889.00; and other various unaccounted effects of non-recognition of delivered assets, its related accumulated depreciation, depreciation expense and related amortization of deferred and subsidy income. Likewise, the non-recognition and absence of disclosure of related transactions affected the fairness of presentation of various accounts in the financial statements of the Agency as at year-end.</p>		
<p>CY 2018 AAR, Observation No. 2, page 49</p>	<p>25. The validity, existence and collectability of the total Receivables amounting to ₱5,680,914,611.16 as of December 31, 2018 could not be fully ascertained due to poor turnout of confirmation replies which nonetheless showed discrepancy of ₱723,055,546.19, while leniency of the Management to strictly impose their policies to collect receivables</p>	<p>We recommended that the Chairperson and Administrator direct the Accountant to:</p> <p>Conduct examination and reconciliation on the discrepancies between the accounting and lessees' records and to effect adjustments, if warranted.</p>	<p>Not Implemented</p> <p>Reconciliation is still ongoing and awaits court resolutions.</p> <p>To date, the account of PAGCOR is still subject for resolution.</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>resulted in very low 23.03 percent net realizable value. Likewise, insufficient supporting documents to support request for write-off of dormant accounts was noted.</p>		
<p>CY 2018 AAR, Observation No. 3, page 54</p>	<p>26. The reliability of the reported Due from Officers and Employees – Non-current account balance of ₱7,095,458.87 as of December 31, 2018 could not be fully ascertained due to the (a) remoteness of the collectability of long outstanding balances arising from the setting up of accountability for the loss, through death, of work animals - ₱5,787,765.94; and (b) unsubstantiated dormant collectibles of ₱775,552.93. Moreover, the lack of proper authorization for the partial settlement on the loss of property valued at ₱532,140.00 was noted.</p>	<p>We recommended that the Chairperson and Administrator:</p> <p>Require the concerned departments, specifically the PPMD and LED, to gather all remaining available documents such as affidavits of accountable officers and autopsy reports and submit the same to COA for appropriate action</p>	<p>Not Implemented</p> <p>Currently, the accountable officer is gathering documents to establish the chronological order of events.</p> <p>Continuous follow-up with the accountable officer is being done by the PPMD.</p>
<p>CY 2013 AAR, Observation No. 6, page 45</p>	<p>27. The Management failed to liquidate the sum of ₱110,353.50 representing advance payments made to two (2) contractors with projects contracted in prior years.</p>	<p>We reiterated for the last time the recommendation to immediately settle the amount by demanding refund/restitution of the unrecovered advance payments paid to IP Santos and Associates. We informed the Management that a notice of disallowance would be issued making the officials who authorized the payment</p>	<p>Not Implemented</p> <p>The Legal Department of the Authority has exerted their effort to locate IP Santos and Associates but, their attempts have been unsuccessful. Notices were sent but were returned to sender.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>of advances but failed to recover the advances or properly monitor the recoupment of said advances from progress billings liable for the entire unrecovered amount.</p> <p>Insofar as the accountability of ProConsult, Inc. is concerned, we recommended that Management establish with absolute certainty whether or not there remains an unsettled amount still collectible from the firm. If an amount remains due from ProConsult, Inc., we advised the Management to demand immediate settlement thereof. Otherwise, we recommended to effect the necessary adjustment in the books of account to correct any possible error committed.</p>	
<p>CY 2013 AAR, Observation No. 26, page 134</p>	<p>28. The SBMA spent approximately ₱23.38 million for the CY 2007 RFID Project which never became operational owing to the Management's (1) lack of preparation to implement the Project as evidenced by the failure to (a) appoint Project Coordinator responsible for the coordination of activities, resources, and information; (b) assign roles, responsibilities and accountabilities to</p>	<p>We recommend that the Management:</p> <p>a. Consider filing appropriate charges against:</p> <p>1. Messrs. Jeffrey C. Salazar and Rani C. Cruz for accepting the project and certifying its completion despite knowledge to the contrary, thus, compromised the interest of the agency;</p>	<p>Not Implemented</p> <p>An administrative complaint with regard to the said project was filed by the SBMA Management against Mr. Rani C. Cruz.</p> <p>The DAC has already resolved the administrative</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>concerned departments and (c) formulate policies and procedures necessary in managing the post-implementation phase of the Project; (2) lack of consultation with concerned departments in drafting the terms of reference for the procurement of RFID-related IT equipment; (3) non-compliance of Contractor with its contractual obligations particularly the commissioning of various equipment and application system according to the intended design and purpose; and (4) absence of strong willpower to make the Project work as evidenced by the Management's inaction to protect the interest of the agency despite knowledge of the causes leading to the failure of the Project.</p> <p>No Project Coordinator was appointed to oversee the progress and completion of the RFID Project. Instead, the Management instructed the MIS Head to fill in the gap and assume the duty of a Project Coordinator for the entire Project. However, certain errors and lapses of duty were noticed while the MIS Head acted as Project Coordinator. Meanwhile, the RFID Project Team constituted to facilitate</p>	<p>2. Members of the RFID Project Team for failure to fulfill their tasks which inaction is equivalent to nonfeasance amounting to neglect of duty, thus, contributed to the failure of the Project causing serious damage to the agency;</p> <p>3. drafter of the terms of reference for the RFID Project for failure to consult with and confirm the IT requirements of OSD, thus, facilitated the incurrence of unutilized property resulting in wastage of public funds;</p> <p>4. Atty. Martinez et al. for failure to finalize and submit policies and procedures necessary for the operation of the systems and post implementation of the Project;</p> <p>5. PMTI for failure to commission the various IT equipment according to the intended security system design and for failure to deliver several IT equipment on time, which failure amounted to breach of contract; and</p>	<p>case filed against Mr. Rani C. Cruz. Mr. Cruz filed a timely Motion for Reconsideration. The DAC has also resolved the Motion for Reconsideration and recommended that the same be denied for lack of merit.</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>the implementation of the Project failed to carry out its mandate.</p> <p>The Management failed to assign the respective roles and responsibilities of various departments involved in the operation of the security system. On the other hand, accountability over most of IT equipment for the Security Systems Project was entrusted to a single individual.</p> <p>The Management failed to formulate policies and procedures needed to manage the post-implementation phase of the Project.</p> <p>Lack of consultation with concerned departments in drafting the terms of reference for the procurement of RFID-related IT equipment.</p> <p>Non-compliance of Contractor with its contractual obligations particularly the commissioning of various equipment and application system according to its exact design and purpose and the integration of the Security Systems with the enhanced SBMA Metropolitan Area Network</p> <p>Absence of strong willpower to make the Project work as</p>	<p>6. Former Administrator Armand C. Arreza for failure to exercise the degree of diligence required of him under the given circumstances.</p> <p>b. Coordinate with PS-DBM for purposes of imposing and collecting liquidated damages from PMTI;</p> <p>c. Require incumbent officials who were involved in the procurement of RFID-related IT equipment to immediately file the necessary request for relief from accountability for the missing items;</p> <p>d. Consider disposing off unserviceable IT equipment for purposes of recovering portion of the investment cost spent in procuring the items.</p>	<p>Not Implemented</p> <p>SBMA has not yet collected any liquidated damages from PMTI as of the status date. No update yet with PS-DBM.</p> <p>Not Implemented</p> <p>The concerned official was already separated from the SBMA and no request for relief from accountability has been filed.</p> <p>The PPMD cannot proceed with anything related to the RFID Project as various government agencies are still investigating it.</p> <p>Not Implemented</p> <p>The PPMD cannot proceed with anything related to the RFID Project as various government agencies are still investigating it.</p>

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	evidenced by the Management's inaction to protect the interest of the agency despite knowledge of the causes leading to the fall of the Project.		