REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT

RECEIVED
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June 22, 2022

The Board of Directors
Manila International Airport Authority
Pasay City

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of audit of the accounts and transactions of Manila International Airport Authority (MIAA) for the years ended December 31, 2021 and 2020.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Observations and Recommendations, and Status of Implementation of Prior Years' Audit Recommendations.

The Auditor did not express an opinion on the fairness of presentation of the financial statements of MIAA because:

MIAA's Trade Receivables totaling P4.322 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard 9. Thus, the amortized cost of P2.956 billion could be more than its recoverable amount.

The balance of Property and Equipment (PE) account, except land, totaling P42.144 billion, with carrying amount of P21.220 billion may not be a faithful representation of MIAA's assets because the completeness and/or existence thereof could not be validated due to improper conduct of physical count, and non-reconciliation of the PE per count and per books of accounts, showing a variance of P627.434 million. Unserviceable properties with carrying amount of P5.158 million is for derecognition.

The correctness/completeness of total Passenger Service Charge (PSC) collected totaling P694.578 million, accrued/recognized as Transportation System Fee (MIAA's share), Due to Treasurer of the Philippines and Due to National Government Agencies amounting to P576.658 million, P87.290 million and P30.630 million, respectively, was not ascertained because of the lack of reliable data on aircraft and passengers movement, particularly the number of PSC-paying passengers.

The completeness of the Concession Privilege Fee (CPF) income amounting to P45.406 million could not be validated because of the lack of reliable source of data where the CPF collections and accruals can be traced. The Tenant Sales Monitoring System (TSMS) of concessionaires' Point of Sales (POS) integrated in Financial Management Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

MIAA's Withholding Tax at Source account balance of P197.868 million as of December 31, 2021 may not be a faithful representation of the portion of MIAA's assets because the existence/validity could not be verified due to the unsupported Creditable Withholding Tax amounting to P88.334 million.

The total land area owned by MIAA per Subsidiary Ledger prepared by Accounting Division (AD) and per Land Asset Inventory prepared by Business and Investment Development Division are not reconciled, showing a variance of 291,257 sq. m. There are also transactions which may have effect on the Land account balance. As a result, the correctness/completeness of the total land area and the value of land assets presented in the financial statements (FS) amounting to P14.790 billion was not ascertained.

The Due to BIR account amounting to P67.226 million may not be a faithful representation of the claims of the Bureau of Internal Revenue (BIR) against MIAA, because of the variance of P23.362 million between the balance of the account per its books of accounts and the amount remitted to the BIR per related returns it filed for the quarter or month ending December 31, 2021.

For the above observations, we recommended that Management:

On Trade Receivables (TRs):

a. Revisit MIAA's established expected credit loss provision matrix or conduct an assessment at the end of each reporting period to determine the sufficiency of Allowance for Impairment to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount;

b. Resolve the pending issues such as adjustments on rental rates and area which are awaiting resolution from Concession Management Division and pursue collection of the accounts when decided as valid receivables; and

c. Determine the correct amount of receivables from the Philippine Aerospace Development Corporation (PADC), exclude in the Statement of Account (SOA) those invalid TRs being billed from PADC, if any, and advice the latter on its claim that it already paid portion of the accounts included in the SOA.

On Property and Equipment (PE):

a. Comply with COA Circular No. 2020-006, dated January 31, 2020, on the guidelines and procedures in coming up with reliable property, plant and equipment balances that are verifiable as to existence, condition and accountability;

b. Require the Property Division to prepare a List of Non-Existing/Missing PE for submission to AD so that the AD will have a basis in derecognizing all the non-existing/missing PE;

c. Require the Inventory Team to complete the inventory-taking process and the AD to ensure that the balance of PE per books of accounts, per count and per stock cards are reconciled, including the derecognition of non-existing/missing PE; and

d. Derecognize from the books of accounts the unserviceable and condemned properties pursuant to paragraph 67 of Philippine Accounting Standard 16.

On Passenger Service Charge (PSC):

a. Revisit MIAA's existing policies on the Systems and Procedures, Reportorial Requirements, Monitoring and the Statement of Responsibilities related to the collection of PSC to ensure that Management will achieve a reliable data on aircraft and passengers movement that is useful in generating financial data to assist the AD in capturing PSC collections accurately and detect errors on the Remittance Reports submitted by Air Carriers, to include data on the following:
   i. Departing flights per Terminal and General Aviation Area;
   ii. Total passengers per flight with details as to paying and exempted from PSC payments; and
   iii. Other information relevant to financial reporting.

b. Monitor the effectiveness of such policy regularly to ensure that the objective of the policy is met; and

c. Identify the persons responsible for the specific process, so that Management can easily identify the personnel liable in case under collection and other instances of losses of assets arise.

On Concession Privilege Fees (CPFs):

a. Ensure that the POS and TSMS are working effectively by updating/correcting its functionalities so that the monthly sales summary report of concessionaires could be generated from the FMIS and used as basis of the Accounting Division in rendering bills for CPF completely/accurately and on a timely basis;

b. Maximize and strictly monitor the use of the FMIS in generating reliable internal financial reports that will be used in recording CPF transactions, otherwise MIAA will not fully benefit from the FMIS Project;

c. Analyze the discrepancy between POS summary report and amount collected per AD; and

d. Determine and monitor the concessionaires with unremitted or under-remittance Gross Sales-based CPFs and collect any unremitted CPFs.

On Withholding Tax at Source:

Determine the correct and valid or existing Withholding Tax at Source account as at reporting date, and prepare the adjusting entries, if warranted.

On Land Assets:

a. Reconcile the data on land assets per records of AD and Business and Investment Development Division, and prepare adjusting entry, if warranted; and

b. Derecognize the land asset for transfer to Civil Aviation Authority of the Philippines as represented in Note 12 to FS, subject to submission of complete documents relative to the transfer.

On Due to BIR:

a. Determine the nature/details of P23.362 million which are not remitted/remittable to the BIR and derecognize if found as not valid liabilities to the BIR; and

b. Ensure that the balance of the Due to the BIR is faithfully represented in the FS.

The other audit observations that need immediate action are as follows:

1. The policy requiring the remittance of the Passenger Service Charge (PSC) on *flown and expired tickets* only pursuant to Sections 6.2, and 6.3 of the Memorandum Circular (MC) No. 18, series of 2019, dated August 9, 2019, is not consistent with the opinion of the Office of the Solicitor General, which resulted in the continued possession by the Air Carriers (ACs) of PSC collections, integrated in unflown and unexpired airline tickets.

   We reiterated our prior year's recommendation that Management develop a policy for the accounting, reporting and monitoring of PSC collected by the ACs and on behalf of MIAA, including those due from Fix-Based Operators/ground handlers and operators. The policy shall be in support of providing a mechanism ensuring that the payment made by the concerned passengers for PSC would be credited once they depart from the terminal so that MIAA can demand the remittance of the terminal fees collected by the ACs even on *unflown tickets*, and should be consistent with the Revenue Memorandum Circulars issued by the BIR.

2. In the procurement for Operation and Maintenance of Baggage Handling System at NAIA Terminal 3 and Supply Support Agreement, the requirement that the bidder must be a valid holder of Philippine Contractors Accreditation Board (PCAB) license is contrary to Section 23 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

   We recommended that Management:

   a. Strictly comply with the RIRR of RA No. 9184;

   b. Identify and submit to the Audit Team the officials involved in requiring the PCAB license for the Procurement of Goods in this case, which resulted in unduly restricting the competition; and

   c. Clarify possible action against employees or officials in this case where an act was possibly committed that defeated the purpose of the public bidding.

3. Post qualification proceedings, which are intended to ensure that the lowest calculated bids are evaluated to determine whether the bidder concerned complied with and is responsive to all the requirements and conditions as specified in the bidding documents, were undocumented and indicated gaps, casting doubt on the regularity of the awarding of four contracts aggregating P114.470 million in violation of Sections 12 and 34 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

   We recommended that Management:

   a. Comply with the provisions of RIRR of RA No. 9184, specifically, on the post-qualification by the Bids and Awards Committee (BAC) pursuant to Section 34, to be able to solicit best offer from qualified bidders which is the objective of the competitive bidding, and to eliminate doubts on the integrity of the bidding process;

   b. Present the result of the verification and validation of all the statements made and documents submitted by contractor which became the bases for the declaration of the bid of latter as the Lowest Calculated and Responsive Bid which could shed light on gaps in the conduct of post-qualification as discussed in the observations; and

   c. Henceforth, ensure that the post-qualification is conducted by BAC and the Technical Working Group in accordance with the methodology under the Generic Procurement Manual and RA No. 9184 and its RIRR.

The other audit observations and recommended courses of action, which were discussed with concerned Management officials and staff during the exit conference conducted on June 9, 2022, are presented in detail in Part II of this report.

In a letter of even date, we requested the Authority's General Manager to take appropriate action on the recommendations contained in the report and to inform this Office of the action taken thereon within 60 days from date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

EMMA V. MOISES
OIC-Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Senate Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
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CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT

June 22, 2022

MANILA INTERNATIONAL AIRPORT AUTHORITY
OFFICE OF THE GENERAL MANAGER
RECEIVED
JUN 23 2022
TIME 4:35 PM
BY [illegible]

Mr. EDDIE V. MONREAL
General Manager
Manila International Airport Authority
Pasay City

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   c. Henceforth, ensure that the post-qualification is conducted by BAC and the Technical Working Group in accordance with the methodology under the Generic Procurement Manual and RA No. 9184 and its RIRR.

The other audit observations and recommended courses of action, which were discussed during the exit conference conducted on June 9, 2022, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Part II of the report be implemented and that this Commission be informed of the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation form (copy attached) within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:

EMMA V. MOISES
OIC-Cluster Director

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
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Republic of the Philippines
COMMISSION ON AUDIT
Quezon City

ANNUAL AUDIT REPORT

on the

MANILA INTERNATIONAL AIRPORT AUTHORITY

For the Years Ended December 31, 2021 and 2020

EXECUTIVE SUMMARY

INTRODUCTION

The Manila International Airport Authority (MIAA) was created by virtue of Executive Order (EO) No. 778, series of 1982, otherwise known as the "Charter of the Manila International Airport Authority". It is an agency attached to the Department of Transportation (DOTr), tasked to, among others, formulate a comprehensive and integrated policy and program for the Ninoy Aquino International Airport (NAIA)[1] and other airports in the Philippines, and to implement, review and upgrade such policy and program periodically; and control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for its efficient functioning.

MIAA's Charter was later amended by EO Nos. 903, 909 and 298 dated July 21, 1983, September 16, 1983, and July 26, 1987, respectively. The amendments were the following: (a) modified the composition of the Board of Directors to afford better coordination; (b) increased the capital contribution of the National Government; (c) reduced the contribution of the MIAA to the General Fund from 65 per cent to 20 per cent of its annual operating income excluding utilities and terminal fee collections; and (d) appointed the Government Corporate Counsel and/or the Solicitor General as legal counsel of the MIAA.

The MIAA is headed by a General Manager, and assisted by a Senior Assistant General Manager and five Assistant General Managers (AGM) namely: 1) AGM for Finance and Administration; 2) AGM for Operations; 3) AGM for Engineering; 4) AGM for Security and Emergency Services; and 5) AGM for Airport Development and Corporate Affairs. It is governed by a Board of Directors composed of nine members (seven from the government and two from the private sector) who is chaired by the Secretary of the DOTr.

As of December 31, 2021, the MIAA has 1,354 organic personnel, 2,568 contract of service and 77 job order personnel. It has an approved Corporate Operating Budget for calendar year 2021 amounting to P7.742 billion.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	(In Thousand Pesos)		
	2021	2020 (As restated)	Increase (Decrease)
Assets	49,249,842	52,543,898	(3,294,056)
Liabilities	5,336,043	6,261,655	(925,612)
Equity	43,913,799	46,282,243	(2,368,444)

[1] Formerly Manila International Airport

Comparative Results of Operation

	(In Thousand Pesos) 2021	2020 (As restated)	Increase (Decrease)
Income	4,467,934	5,547,621	(1,079,687)
Expenses	(6,262,169)	(6,021,403)	240,766
Loss Before Tax	(1,794,235)	(473,782)	(1,320,453)
Income Tax Expenses	(140,765)	(37,760)	103,005
Loss After Tax	(1,935,000)	(511,542)	(1,423,458)
Subsidy to Other Funds	(587,571)	(563,051)	(24,520)
Subsidy from National Government	70,591	195,615	(125,023)
Net Income (Loss)	(2,451,980)	(878,978)	(1,573,002)

SCOPE AND OBJECTIVES OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of MIAA for the period January 1 to December 31, 2021 in accordance with 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 years ended December 31, 2021 and 2020. Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We did not express an opinion on the fairness of presentation of the financial statements because the MIAA's Trade Receivables totaling P4.322 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard 9. Thus, the amortized cost of P2.956 billion could be more than its recoverable amount.

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(TSMS) of concessionaires' Point of Sales (POS) integrated in Financial Management Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

MIAA's Withholding Tax at Source account balance of P197.868 million as of December 31, 2021 may not be a faithful representation of the portion of MIAA's assets because the existence/validity could not be verified due to the unsupported Creditable Withholding Tax amounting to P88.334 million.

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a. Revisit MIAA's established expected credit loss provision matrix or conduct an assessment at the end of each reporting period to determine the sufficiency of Allowance for Impairment to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount;

b. Resolve the pending issues such as adjustments on rental rates and area which are awaiting resolution from Concession Management Division (CMD) and pursue collection of the accounts when decided as valid receivables; and

c. Determine the correct amount of receivables from the Philippine Aerospace Development Corporation (PADC), exclude in the Statement of Account (SOA) those invalid TRs being billed from PADC, if any, and advice the latter on its claim that it already paid portion of the accounts included in the SOA.

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c. Require the Inventory Team to complete the inventory-taking process and the AD to ensure that the balance of PE per books of accounts, per count and per stock cards are reconciled, including the derecognition of non-existing/missing PE; and

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c. Identify the persons responsible for the specific process, so that Management can easily identify the personnel liable in case under collection and other instances of losses of assets arise.

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d. Determine and monitor the concessionaires with unremitted or under-remittance Gross Sales-based CPFs and collect any unremitted CPFs.

On Withholding Tax at Source:

Determine the correct and valid or existing Withholding Tax at Source account as at reporting date, and prepare the adjusting entries, if warranted.

On Land Assets:

a. Reconcile the data on land assets per records of AD and Business and Investment Development Division, and prepare adjusting entry, if warranted; and

b. Derecognize the land asset for transfer to Civil Aviation Authority of the Philippines as represented in Note 12 to FS, subject to submission of complete documents relative to the transfer.

On Due to BIR:

a. Determine the nature/details of P23.362 million which are not remitted/remittable to the BIR and derecognize if found as not valid liabilities to the BIR; and

b. Ensure that the balance of the Due to the BIR is faithfully represented in the FS.

The other significant audit observations and recommendations are as follows:

1. The policy requiring the remittance of the Passenger Service Charge (PSC) on *flown and expired tickets* only pursuant to Sections 6.2, and 6.3 of the Memorandum Circular (MC) No. 18, series of 2019, dated August 9, 2019, is not consistent with the opinion of the Office of the Solicitor General, which resulted in the continued possession by the Air Carriers (ACs) of PSC collections, integrated in unflown and unexpired airline tickets.

   We reiterated our prior year's recommendation that Management develop a policy for the accounting, reporting and monitoring of PSC collected by the ACs and on behalf of MIAA, including those due from Fix-Based Operators/ground handlers and operators. The policy shall be in support of providing a mechanism ensuring that the payment made by the concerned passengers for PSC would be credited once they depart from the terminal so that MIAA can demand the remittance of the terminal fees collected by the ACs even on *unflown tickets*, and should be consistent with the Revenue Memorandum Circulars issued by the BIR.

2. In the procurement of Operation and Maintenance of Baggage Handling System at NAIA Terminal 3 with Supply Support Agreement, the requirement that the bidder must be a valid holder of Philippine Contractors Accreditation Board (PCAB) license is contrary to Section 23 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

   We recommended that Management:

   a. Strictly comply with the RIRR of RA No. 9184;

   b. Identify and submit to the Audit Team the officials involved in requiring the PCAB license for the Procurement of Goods in this case, which resulted in unduly restricting the competition; and

   c. Clarify possible action against employees or officials in this case where an act was possibly committed that defeated the purpose of the public bidding.

3. Post qualification proceedings, which are intended to ensure that the lowest calculated bids are evaluated to determine whether the bidder concerned complied with and is responsive to all the requirements and conditions as specified in the bidding documents, were undocumented and indicated gaps, casting doubt on the regularity of the awarding of four contracts aggregating P114.470 million in violation of Sections 12 and 34 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

   We recommended that Management:

   a. Comply with the provisions of RIRR of RA No. 9184, specifically, on the post-qualification by the Bids and Awards Committee (BAC) pursuant to Section 34, to be able to solicit best offer from qualified bidders which is the objective of the competitive bidding, and to eliminate doubts on the integrity of the bidding process;

   b. Present the result of the verification and validation of all the statements made and documents submitted by contractor which became the bases for the declaration of the bid as the Lowest Calculated and Responsive Bid which could shed light on gaps in the conduct of post-qualification as discussed in the observations; and

   c. Henceforth, ensure that the post-qualification is conducted by BAC and the Technical Working Group in accordance with the methodology under the Generic Procurement Manual.

SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The total unsettled audit suspensions, disallowances and charges issued in the audit of various transactions of MIAA amounted to P56.698 million as of December 31, 2021, details of which are included in Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 38 audit recommendations contained in the prior years' Annual Audit Reports, 16 were implemented, 17 were partially implemented and 5 were not implemented. Details are presented in Part III of this Report.

TABLE OF CONTENTS

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
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Manila International Airport Authority
Pasay City

Report on the Audit of the Financial Statements

Disclaimer of Opinion

We were mandated to audit the financial statements of Manila International Airport Authority (MIAA), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

Because of the significance of the matters described in the *Bases for Disclaimer of Opinion* paragraph, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, we do not express an opinion on the financial statements taken as a whole.

Bases for Disclaimer of Opinion

MIAA's Trade Receivables totaling P4.322 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard (PFRS) 9. MIAA's provision matrix of estimating expected credit loss at a uniform rate of 10 per cent for accounts that are 30 days to less than 10 years past due, did not consider that the longer the period, the higher the probability of default. MIAA did not consider the current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses, like the economic impact of COVID-19 pandemic which could have exposed MIAA to higher credit risk since most of their clients are engaged in aviation or airline industries. Thus, the amortized cost of P2.956 billion could be more than its recoverable amount.

The balance of Property and Equipment (PE) account, except land, totaling P42.144 billion, with carrying amount of P21.220 billion may not be a faithful representation of MIAA's assets because the completeness and/or existence thereof could not be validated due to improper conduct of physical count. The Report on Physical Count of PPE and the General Ledger balances are not reconciled, showing a variance of P627.434 million. As a result, the depreciation expense and computed net carrying amount of the PE may not be reliable considering that some PE subjected to depreciation were not validated as to existence. Unserviceable properties with carrying amount of P5.158 million is for derecognition.

The correctness/completeness of total Passenger Service Charge (PSC) collected totaling P694.578 million, accrued/recognized as Transportation System Fee (MIAA's share), Due to Treasurer of the Philippines and Due to National Government Agencies amounting to P576.658 million, P87.290 million and P30.630 million, respectively, was not ascertained. The lack of reliable data on the number of paying passengers caused the inability to determine the correct/complete PSC collected at the rate of P550 and P200 per paying passenger for international and domestic departing passengers, respectively. The reported PSC collected was based on the Remittance Reports (RRs) submitted by the Air Carriers (ACs), and the reconciliation made to determine the correctness of the declaration of the ACs was on the total number of passengers per RRs submitted by ACs and Report on Passenger Load Data of MIAA.

The completeness of the Concession Privilege Fee (CPF) income amounting to P45.406 million could not be validated because of the lack of reliable source of data where the CPF collections and accruals can be traced. The Tenant Sales Monitoring System of concessionaires' Point of Sales integrated in Financial Management Information System is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

MIAA's Withholding Tax at Source account balance of P197.868 million as of December 31, 2021 may not be a faithful representation of the portion of MIAA's assets because the existence/validity could not be verified due to the unsupported Creditable Withholding Tax amounting to P88.334 million.

The total land area owned by MIAA per Subsidiary Ledger (SL) prepared by Accounting Division (AD) and per Land Asset Inventory (Inventory) prepared by Business and Investment Development Division (BIDD) are not reconciled, showing a variance of 291,257 sq. m. There are also transactions which may have effect on the Land account balance. As a result, the correctness/completeness of the total land area and the value of land assets presented in the financial statements (FS) amounting to P14.790 billion was not ascertained.

The Due to BIR account amounting to P67.226 million may not be a faithful representation of the claims of the Bureau of Internal Revenue (BIR) against MIAA, because of the variance of P23.362 million between the balance of the account per its books of accounts and the amount remitted to the BIR per related returns it filed for the quarter or month ending December 31, 2021.

We were unable to determine the correctness/completeness of the TRs, PE, Transportation System Fee (MIAA's share), Due to Treasurer of the Philippines, Due to National Government Agencies, Rent/Lease Income, Withholding Tax at Source, PE-Land, Investment Property-Land and Due to BIR accounts. There was no other alternative audit procedure that we could perform to obtain sufficient evidence on the correctness/completeness of these accounts due to scope limitation as discussed in the preceding paragraphs.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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 MIAA'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 MIAA or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our responsibility is to conduct an audit of the financial statements in accordance with International Standards of Supreme Audit Institutions (ISSAIs) and to issue an auditor's report. However, because of the matters described in the *Bases for Disclaimer of Opinion* paragraph, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

We are independent of MIAA in accordance with the ethical requirements that are relevant to our audit of the financial statements 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.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 41 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. Because of the significance of the matters described in the *Bases for Disclaimer of Opinion* paragraph of our report, it is inappropriate to, and we do not express an opinion on the information referred to above.

COMMISSION ON AUDIT

Cnchan

CECILIA N. CHAN
Supervising Auditor

June 9, 2022

MIA Road, NAIA Complex
Pasay City, Philippines 1300

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(632) 8877-1109

MNL | MANILA INTERNATIONAL AIRPORT AUTHORITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Manila International Airport Authority (MIAA) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2021 and 2020, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the MIAA'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 the MIAA or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing the MIAA's financial reporting process.

The Board of Directors reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders and other users.

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

SEC. ARTHUR P. TUGADE
Chairman of the Board

DOTr-OSEC OUTGOING 22-000922

EDDIE V. MONREAL
General Manager

GRACE D. GULINAO
OIC, Accounting Division

Signed this 9th day of June 2022

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2021 and 2020
(In Philippine Peso)

	Note	**2021**	2020 (As restated)	January 1, 2020 (As restated)
ASSETS				
Current Assets				
Cash	6	**703,387,686**	350,972,168	11,077,714,859
Financial Assets	7	**4,636,448,495**	8,944,325,524	7,898,339,759
Receivables, net	8	**4,409,983,633**	3,983,441,738	3,277,080,757
Inventories	9	**151,067,117**	118,913,704	135,971,796
Other Current Assets	10	**2,449,538,068**	2,014,556,391	1,849,849,973
Total Current Assets		**12,350,424,999**	15,412,209,525	24,238,957,144
Non-Currrent Assets				
Investment Property, net	11	**9,204,997,962**	9,204,997,962	9,204,997,962
Property and Equipment, net	12	**26,838,225,671**	26,815,077,208	26,700,626,754
Right-of-Use Assets, net	13	**257,697,800**	416,150,001	574,602,201
Intangible Assets	14	**24,001,172**	21,128,643	21,128,643
Deferred Tax Assets	15, 35	**573,839,483**	673,679,885	639,848,496
Other Non-Current Assets	16	**655,000**	655,000	655,000
Total Non-Current Assets		**36,899,417,088**	37,131,688,699	37,141,859,056
TOTAL ASSETS		**49,249,842,087**	52,543,898,224	61,380,816,200
LIABILITIES				
Current Liabilities				
Financial Liabilities	17	**1,670,793,133**	1,854,488,003	1,877,901,509
Lease Payable	18	**157,876,030**	147,496,688	137,799,721
Inter-Agency Payables	19	**303,535,380**	385,498,610	1,808,851,698
Trust Liabilities	20	**1,442,022,576**	1,325,011,829	1,239,106,401
Deferred Credits/Unearned Income	21	**550,693,099**	486,627,257	631,005,878
Provisions	22	**180,142,653**	186,245,434	176,254,225
Other Payables	23	**528,648,843**	539,911,297	6,403,421,858
Total Current Liabilities		**4,833,711,714**	4,925,279,118	12,274,341,290
Non-Current Liabilities				
Financial Liabilities	17	**389,383,731**	1,065,552,084	1,973,276,313
Lease Payable	18	**112,948,043**	270,824,073	418,320,761
Deferred Tax Liabilities	24	**0**	0	5,544,516
Total Non-Current Liabilities		**502,331,774**	1,336,376,157	2,397,141,590
Total Liabilities		**5,336,043,488**	6,261,655,275	14,671,482,880
EQUITY				
Government Equity	25	**16,270,552,821**	16,235,157,609	15,852,251,370
Retained Earnings/(Deficit)	26	**27,643,245,778**	30,047,085,340	30,857,081,950
Total Equity		**43,913,798,599**	46,282,242,949	46,709,333,320
TOTAL LIABILITIES AND EQUITY		**49,249,842,087**	52,543,898,224	61,380,816,200

The notes on pages 9 to 59 form part of these financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	**2021**	2020 (As restated)
INCOME			
Business and Service Income	27	**4,416,473,484**	5,496,850,262
Shares, Donations and Grants	28	**1,091,000**	25,334,700
Gains	29	**31,941,894**	859,483
Other Non-Operating Income	30	**18,427,220**	24,577,054
		4,467,933,598	5,547,621,499
EXPENSES			
Personnel Services	31	**970,950,456**	975,311,366
Maintenance and Other Operating Expenses	32	**3,264,441,210**	3,121,632,385
Financial Expenses	33	**100,520,907**	161,128,897
Non-Cash Expenses	34	**1,926,256,907**	1,763,330,272
		6,262,169,480	6,021,402,920
LOSS BEFORE TAX		**(1,794,235,882)**	(473,781,421)
Income Tax Expense	35	**140,764,520**	37,759,811
LOSS AFTER TAX		**(1,935,000,402)**	(511,541,232)
Subsidy from National Government - DOTr	36	**70,591,586**	195,614,753
Subsidy to Other Funds	37	**(587,571,176)**	(563,051,129)
NET INCOME(LOSS)		**(2,451,979,992)**	(878,977,608)

The notes on pages 9 to 59 form part of these financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	Government Equity (Note 25)	Contributed Capital (Note 25)	Retained Earnings	Total
Balances, January 1, 2020, as reported		**10,000,000,000**	**5,852,251,370**	**30,760,236,198**	**46,612,487,568**
Various adjustments	39	0	0	96,845,752	96,845,752
Balances, January 1, 2020, as restated		**10,000,000,000**	**5,852,251,370**	**30,857,081,950**	**46,709,333,320**
Changes in Equity for 2020					
Net loss for the year, as restated		0	0	(878,977,608)	(878,977,608)
Dividends declared		0	0	0	0
Reversal of December 2019 foreign exchange revaluation		0	0	68,980,998	68,980,998
Liquidation of DOTr funds transferred to MIAA for the NAIA Terminal 2 Rehabilitation Project		0	382,906,239	0	382,906,239
Accrual of expenses for unliquidated cash advances to NGAs:					
Reversal of unliquidated balance, beginning of the year		0	0	5,290,563	5,290,563
Liquidation of cash advances, prior years		0	0	(2,474,443)	(2,474,443)
Unliquidated cash advances, end of the year		0	0	(2,816,120)	(2,816,120)
Balances, December 31, 2020, as restated		**10,000,000,000**	**6,235,157,609**	**30,047,085,340**	**46,282,242,949**
Changes in Equity for 2021					
Net loss for the year		0	0	(2,451,979,992)	(2,451,979,992)
Dividends declared		0	0	0	0
Reversal of December 2020 foreign exchange revaluation		0	0	48,140,430	48,140,430
Liquidation of DOTr funds transferred to MIAA for the NAIA Terminal 2 Rehabilitation Project		0	35,395,212	0	35,395,212
Accrual of expenses for unliquidated cash advances to NGAs:					
Reversal of unliquidated balance, beginning of the year		0	0	2,816,120	2,816,120
Unliquidated cash advances, end of the year		0	0	(2,816,120)	(2,816,120)
Balances, December 31, 2021		**10,000,000,000**	**6,270,552,821**	**27,643,245,778**	**43,913,798,599**

The notes on pages 9 to 59 form part of these financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	**2021**	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		**3,576,775,133**	4,863,181,435
Collection of Receivables		**2,092,852**	661,415
Receipt of Inter-Agency Fund Transfers		**410,226,729**	825,755,401
Trust Receipts		**205,142,518**	220,652,266
Total Cash Inflows		**4,194,237,232**	5,910,250,517
Cash Outflows			
Payment of Expenses		**4,890,880,919**	4,562,322,476
Grant of Cash Advances		**0**	691,629
Remittance of Personnel Benefit Contributions and Mandatory Deductions		**123,335,881**	83,632,927
Grant of Financial Assistance/Subsidy/Contribution		**491,720,029**	926,913,097
Release of Inter-Agency Fund Transfers		**451,375,427**	1,156,772,115
Other Disbursements		**208,125,163**	180,309,430
Payment of Corporate Income Tax		**0**	805,181,072
Total Cash Outflows		**6,165,437,419**	7,715,822,746
Net Cash Used in Operating Activities		**(1,971,200,187)**	(1,805,572,229)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds from Matured Investments		**14,153,480,920**	18,201,771,157
Total Cash Inflows		**14,153,480,920**	18,201,771,157
Cash Outflows			
Purchase/Acquisition of Investments		**9,740,385,476**	18,983,690,268
Purchase/Construction of Property, Plant and Equipment		**1,141,976,976**	1,101,959,271
Total Cash Outflows		**10,882,362,452**	20,085,649,539
Net Cash Provided by (Used in) Investing Activities		**3,271,118,468**	(1,883,878,382)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Long-Term Liabilities		**895,297,787**	903,748,636
Payment of Interest on Loans and Other Financial Charges		**71,633,085**	116,492,905
Payment of Cash Dividends		**0**	6,000,000,000
Total Cash Outflows		**966,930,872**	7,020,241,541
Net Cash Used in Financing Activities		**(966,930,872)**	(7,020,241,541)
Effects of exchange rate changes on cash and cash equivalents		**19,428,109**	(17,050,539)
NET INCREASE(DECREASE) IN CASH		**352,415,518**	(10,726,742,691)
CASH AT BEGINNING OF THE YEAR		**350,972,168**	11,077,714,859
CASH AT END OF THE YEAR	**6**	**703,387,686**	350,972,168

The notes on pages 9 to 59 form part of these financial statements.

1. GENERAL INFORMATION

The Manila International Airport Authority (MIAA), an attached agency of the Department of Transportation (DOTr), was created by virtue of Executive Order (EO) No. 778 which was approved on March 04, 1982. The Charter of the Authority was amended by EO Nos. 903 and 909 signed on July 21, 1983 and September 16, 1983, respectively. EO No. 298 was issued on July 26, 1987 to amend Sections 7, 10, 11 and 13 of EO No. 778, as amended by EO Nos. 903 and 909. The amendments were the following: (a) modified the composition of the Authority's Board of Directors to afford better coordination; (b) increased the capital contribution of the National Government; (c) reduced the contribution of the Authority to the General Fund from 65 per cent to 20 per cent of its annual operating income excluding utilities and terminal fee collections; and (d) appointed the Government Corporate Counsel and/or the Solicitor General as legal counsel of the Authority.

The Authority's functions for the airport are, among others, to formulate a comprehensive and integrated policy and program and to implement, review and update such policy and program periodically; to control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for its efficient functioning; to promulgate rules and regulations governing its planning, development, maintenance, operation and improvement; and to control and/or supervise, as may be necessary, the construction of any structure or the rendition of any service within its premises.

The Authority's corporate thrusts and objectives aim for the continued implementation and development of projects with Key Results Area (KRA) for passengers' safety, security, comfort and welfare. The following are the major projects (P5 million and above) completed in CY 2021:

- Replacement and Upgrading of Eleven (11) Units of Passenger Boarding Bridges at NAIA Terminal 1;

- Repair and Overlay of Runway 13/31;

- Rehabilitation of NAIA Terminal 2 Project;

- Supply and Installation of Stop Bar Lights and Runway 06/24 and Rehabilitation of Primary Lines and AFL System at Runway 13/31;

- Rehabilitation of the Sewage Treatment Plant (STP) of NAIA Terminal 3; and

- Thermoplastic Repainting of Pavement Markings.

The MIAA has successfully maintained its ISO 9001: 2015 Quality Management System (QMS) certification after passing the external audit conducted by Certification Partner Global (CPG) in CY 2021. Apart from this, the Authority has adhered to ISO Standards as it achieved its initial certification for ISO 14001:2015 Environment

Management System (EMS) in the same year. The EMS audit was also conducted by CPG. MIAA's adoption of the EMS has led to the establishment of the Authority's Quality Environmental Management System or known simply as Integrated Management System.

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2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance with Philippine Financial Reporting Standards

The financial statements of the Authority were prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC), Philippine Interpretations Committee (PIC) and Standing Interpretations Committee (SIC) as approved by the Financial Reporting Standards Council (FRSC) and Board of Accountancy (BOA).

Basis of Preparation of Financial Statements

The financial statements of the Authority were prepared on historical cost basis unless otherwise indicated. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Authority takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety; which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

These financial statements are presented in Philippine peso, the currency of the primary economic environment in which the Authority operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

3. ADOPTION OF NEW AND AMENDED PFRS

a. Effective in 2021 that are relevant to the Authority

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments that are relevant to the Authority effective beginning on or after January 1, 2021:

- Amendments to PFRS 16, *Leases*, COVID-19-related Rent Concessions beyond June 30, 2021 – The changes from the amendment from PFRS 16 are to:

    - Permit a lessee to apply the practical expedient regarding COVID-19-related rent concessions to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022 (rather than only payments originally due on or before June 30, 2021);

    - Require a lessee applying the amendment to do so for annual reporting periods beginning on or after April 1, 2021;

    - Require a lessee applying the amendment to do so retrospectively, recognizing the cumulative effect of initially applying the amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment; and

    - Specify that, in the reporting period in which a lessee first applies the amendment, a lessee is not required to disclose the information required by paragraph 28(f) of PAS 8.

The adoption of the foregoing new and amended PFRS did not have any material effect on the Authority's financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

b. Effective in 2021 that are not relevant to the Authority

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

c. New and amended PFRS issued but not yet effective

The new and amended PFRS which are not yet effective for the year ended December 31, 2021 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations*, Reference to the Conceptual Framework – Reference to the 1989 Framework in paragraph 11 of PFRS 3 Business Combinations was updated to 2018 Framework. Potential conflicts occur as the definition of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post-acquisition for some balances recognized.

- Amendments to PAS 16, *Property, Plant and Equipment*, Proceeds before Intended Use – This amends the standard to prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the cost of producing those items, in profit or loss.

- Amendments to PAS 37, *Provisions, Contingent Liabilities and Contingent Assets,* Onerous Contracts - Cost of Fulfilling a Contract – The changes specify that the 'cost of fulfilling' a contract comprises the 'costs that relate directly to the contract'. Costs that relate directly to a contract can either be incremental costs of fulfilling that contract (examples would be direct labor, materials) or an allocation of other costs that relate directly to fulfilling contracts (an example would be the allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, Subsidiary as a first-time adopter – The amendment permits a subsidiary that applies paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.

- Amendments to PFRS 9, *Financial Instruments,* Fees in the '10 per cent' test for derecognition of financial liabilities – The amendment clarifies which fees an entity include when it applies the '10 per cent' test in paragraph B3.3.6 of PFRS 9 in assessing whether to derecognize a financial liability. An entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

- Amendments to PFRS 16, *Leases*, Lease Incentives –The amendment to Illustrative Example 13 accompanying PFRS 16 removes from the example the illustration of the reimbursement of leasehold improvements by the lessor in order to resolve any potential confusion regarding the treatment of lease incentives that might arise because of how lease incentives are illustrated in that example.

- Amendments to PAS 41, *Agriculture,* Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

Effective for annual periods beginning on or after January 1, 2023:

- Amendments to PAS 1, *Presentation of Financial Statements*, Classification of Liabilities as Current or Non-Current – The amendments affect only the presentation of liabilities in the statement of financial position not the amount or timing of recognition of any asset, liability income or expenses, or the information that entities disclose about those items. Clarify that the classification of liabilities as current or non-current (i) should be based on rights that are in existence at the end of the reporting period and align the wording in all affected paragraphs to refer to the ”right” to defer settlement by at least twelve months and make explicit that only rights in place “at the end of the reporting period” should affect the classification of liability, (ii) is unaffected by expectations about whether an entity will exercise its right to defer settlement of a liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

- Amendments to PAS 1*, Presentation of Financial Statements* and PFRS Practice Statement 2*, Making Materiality Judgements,* Disclosure Initiative – Accounting Policies – The amendments aim to help entities provide accounting policy disclosures that are more useful by: (i) replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies; and (ii) adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures.

- Amendments to PAS 8*, Accounting Policies, Changes in Accounting Estimates and Errors,* Definition of Accounting Estimates– The amendments introduced a definition of accounting estimates are, “monetary amounts in financial statements that are subject to measurement uncertainty” and to clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors.

- Amendments to PAS 12, *Income Taxes,* Deferred Tax related to Assets and Liabilities from a Single Transaction – The main change is an exemption from the initial recognition exemption provided in PAS 12. Accordingly, the initial recognition exemption does not apply to transactions in which equal amounts of deductible and taxable temporary differences arise on initial recognition.

- Amendments to PFRS 17, *Insurance Contracts* – The main changes resulting from Amendments to PFRS 17 are:

    - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2023 and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2023.

- Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as optional scope exclusion for loan contracts that transfer significant insurance risk.

- Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.

- Clarification of the application of PFRS 17 in interim financial statements allowing an accounting policy choice at a reporting entity level.

- Clarification of the application of contractual service margin attributable to investment-return service and investment-related service and changes to the corresponding disclosure requirements.

- Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.

- Amendments to require an entity that at initial recognition recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.

- Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.

- Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.

- Several small amendments regarding minor application issues.

Effective for annual periods beginning on or after January 1, 2025:

- Amendment to PFRS 17, *Insurance Contracts*, Initial Application of PFRS 17 and PFRS 9 – Comparative Information – The amendment adds a transition option that permits an entity to apply an optional classification overlay in the comparative period(s) presented on initial application of PFRS 17. The overlay allows all financial assets, including those held in respect of activities not connected to contracts within the scope of PFRS 17, to be classified, on an instrument-by-instrument basis, in the comparative period(s) in a way that aligns with how the entity expects those assets to be classified on initial application of PFRS 9. The overlay can be applied by entities that have already applied PFRS 9 or will apply it when they apply PFRS 17.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements* and PAS 28, *Investments in Associates and Joint Ventures,* Sale or Contribution of Assets

Between an Investor and its Associate or Joint Venture – The amendments address a current conflict between the two standards and clarify that a gain or loss should be recognized fully when the transaction involves a business, and partially if it involves assets that do not constitute a business. The effective date of the amendments, initially set for annual periods beginning on or after January 1, 2016, was deferred indefinitely in December 2015 but earlier application is still permitted.

Under prevailing circumstances, the adoption of the foregoing new and amended PFRS is not expected to have any material effect on the financial statements of the Corporation.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition, Measurement and Classification of Financial Assets and Financial Liabilities

The Authority recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

All financial instruments are initially recognized at fair value of the consideration given (in case of an asset) or received (in case of a liability). Except for financial assets and financial liabilities designated as at fair value through profit or loss (FVPL), the initial measurement of financial instruments includes transaction costs.

'Day 1' Difference

Where the transaction price in a non-active market is different from the fair value of other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Authority recognizes the difference between the transaction price and the fair value (a 'Day 1' difference) in the statements of income unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the statements of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Authority determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Assets

The Authority classifies its financial assets, at initial recognition, in the following categories: financial assets at amortized cost, financial assets at fair value through other comprehensive income (FVOCI) and financial assets at FVPL. The classification depends on the business model of the Authority for managing the financial assets and the contractual cash flow characteristics of the financial assets. Financial assets are not reclassified subsequent to initial recognition unless the Authority changes its business model for managing financial assets in which case all affected financial assets are reclassified on the first day of the reporting period following the change in the business model.

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition, and fees that are an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVPL, impaired or derecognized, as well as through the amortization process.

The Authority's cash, short-term investments, and receivables are included under this category (Notes 6, 7 and 8).

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interests, dividends, gains and losses relating to a financial instrument or a component that is a financial liability are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

The Authority has no financial assets classified as financial assets as at FVOCI and at FVPL as at December 31, 2021 and 2020.

Cash and Cash Equivalents

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term investments with an original maturity period of three months or less from dates of placements and that are subject to insignificant risk of changes in value.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. Allowance for credit loss accounts is provided based on an evaluation of expected losses at inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

Financial Liabilities

The Authority classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. The Authority determines the classification of its financial liabilities at initial recognition and, where allowed and appropriate, re-evaluates such designation at every reporting date. All financial liabilities are recognized initially at fair value, and, in case of loans and borrowings, net of directly attributable transaction costs.

Other Financial Liabilities

Other financial liabilities pertain to issued financial instruments that are not designated or classified as at FVPL and contain contractual obligations to deliver cash or another financial asset to the holder or to settle the obligation other than through the exchange of a fixed amount of cash or another financial asset for a fixed number of its own equity shares.

After initial measurement, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on the issue and any directly attributable transaction costs that are an integral part of the effective interest rate.

Gains and losses are recognized in the profit or loss when the liabilities are derecognized or impaired, as well as through amortization process.

This accounting policy applies primarily to financial liabilities (other than statutory liabilities), long-term debt and other noncurrent liabilities (Notes 17, 18, 19, 20, 21, 22 and 23).

<u>Impairment of Financial Assets at Amortized Cost and FVOCI</u>

The Authority records an allowance for "expected credit loss" (ECL). ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Authority expects to receive. The difference is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Authority has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments measured at amortized cost and FVOCI, the ECL is based on the 12-month ECL, which pertains to the portion of lifetime ECLs that result from default events on a financial instrument that are possible within 12 months after the reporting date. However, when there has been a significant increase in credit risk since initial recognition, the allowance will be based on the lifetime ECL. When determining whether the credit risk of a financial asset has increased significantly since initial recognition, the Authority compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

Financial Assets. A financial asset (or where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired;

- the Authority retains the right to receive cash flows from the financial asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Authority has transferred its right to receive cash flows from the financial asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

  When the Authority has transferred its right to receive cash flows from a financial asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset nor transferred control of the financial asset, the financial asset is recognized to the extent of the Authority's continuing involvement in the financial asset. Continuing involvement that takes the form of a guarantee over the transferred financial asset is measured at the lower of the original carrying amount of the financial asset and the maximum amount of consideration that the Authority could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired. 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 the statements of comprehensive income.

A modification is considered substantial if the present value of the cash flows under the new terms, including net fees paid or received and discounted using the original effective interest rate, is different by at least 10 per cent from the discounted present value of remaining cash flows of the original liability.

The fair value of the modified financial liability is determined based on its expected cash flows, discounted using the interest rate at which the Authority could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and fair value of the new liability is recognized in the statements of comprehensive income.

On the other hand, if the difference does not meet the 10 per cent threshold, the original debt is not extinguished but merely modified. In such case, the carrying amount is adjusted by the costs or fees paid or received in the restructuring.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount reported in the statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;

- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Authority; or

- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

  If the Authority does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability.

Equity Instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Authority are recognized at the proceeds received, net of direct issue costs.

Retained Earnings

Retained earnings represent accumulated profit attributable to equity holders of the Authority after deducting dividends declared. Retained earnings may also include effect of changes in accounting policy and prior period adjustments.

Investment Properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes.

Investment properties, except land, are measured at cost less accumulated depreciation and any impairment in value. Land is stated at cost less any impairment in value. The carrying amount includes the cost of replacing part 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 servicing of an investment property.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives.

The estimated useful lives and depreciation method are reviewed periodically to ensure that these are consistent with the expected pattern of economic benefit from items of investment properties.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in profit or loss in the year of retirement or disposal. Transfers are made to investment property when, and only when, there is a change in use, evidenced by the ending of owner-occupation, commencement of an operating lease to another party or ending of the construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by the commencement of owner occupation or commencement of development.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

- Any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and

- The initial estimate of the future 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 as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Property and equipment, except land, are stated in the financial statements at cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the Authority, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (major components) of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment.

Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial Assets

Non-financial assets are derecognized when the assets are disposed of or when no future economic benefits are expected from these assets. Any difference between the carrying value of the asset derecognized and the net proceeds from derecognition is recognized in profit or loss.

Related Parties

Related party relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business.

Terminal Fees

Revenue from terminal fees is recognized when passengers are given access to the terminal facilities.

Landing Fees

Revenue from landing fees is recognized when the airlines are given access to runway facilities including lighting and aerobridge facilities.

Rental Revenue

Revenue from rental is recognized in the statement of comprehensive income on a straight-line basis over the term of the lease of floor spaces, buildings and land.

Parking Fees

Parking fees are recognized as the customers use the parking facilities.

Fines and Penalties

Fines and penalties are recognized when violation has occurred and when collectability of the amount is reasonably assured.

Subsidy Income

Subsidy income is recognized when the subsidy becomes receivable and the Authority has complied with all the conditions attached to the subsidy.

Interest Revenue

Interest revenue is accrued on a time proportion basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Expense Recognition

Expenses are recognized in profit or loss when decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Leases

Authority as Lessee

For any new contracts entered into on or after January 1, 2019, the Authority considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Authority assesses whether the contract meets three key evaluations which are whether:

- the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Authority;

- the Authority has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract; and

- the Authority has the right to direct the use of the identified asset throughout the period of use. The Authority assess whether it has the right to direct 'how and for what purpose' the asset is used throughout the period of use.

Measurement and recognition of leases as a lessee

At lease commencement date, the Authority recognizes a right-of-use asset and a lease liability on the balance sheet. The right-of-use asset is measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Authority, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made in advance of the lease commencement date (net of any incentives received).

The Authority depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Authority also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, the Authority measures the lease liability at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease if that rate is readily available or the Authority's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed), variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from options reasonably certain to be exercised. Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments. When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Authority has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognizing a right-of-use asset and lease liability, the payments in relation to these are recognized as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in current liabilities for the current portion and non-current liabilities for the non-current portion.

Authority as Lessor

The Authority's accounting policy under PFRS 16 has not changed from the comparative period.

As a lessor, the Authority classifies its leases as either operating or finance leases.

Leases wherein the Authority substantially transfers to the lessee all risks and benefits incidental to ownership of the leased items are classified as finance leases and are presented as receivable at an amount equal to the Authority's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on the Authority's net investment outstanding in respect of the finance lease.

Leases which do not transfer to the lessee substantially all the risks and benefits of ownership of the asset are classified as operating leases. Lease income from operating leases is recognized as income in the income statement on a straight-line basis over the lease term.

The Authority determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes as assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Employee Benefits

Short-term Employee Benefits

Short-term employee benefits include salaries, bonuses, compensated absences and other forms of employee benefits that are expected to be settled within one year from the reporting date. Short-term employee benefits are recognized as expense in the period the related services are provided.

Terminal Leave Benefits

Terminal leave benefits are computed based on the actual leave credits earned by employees as of the reporting date. The amount reported as liability in the statement of financial position is based on the employees' salary grade as of the reporting dates.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax expense.

Current Tax

The current tax expense is the amount of tax due which is computed based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rate that is expected to apply in the period in which the liability is settled or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Authority expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively.

Borrowing Costs

Borrowing costs are interest and other costs that the Authority incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Provisions and Contingencies

Provisions are recognized when the Authority has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Authority expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to financial statements when an inflow of economic benefits is probable.

Changes in Accounting Policies and Estimates

The Authority recognizes the effects of changes in accounting policies retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impracticable.

The Authority recognizes the effects of changes in accounting estimates prospectively by including in profit or loss.

The Authority corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

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

Events after Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after period end (non-adjusting events) are disclosed in the notes to the financial statements.

5. JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Authority to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes.

Future events may occur which will cause the assumption used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

Estimated allowance for impairment of receivables

The Authority maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors that affect the collectability of the accounts. These factors include, the age of the receivables, the length of the Authority's relationship with the customer, the customer's payment behavior and known market factors. The amount and timing of recorded expenses for any period would differ if the Authority made different judgments or utilized different estimates.

At the end of 2021 and 2020, the Authority has recognized allowance for impairment of receivables in the amount of P1.366 billion and P1.293 billion, respectively.

Estimated useful lives of property and equipment

The Authority estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed, and adjusted if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used in depreciating property and equipment:

Property and Equipment	Years	Property and Equipment	Years
Buildings	20/30	Airport Equipment	10
Runways and Taxiways	20/30	Communication Equipment	10
Investment Property	20	Medical, Dental, Laboratory	10
Land Improvements	10	Military and Police Equipment	10
Leaseholds Asset	10	Firefighting Equipment	7
Furnitures and Fixtures	10	Motor Vehicles	7
Machineries	10	Other Equipment	5

6. CASH

This account consists of the following:

	2021	2020
Cash on Hand	**7,126,912**	10,957,237
Savings Account – Dollar and Peso	**533,834,649**	285,375,662
Current Account – Dollar and Peso	**162,426,125**	54,639,269
	703,387,686	350,972,168

Cash on Hand refers to cash with the collecting officers and petty cash fund.

Foreign currency deposits are translated into Philippine peso using the Bangko Sentral ng Pilipinas closing rates of P50.999 and P48.023 to US$1.00 as of December 31, 2021 and 2020, respectively.

Total interest earned on cash included in the statement of comprehensive income amounted to P2.500 million and P73.397 million in 2021 and 2020, respectively (Note 27).

7. FINANCIAL ASSETS

The account *Financial Assets* pertains to investments in peso time deposits with AGDBs for a period of 91 days or more amounting to P4.636 billion and P8.944 billion in 2021 and 2020, respectively.

Total interest earned on short-term investments included in the statement of comprehensive income amounted to P105.218 million and P264.067 million in 2021 and 2020, respectively (Note 27).

8. RECEIVABLES

This account consists of the following:

	2021	2020 (As restated)
Loans and Receivables		
Accounts Receivable		
Non-Government Entities	**3,795,281,831**	3,342,844,380
Passenger Terminal Fees	**433,434,486**	320,925,255
Government-Owned and/or Controlled Corporations (GOCCs)	**62,994,384**	146,331,981
National Government Agencies (NGAs)	**29,876,975**	30,587,142
Interest Receivables	**13,546,662**	23,685,799
	4,335,134,338	3,864,374,557
Allowance for Impairment	**(1,365,817,451)**	(1,292,558,298)
	2,969,316,887	2,571,816,259
Inter-Agency Receivables		
National Government Agencies (NGAs)	**936,076,054**	943,171,112
	936,076,054	943,171,112
Other Receivables		
Expanded Value-Added Tax	**376,653,854**	339,169,835
Receivables - Disallowances/Charges	**47,917,634**	49,675,714
Others	**80,019,204**	79,608,818
	504,590,692	468,454,367
	4,409,983,633	3,983,441,738

Accounts Receivable consists of receivables from airline companies (including unremitted collections of airline companies for passenger service charge integrated in the sale of flown airline tickets), concessionaires/lessees (non-government entities) and other government entities (GOCCs and NGAs) for the use of facilities, services and utilities of the airport. This account also includes long outstanding and non-moving receivables from concessionaires with rate disputes and collection cases.

Interest Receivables pertains to accrued interests on time deposits.

A reconciliation of the allowance for impairment at the beginning and end of 2021 and 2020 is shown below.

	2021	2020
Balance at beginning of year	**1,292,558,298**	1,257,227,459
Provision for the year	**145,632,448**	35,330,839
Write-off	**(72,373,295)**	0
	1,365,817,451	1,292,558,298

MIAA's request for authority to write-off the receivable accounts of the Civil Aviation Authority of the Philippines covering CYs 2008 to 2014 was granted per COA-CGS Decision No. 2021-006 dated October 18, 2021.

Inter-Agency Receivables consists mainly of the sale of the 61,148 sq. m. land to Department of Public Works and Highways (DPWH) for C5 Road Extension Project (Note 12). In March 2019, MIAA collected P913.802 million or 50 per cent of the total receivables from DPWH. Second and final payment to be made (a) at the time of the transfer of the title under the name of the Republic of the Philippines, in case the land is wholly affected, or (b) at the time of the annotation of the MOA between MIAA and DPWH on the title equivalent to the remaining 50 per cent of the total price of the affected land.

Expanded Value-Added Tax pertains to the balances of the 12 percent expanded value-added tax (EVAT) billed to concessionaires.

Receivables - Disallowances/Charges pertains to COA disallowances that were recognized in the books due to the finality of the COA decisions. In CY 2020, the Authority reversed the P149.052 million disallowances upon receipt of Notice of Resolution on G.R. No. 218388 dated September 1, 2020.

9. INVENTORIES

This account consists of the following:

	2021	2020
Electrical Supplies and Materials Inventory	**98,982,805**	57,256,720
Construction Materials Inventory	**27,740,175**	34,562,227
Office Supplies Inventory	**5,604,926**	6,844,627
Drugs and Medicines Inventory	**1,684,980**	1,638,828
Fuel, Oil, and Lubricants Inventory	**1,625,787**	1,221,849
Military, Police and Traffic Supplies	**1,441,665**	1,519,202
Accountable Forms, Plates and Stickers	**110,000**	259,500
Medical, Dental and Laboratory Supplies	**60,697**	116,736
Other Supplies and Materials Inventory	**13,816,082**	15,494,015
	151,067,117	118,913,704

These are supplies that were purchased/acquired for MIAA's operations but not yet used or consumed.

10. OTHER CURRENT ASSETS

This account consists of the following:

	2021	2020 (As restated)
Prepayments	**1,251,137,441**	933,223,459
Restricted Fund Assets	**1,111,145,411**	994,077,716
Deposits	**87,255,216**	87,255,216
	2,449,538,068	2,014,556,391

Breakdown of *Prepayments* account is as follows:

	2021	2020 (As restated)
Creditable Input Tax	**758,476,607**	364,137,030
Input Tax	**200,429,989**	287,126,166
Withholding Tax at Source	**197,867,893**	168,374,913
Deferred Input Tax	**63,513,836**	52,231,428
Prepaid Insurance	**18,750,473**	16,987,138
Advances to Contractors	**12,098,643**	44,366,784
	1,251,137,441	933,223,459

- *Creditable Input Tax* pertains to the excess input tax paid on purchases over output tax.

- *Input Tax* pertains to the value-added taxes (VAT) paid by the Authority on local purchases of goods and services from VAT-registered persons/entities which are to be deducted/offset against output taxes.

- *Withholding Tax at Source* is the amount of creditable withholding tax deducted by the Authority's clients from their payment of rental or other services, which shall be deducted against future income taxes payable by MIAA.

- *Prepaid Insurance* pertains to the unexpired portion of the insurance of MIAA properties.

- *Advances to Contractors* pertains to advances for mobilization funds of contractors. The decrease is due to the recoupment upon payment of progress billings.

Restricted Fund Assets represents the fund transfer from the Department of Transportation (DOTr) for the NAIA Terminal 2 Rehabilitation Project and remittances from airline companies of terminal fee from unflown/unused/cancelled airline tickets (Note 20).

Deposits represents bill deposits paid to the Manila Electric Company as a guarantee for payment of electric bills.

11. INVESTMENT PROPERTY

	BUILDINGS	LAND	TOTAL
At December 31, 2020			
Cost	334,126,026	9,171,585,360	9,505,711,386
Accumulated Depreciation	(300,713,424)	0	(300,713,424)
Carrying Amount	**33,412,602**	**9,171,585,360**	**9,204,997,962**
Year Ended December 31, 2021			
Opening Net Book Value	33,412,602	9,171,585,360	**9,204,997,962**
Depreciation Expense	0	0	0
Closing Net Book Value	**33,412,602**	**9,171,585,360**	**9,204,997,962**
At December 31, 2021			
Cost	334,126,026	9,171,585,360	9,505,711,386
Accumulated Depreciation	(300,713,424)	0	(300,713,424)
Carrying Amount	**33,412,602**	**9,171,585,360**	**9,204,997,962**

This account pertains to the 632,054 sq. m. of land, 61 buildings and other structures owned by the Authority which are being leased to private and government entities. The total rental/lease income from Authority's investment property (General Aviation areas) amounted to P152.350 million and P111.120 million in 2021 and 2020, respectively (Note 38).

Based on the CY 2018 Appraisal Report of Celer Appraisal Inc. on MIAA land and buildings located at General Aviations, the fair market value of land ranges from P50,600 to P57,000 per sq. m. The report also indicates its fair rental value on a monthly basis:

	Existing Rental Rate/month	Fair Rental Value/month
Open Area	47.31	172.84
Covered	33.79	150.00
Office	90.11	200.00

Buildings and other land improvements of General Aviations have a fair market value of P519.170 million.

12. PROPERTY AND EQUIPMENT

This account consists of the following:

	LAND & LAND IMPROVEMENT	AIRPORT SYSTEM	CONSTRUCTION IN PROGRESS	BUILDINGS & STRUCTURES	MACHINERY & EQUIPMENT	TOTAL
2021						
COST						
At January 1, 2021	10,055,465,354	25,932,249,245	1,609,758,652	410,012,528	8,902,714,255	46,910,200,034
Additions	0	969,654,516	648,182,306	16,959,648	522,933,837	2,157,730,307
Reclassifications	2,599,217	0	(499,185,583)	0	(2,599,217)	(499,185,583)
Disposals/Write-off	0	(587,769,844)	0	0	(219,406,539)	(807,176,383)
Balance, December 31, 2021	**10,058,064,571**	**26,314,133,917**	**1,758,755,375**	**426,972,176**	**9,203,642,336**	**47,761,568,375**
ACCUMULATED DEPRECIATION						
At January 1, 2021	(3,872,334,840)	(9,535,155,853)	0	(326,926,847)	(6,360,705,286)	(20,095,122,826)
Depreciation	(37,368,696)	(1,077,382,729)	0	(4,545,856)	(386,857,304)	(1,506,154,585)
Disposals/Write-off	0	483,916,800	0	0	194,017,907	677,934,707
Balance, December 31, 2021	**(3,909,703,536)**	**(10,128,621,782)**	**0**	**(331,472,703)**	**(6,553,544,683)**	**(20,923,342,704)**
Carrying Amount, December 31, 2021	**6,148,361,035**	**16,185,512,135**	**1,758,755,375**	**95,499,473**	**2,650,097,653**	**26,838,225,671**
2020						
COST						
At January 1, 2020	10,025,246,345	25,932,249,245	532,106,786	410,012,528	8,430,893,879	45,330,508,783
Additions	30,219,009	0	1,364,328,162	0	498,930,029	1,893,477,200
Reclassifications	0	0	(286,676,296)	0	0	(286,676,296)
Adjustments	0	0	0	0	(4,151,783)	(4,151,783)
Disposals/Write-off	0	0	0	0	(22,957,870)	(22,957,870)
Balance, December 31, 2020	**10,055,465,354**	**25,932,249,245**	**1,609,758,652**	**410,012,528**	**8,902,714,255**	**46,910,200,034**
ACCUMULATED DEPRECIATION						
At January 1, 2020	(3,723,607,201)	(8,518,602,091)	0	(321,770,076)	(6,065,902,661)	(18,629,882,029)
Depreciation	(37,055,792)	(1,042,449,851)	0	(5,156,771)	(398,690,487)	(1,483,352,901)
Adjustments	(111,671,847)	25,896,089	0	0	85,820,283	44,525
Disposals/Write-off	0	0	0	0	18,067,579	18,067,579
Balance, December 31, 2020	**(3,872,334,840)**	**(9,535,155,853)**	**0**	**(326,926,847)**	**(6,360,705,286)**	**(20,095,122,826)**
Carrying Amount, December 31, 2020	**6,183,130,514**	**16,397,093,392**	**1,609,758,652**	**83,085,681**	**2,542,008,969**	**26,815,077,208**

Land owned by the Authority was recorded in 1987 at appraised value of P1,000 per sq. m. It covers an area of 6,250,905 sq. m. based on a Cadastral Survey dated January 5, 1987. In 1991, the Authority sold to the Light Rail Transit Authority a total area of 107,179 sq. m. at P1,000 per sq. m.

In 2003 and 2004, purchases were made from the heirs of Eladio Santiago of 720 sq. m. valued at P2.160 million and from the Nayong Pilipino Foundation (NPF) of 86,000 sq. m. at P500 million, respectively.

On September 29, 2011, President Benigno Aquino III signed Executive Order (EO) No. 58 mandating the transfer of real estate property owned by the NPF to the Authority which consists of 22.3 hectares, more or less, located in Pasay City. The owner's duplicate copies of the Transfer Certificates of Title (TCTs) are still under the custody of the NPF and have not been transferred to MIAA. This was recorded in the books of the Authority in 2017 at its Fair Market Value at the date of acquisition amounting to P8.259 billion as determined by an independent/third party appraiser (Note 25).

On December 11, 2013, the Office of the President approved the request of the DPWH for the transfer through sale in its favor a part of said MIAA property (Lot 3270-B-3-A-2-A-2 under TCT No. 141810), in the total amount of P540.060 million or at zonal value of P10,000 per sq. m.. Subject property was used by DPWH for the construction of the

Circumference Road 5 (C-5) Extension Project from South Luzon Expressway in Pasay City to Sucat Road, Paranaque City.

On December 18, 2018, MIAA and DPWH signed a Memorandum of Agreement (MOA) to implement the Republic's approved construction of the C5 South Link Expressway Project (C-5 SLEP). MIAA conceded to absolutely and irrevocably sell, transfer and convey to DPWH the 61,148 sq. m. total affected land area. DPWH agreed to buy the said land area of re: [Segment 3A-1: 18,959 sq. m.; Segment 3A-2: 39,996 sq. m.; and TCT No, 6735: 2,193 sq. m.] for a total just compensation of P1.847 billion.

As of December 31, 2020, the total land area owned by the Authority is 6,338,292 sq. m. inclusive of the 463,829 sq. m. covered by the following Presidential Proclamations (PP):

PP No.	Area in sq.m	Site
135	34,662	Sitio San Juan, Sitio Santa Rita, Sitio Maligaya, Sitio Puyat Compound
144/391	134,189	Balagbag 1, Bo. Pilipino Putol, Don Carlos Village, Maricaban
595	251,448	Balagbag 2, Pildera 1 and 2, Rivera Village
380	20,576	DSWD & NCWP
970	22,954	MIAA Employees Housing
Total	**463,829**	

and the 22.3 hectares transferred from NPF but exclusive of the 115,154 sq. m. sold to DPWH.

Likewise, there is an encumbrance annotated on TCT No. S-141810 with an area of 2,823,720 sq. m. pertaining to the following:

1. Entry No. 2003-1845/T-141810 which is the sale executed by Philippine Airlines (PAL) in favor of Lufthansa Technik Philippines, Inc. covering the structure together with the improvements constructed on the PAL leased area consisting of more or less 288,647 sq. m. in the amount of P924.429 million.

2. Entry No. 2003-1895/T-141810 which is the mortgage trust indenture executed by Lufthansa Technik in favor of Union Bank of the Philippines covering the structure together with the improvements in the amount of US$35 million.

Land occupied by Civil Aviation Authority of the Philippines (CAAP) with a total land area of 64,417 sq. m. are included in the total land area recorded in the books of accounts. This will be transferred to CAAP by virtue of Republic Act (RA) No. 9497.

Details of TCTs with co-ownership are as follows:

TCT No.	OCT No.	MIAA-owned (sq. m)	Other (sq. m)	Co-owner
(69974) 010-27113	OCT-3342	897	1,661	San Antonio Development Corporation
(69975) 010-27114	OCT-3342	412	1,672	San Antonio Development Corporation
(69976) 010-27115	OCT-3342	190	2,385	San Antonio Development Corporation
(252797) 010-23668	OCT-6198	939	488	Jose De Leon, Luis De Leon
98867	OCT-3342	170	29	San Antonio Development Corporation
98869	OCT-3342	124	130	San Antonio Development Corporation
98870	OCT-3342	155	64	San Antonio Development Corporation

TCT No.	OCT No.	MIAA-owned (sq. m)	Other (sq. m)	Co-owner
98871	OCT-3342	196	55	San Antonio Development Corporation
98872	OCT-3342	103	89	San Antonio Development Corporation
98873	OCT-3342	169	35	San Antonio Development Corporation
98874	OCT-3342	147	77	San Antonio Development Corporation
98877	OCT-3342	87	124	San Antonio Development Corporation
(69842) 122066	OCT-3342	114	66	San Antonio Development Corporation
(69842) 122067	OCT-3342	140	40	San Antonio Development Corporation
(69842) 122070	OCT-3342	149	55	San Antonio Development Corporation
(69842) 122071	OCT-3342	98	82	San Antonio Development Corporation
(69842) 122072	OCT-3342	124	226	San Antonio Development Corporation
(69842) 122073	OCT-3342	122	118	San Antonio Development Corporation
(69842) 122074	OCT-3342	108	201	San Antonio Development Corporation
(69842) 122076	OCT-3342	136	59	San Antonio Development Corporation
(69842) 122077	OCT-3342	76	104	San Antonio Development Corporation
(69842) 122078	OCT-3342	241	26	San Antonio Development Corporation
98875	OCT-3342	87	134	San Antonio Development Corporation
98876	OCT-3342	182	66	San Antonio Development Corporation

13. RIGHT-OF-USE ASSETS

	LAND
At December 31, 2020	
Cost	733,054,402
Accumulated Impairment Loss	(316,904,401)
Carrying Amount	**416,150,001**
Year Ended December 31, 2021	
Opening Net Book Value	416,150,001
Impairment Loss – ROU	(158,452,201)
Closing Net Book Value	**257,697,800**
At December 31, 2021	
Cost	733,054,402
Accumulated Impairment Loss	(475,356,602)
Carrying Amount	**257,697,800**

This account represents cost of the remaining lease terms of the MIAA with Bases Conversion and Development Authority (BCDA) based on the 25 years contract effective August 17, 1998, for the rental of its NAIA Terminal 3 site.

14. INTANGIBLE ASSETS

This account represents cost incurred in the development of computer software for MIAA Computerization Project Phase 1: Accounts Receivable Front End Solutions.

15. DEFERRED TAX ASSETS

Deferred Tax Assets represents the differences between the carrying amounts of the assets and liabilities and their tax bases that may either be a future taxable amount or a future deductible amount (Note 35).

16. OTHER NON-CURRENT ASSETS

This account pertains to the Authority's P0.655 million investment in stocks of Aviation Security and Training Inc. (ASTI), a wholly-owned, non-operational subsidiary of the Authority created on March 26, 2003. The amount is deposited with the Philippine National Bank and will be transferred to MIAA's account upon approval of ASTI's dissolution which has yet to be filed.

17. FINANCIAL LIABILITIES

This account consists of the following:

	2021	2020 (As restated)
Payables	**1,034,449,722**	950,486,039
Bills/Bonds/Loans Payable	**1,025,727,142**	1,969,554,048
Less: Non-Current Portion	**(389,383,731)**	(1,065,552,084)
	1,670,793,133	1,854,488,003

Breakdown of *Payables* account is as follows:

	2021	2020 (As restated)
Accounts Payable	**941,302,275**	894,034,003
Due to Officers and Employees	**75,890,704**	27,094,423
Interest Payable	**17,256,743**	29,357,613
	1,034,449,722	950,486,039

Accounts Payable represents payables to suppliers/contractors for purchases of materials, supplies and other obligations to non-government entities in connection with the operation of the Authority.

Due to Officers and Employees refers to the amounts payable to officers and employees of the Authority which includes salaries, overtime, bonuses and incentives, allowances, reimbursement of official expenses, and other claims pertaining to personnel services.

Interest Payable pertains to the amount of interest due on loans acquired from various creditors.

Breakdown of *Bills/Bonds/Loans Payable* account is as follows:

	2021	2020
Domestic Loans	**244,113,900**	732,341,700
Foreign Loans	**781,613,242**	1,237,212,348
	1,025,727,142	1,969,554,048

Domestic Loans pertains to outstanding domestic loans from the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) as set forth in the Syndicated Term Loan Facility Agreement dated July 4, 2011.

	2021	2020
LBP PN No. 4808 TL12 4076 000 dated April 11, 2012	**366,170,850**	610,284,750
DBP PN No. 2012-29-021 dated April 11, 2012	**366,170,850**	610,284,750
Less: Semi-annual amortization	**(488,227,800)**	(488,227,800)
	244,113,900	732,341,700
Less: Current Portion	**(244,113,900)**	(488,227,800)
	0	244,113,900

Loans from both LBP and DBP are payable in 20 semi-annual installments commencing on October 11, 2012 and ending on April 11, 2022, with 2.5 per cent interest per annum (subject to quarterly repricing) and penalty charge of 12 per cent per annum on the total amount due without grace period as additional charge in case certain stipulations are not met. Non-finance charge of P12.206 million for each loan was deducted. Both loans are guaranteed by the National Government.

Foreign Loans pertains to outstanding foreign loans secured by the Authority for the construction of Terminal 2.

	2021	2020
French Loan to finance consultancy services for the detailed architectural & engineering design of NAIA Terminal 2 contracted with Natixis (formerly Credit Nacionale)		
FF 321,800 = Euro 49,058.07 = US $55,828.08 at 50.974	**2,845,781**	
FF 1,046,798 = Euro 159,583.31 = US $195,345.93 at 48.021		9,380,707
Fund Releases made by Overseas Economic Cooperation Fund (OECF) of Japan to finance the consultancy of Aeroport De Paris - Japan Airport Consultants (ADP-JAC) and contract with Mitsubishi Tokyo Oreta BF Corporation (MTOB)		
Y 1,757,476,000 = US $15,277,738.87 at P50.974	**778,767,461**	
Y 2,636,214,000 = US $25,568,639.59 at P48.021		1,227,831,641
	781,613,242	1,237,212,348
Less: Current Portion	**(392,229,511)**	(415,774,164)
	389,383,731	821,438,184

The French loan from Credit Nationale, now Natixis, is covered by Loan Agreements dated January 25, 1991 (DAN: 94-2089) for FRF 14.5 million and July 5, 1994 (DAN: 94-2232) for FRF 6.080 million. The loan dated January 25, 1991 is payable in 42 semi-annual installments commencing on June 30, 2002 and ending on December 31, 2022 with 2.5 per cent interest per annum, while the loan dated July 5, 1994 is payable in 29 semi-annual installments commencing on June 30, 2001 and ending on June 30, 2015 with 3.3 per cent interest per annum on the unpaid amount.

Loan from Japan Bank for International Cooperation (JBIC), formerly OECF, now Japan International Cooperation Agency (JICA), is payable in 41 semi-annual installments commencing on August 10, 2003 and ending on August 10, 2023 with five per cent interest per annum including two per cent share of the National Government.

18. LEASE PAYABLE

This account pertains to the liability arising from the contract of lease of MIAA with the BCDA.

The Authority rents its NAIA Terminal 3 sites from BCDA. The lease is for a period of 25 years, with annual rental of one per cent of the appraised value at P30,000 per sq. m. in area comprising 634,843 sq. m. with 10 per cent escalation every five years.

The present value of the remaining rental payable to BCDA discounted at the incremental borrowing rate of 7.037 per cent as of January 1, 2019.

YEAR		Lease Payment (net of VAT) (A)	Discount Factor (7.037%)	Present Value of Lease Payment
1	2019	176,933,920	1.0000	176,933,920
2	2020	176,933,920	0.9343	165,301,643
3	2021	176,933,920	0.8728	154,434,114
4	2022	176,933,920	0.8155	144,281,057
5	Jan. 1 - August 16, 2023	120,896,197	0.7618	92,103,668
Lease Payable, January 1, 2019				733,054,402

Schedule of remaining lease terms with BCDA based on a 25-year contract effective August 17, 1998:

YEAR		Lease Liability (Balance brought forward at January 1) (A)	Lease Payment (net of VAT) (B)	Interest (C = A*7.037%)	Decrease in Lease Liability (D = B-C)	Lease Liability (Balance carried forward at December 31) (E = A-D)
1	2019	733,054,402	176,933,920	0	176,933,920	556,120,482
2	2020	556,120,482	176,933,920	39,134,198	137,799,721	418,320,761
3	2021	418,320,761	176,933,920	29,437,232	147,496,688	270,824,073
4	2022	270,824,073	176,933,920	19,057,890	157,876,030	112,948,043
5	Jan. 1 – Aug. 16, 2023	112,948,043	120,896,197	7,948,154	112,948,043	0

As of December 31, 2021, the carrying amount of Lease Payable is as follows:

Balance, January 1, 2021	418,320,761
Interest Expense	29,437,232
Payments	(176,933,920)
	270,824,073
Current Portion	157,876,030
Non-current Portion	112,948,043

19. INTER-AGENCY PAYABLES

This account consists of the following:

	2021	2020 (As restated)
Due to Bureau of the Treasury	**199,693,396**	77,340,004
Due to Bureau of Internal Revenue	**67,226,482**	104,772,713
Due to National Government Agencies	**22,734,476**	181,523,755
Due to Government Service Insurance System	**11,750,860**	19,744,818
Due to Pag-IBIG	**1,150,276**	1,151,604
Due to PhilHealth	**979,890**	965,716
	303,535,380	385,498,610

Due to Bureau of the Treasury (BTr) represents unremitted share of the National Government and the Office for Transportation Security (OTS) on the following:

	2021	2020
Authority income	**172,310,543**	76,459,396
Terminal fees	**18,250,637**	550,380
OTS share on domestic terminal fees	**9,132,216**	330,228
	199,693,396	77,340,004

Due to Bureau of Internal Revenue (BIR) represents taxes withheld on salaries, goods and services.

Due to National Government Agencies (NGAs) represents unliquidated portion of fund transfer from the Department of Transportation (DOTr) for the NAIA Terminal 2 Rehabilitation Projects and the Bayanihan to Recover as One Act – Assistance Program, unremitted share of the OTS on international terminal fees, interest earned from subsidy/others and payable to Department of Budget and Management Procurement Service.

	2021	2020 (As restated)
Rehabilitation of NAIA Terminal 2	**0**	35,395,212
Bayanihan to Recover as One Act – Assistance Program	**0**	134,389,353

	2021	2020 (As restated)
OTS share on terminal fees	**10,950,382**	0
Interest earned from the subsidy/others	**979,393**	934,489
DBM – Procurement Service	**10,804,701**	10,804,701
	22,734,476	181,523,755

Executive Order (EO) No. 277, dated January 30, 2004, created the OTS within the Department of Transportation and Communications (DOTC), now DOTr and reconstituted the National Council for Civil Aviation Security (NCCAS) as the National Civil Aviation Security Committee (NCASC). Section 2 of EO No. 277 directs the OTS to be primarily responsible for the implementation of International Civil Aviation Organization (ICAO) Convention on national security.

Letter of Instruction (LOI) No. 414 A, dated June 17, 1976, directs the collection of security fee for every departing passenger, as follows: P10 on international flights and P3 on domestic flights. It was amended by EO No. 30, dated September 30, 1998, increasing the collection of terminal fee to P60 and P15, respectively. LOI No. 414 A provides that the National Action Committee on Anti-Hijacking and Anti-Terrorism (NACAHT), for whose use the amounts collected are intended, is authorized to promulgate appropriate rules so that the collection of security fee can be done efficiently.

In 2003, MIAA Board Resolution (BR) No. 2003-074 was issued increasing the domestic passenger terminal fee for all departing passengers from P100 to P200, subject to existing rules and regulations.

Following the mandate of EO No. 30, series of 1998, MIAA BR No. 99-53 as amended by MIAA BR No. 2005-078, provides the following revenue sharing structure of the passenger terminal fees collected from both international and domestic passengers:

	International	**Domestic**
MIAA	390	185
NG	100	0
NACAHT	60	15
	550	200

In 2006, MIAA BR No. 2006-032 was issued which imposed the Security and Development Charge of US $3.50, or P200, on all international departing passengers not exempted by law, rules or regulations, for a period of five years, beginning on February 1, 2007 and ending on January 31, 2012.

EO No. 298 dated July 26, 1987 amending Section 11 of EO No. 903 dated July 21, 1983 provides: “Within 30 days after the close of each quarter, twenty per centum (20%) of the gross operating income, excluding payments for utilities of tenants and concessionaires and terminal fee collections, shall be remitted to the General Fund in the National Treasury to be used for the maintenance and operation of other international and domestic airports in the country” (Note 29).

Due to Government Service Insurance System (GSIS), Pag-IBIG and PhilHealth accounts represent premiums and loan amortization deductions from the employees' salaries for remittance to the concerned offices.

20. TRUST LIABILITIES

This account consists of the following:

	2021	2020 (As restated)
Trust Liabilities	**1,006,639,171**	838,377,383
Customer's Deposits Payable	**306,735,614**	333,523,578
Guaranty/Security Deposits Payable	**128,647,791**	153,110,868
	1,442,022,576	1,325,011,829

Trust Liabilities represents remittances of various airline companies starting July 2018 for unrefunded Terminal Fees of unflown tickets (Note 10).

Customer's Deposits Payable represents the airport lessees' and/or concessionaires' deposits equivalent to three months or as stated in the contract/temporary permit.

Guaranty/Security Deposits Payable represents cash received from contractors/suppliers to guarantee performance of contracts.

21. DEFERRED CREDITS/UNEARNED INCOME

This account pertains to the following:

	2021	2020 (As restated)
Deferred Output Tax	**376,653,852**	339,169,835
Unearned Revenue/Income	**101,544,443**	100,914,040
Other Deferred Credits	**72,494,804**	46,543,382
	550,693,099	486,627,257

Deferred Output Tax represents VAT amount which is not due until actual payment of the billed amount from clients.

Unearned Revenue/Income pertains to the airport lessees' and/or concessionaires' one-month advance rental/concessions privilege fee.

Other Deferred Credits represents collected Output VAT from sale of goods and services.

22. PROVISIONS

This account represents the present money value of the accumulated unused leave credits of personnel based on their basic salaries amounting to P180.143 million and P186.245 million as of December 31, 2021 and 2020, respectively.

	2021	2020
Balance as of January 1	**186,245,434**	176,254,225
Add: Accumulated Leave Credits	**54,921,723**	56,156,270
Less: Payment of Terminal Leave Benefit during the year*	**(61,024,504)**	(46,165,061)
Leave Benefits Payable, December 31	**180,142,653**	186,245,434

**Including paid absences thru sick leave and vacation leave*

23. OTHER PAYABLES

This account consists of the following:

	2021	2020 (As restated)
Undistributed Collections	**20,974,024**	76,616,267
Other Payables	**507,674,819**	463,295,030
	528,648,843	539,911,297

Undistributed Collections represents unidentified collections from concessionaires as of the close of transaction date.

Other Payables consists of the following:

	2021	2020 (As restated)
Retention Payable	**337,168,327**	245,062,340
Contra Account – Deferred Input Tax (Note 10)	**63,513,836**	52,231,428
National Housing Authority (NHA)	**19,508,499**	19,137,905
Tax Refund Payable	**17,607,746**	19,398,539
Others	**69,876,411**	127,464,818
	507,674,819	463,295,030

Retention Payable pertains to payables to suppliers/contractors for their retention payments.

Payables to NHA pertains to the remittances for the collection from the sale of lot of Baclaran Tambo, Paranaque.

Tax Refund Payable represents excess taxes withheld from employees' compensation.

24. DEFERRED TAX LIABILITIES

This account represents the differences between the carrying amounts of the assets and liabilities and their tax bases that may either be a future taxable amount or a future deductible amount.

25. GOVERNMENT EQUITY

This account consists of the following:

	2021	2020
Government Equity	**10,000,000,000**	10,000,000,000
Contributed Capital	**6,270,552,821**	6,235,157,609
	16,270,552,821	16,235,157,609

Government Equity includes the value of assets transferred to the Authority by the then Air Transportation Office, now Civil Aviation Authority of the Philippines, and the then Department of Transportation and Communications, now Department of Transportation (DOTr). This also includes the P605 million share of the National Government on the income of the Authority from 1983 to 1986 that was converted to National Government equity in accordance with EO No. 298. The increase in the account of P2.808 billion represents part of the value of the 22.3 hectares property of the Nayong Pilipino Foundation (NPF) that was transferred to the Authority pursuant to EO No. 58 dated September 29, 2011. The recorded value of said property amounting to P8.259 billion, includes the value of the building and land improvements of P11.018 million (Note 12), which includes the amount of P5.461 billion credited to the *Contributed Capital* account.

Additional *Capital Contribution* represents liquidation of DOTr fund transferred to MIAA for the NAIA Terminal 2 Rehabilitation and Rapid Exit Taxiways project in March 2018 and December 2016, respectively:

	2021	2020
Nayong Pilipino Foundation	**5,461,552,821**	5,461,552,821
NAIA Terminal 2 Rehabilitation Project	**509,000,000**	473,604,788
Rapid Exit Taxiways Project	**300,000,000**	300,000,000
	6,270,552,821	6,235,157,609

26. RETAINED EARNINGS

This account represents the recorded cumulative net profit/loss of the Authority from the start of its operations, dividends paid to BTr, prior period adjustments, effect of change in accounting policy and other adjustments.

27. BUSINESS AND SERVICE INCOME

This account consists of the following:

	2021	2020 (As restated)
Business Income	**4,245,108,716**	5,241,290,191
Service Income	**171,364,768**	255,560,071
	4,416,473,484	5,496,850,262

Business Income represents income from terminal fees collected from passengers, landing and parking fees for aircraft, rent/lease income, concessions privilege fees and other fees and charges for the use of airport facilities, as follows:

	2021	2020 (As restated)
Landing and Parking Fees	**2,005,618,843**	2,013,070,135
Rent/Lease Income	**1,459,866,249**	1,640,947,807
Transportation System Fees	**576,658,426**	1,168,396,413
Interest Income	**107,718,088**	337,463,601
Fines and Penalties - Business Income	**52,087,770**	32,802,532
Royalty Fees	**43,159,340**	48,609,703
	4,245,108,716	5,241,290,191

Service Income includes charges collected on vehicle parking fee, visitors' stick-on pass, utilities charges, garbage collection fees (GCF) and other fees and charges, as follows:

	2021	2020
Parking Fees	**70,525,855**	76,200,447
Utilities/GCF/Others	**95,294,583**	175,585,464
Visitors-Stick-on-Pass	**5,544,330**	3,774,160
	171,364,768	255,560,071

28. SHARES, DONATIONS AND GRANTS

This account pertains to the donations in kind received from the following:

Company Name	Donations
Xiamen Airlines	4 units Kinglong Bus Model XMQ6124G, Multicolor
Government Australia	2 units X-Ray Tutor 3 License Software 2 Lenovo Thinkpad E580
Pitmaster Foundation, Inc.	1 Land Ambulance, Old Commuter Van (with Medical Supplies and Accessories)

29. GAINS

This account is broken down from the following sources:

	2021	2020
Gain on Foreign Revaluation	**30,978,822**	0
Gain on Sale of Assets	**0**	27,999
Gain on Foreign Exchange	**963,072**	831,484
	31,941,894	859,483

30. OTHER NON-OPERATING INCOME

This account pertains to miscellaneous income earned which is not classified under specific income accounts which includes amount collected for violation of laws, rules and regulations, collection of fees for bids documents, MIAA access passes and Aircraft Movement Area (AMA) stickers, sale of scrap materials, renovation permits, etc.

31. PERSONNEL SERVICES

This account consists of the following:

	2021	2020
Salaries and Wages	**484,099,170**	471,652,467
Other Compensation		
Overtime and Night Differential	**59,016,759**	68,202,791
Year-end Bonus	**47,905,171**	39,665,402
Hazard Pay	**42,357,730**	40,573,241
Personal Economic Relief Allowance	**32,578,955**	33,705,273
Representation Allowance	**8,963,762**	9,028,833
Clothing/Uniform Allowance	**8,252,268**	8,406,000
Cash Gift	**6,946,500**	7,081,250

	2021	2020
Laundry Allowance	**146,449**	204,715
Other Bonuses and Allowances	**130,124,804**	138,345,248
Personal Benefits Contribution		
Life and Retirement Insurance Contribution	**57,755,926**	56,766,959
PhilHealth Contribution	**6,535,211**	6,757,039
ECC Contribution	**1,636,400**	1,710,200
Pag-IBIG Contribution	**1,635,100**	1,680,000
Other Personnel Benefits		
Terminal Leave	**22,961,749**	23,765,153
Retirement Benefits	**1,121,938**	2,661,395
Other Personnel Benefits	**58,912,564**	65,105,400
	970,950,456	975,311,366

32. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2021	2020 (As restated)
General Services	**1,010,531,448**	895,847,002
Professional Services	**693,480,573**	667,104,121
Utility Expenses	**662,426,222**	655,268,627
Repairs and Maintenance	**656,080,871**	638,262,112
Taxes, Insurance Premiums and Other Fees	**79,673,678**	73,551,040
Supplies and Materials	**74,058,413**	76,509,755
Communication Expenses	**15,863,200**	13,412,533
Confidential, Extraordinary and Miscellaneous Expenses	**13,589,777**	45,189,942
Training Expenses	**1,329,696**	2,617,151
Traveling Expenses	**271,667**	253,550
Other Maintenance and Operating Expenses	**57,135,665**	53,616,552
	3,264,441,210	3,121,632,385

Breakdown of *Other Maintenance and Operating Expenses* account is as follows:

	2021	2020 (As restated)
Donations	**25,123,593**	0
Service Fee from PSC Collections	**17,617,840**	32,294,088
Rent/Lease Expenses	**8,910,901**	14,151,066
Membership Dues and Contributions to Organizations	**2,297,799**	2,334,173
Representation Expenses	**2,119,429**	1,374,699
Subscription Expenses	**1,044,232**	2,641,534
Advertising, Promotional and Marketing Expenses	**21,871**	820,992
	57,135,665	53,616,552

33. FINANCIAL EXPENSES

This account consists of:

	2021	2020
Interest Expense	**89,428,758**	146,192,996
Guaranty Fees	**4,943,830**	9,887,044
Bank Charges	**99,675**	63,074
Other Financial Charges	**6,048,644**	4,985,783
	100,520,907	161,128,897

34. NON-CASH EXPENSES

This account consists of:

	2021	2020 (As restated)
Depreciation Expenses	**1,506,154,585**	1,483,352,901
Impairment Loss	**407,937,693**	193,783,040
Losses	**12,164,629**	86,194,331
	1,926,256,907	1,763,330,272

Breakdown of *Depreciation Expenses* account is as follows:

	2021	2020
Infrastructure Assets	**1,077,382,729**	1,042,449,851
Machinery and Equipment	**360,611,380**	365,682,742
Land Improvements	**37,368,696**	37,055,792
Transportation Equipment	**10,984,464**	14,180,236

	2021	2020
Furniture, Fixtures and Books	**10,305,852**	13,298,424
Buildings and Other Structures	**4,545,856**	5,156,771
Other Property and Equipment	**4,955,608**	5,529,085
	1,506,154,585	1,483,352,901

Breakdown of *Impairment Loss* account is as follows:

	2021	2020
Right-of-Use Assets	**158,452,201**	158,452,201
Loans and Receivables	**145,632,448**	35,330,839
Property and Equipment	**103,853,044**	0
	407,937,693	193,783,040

Breakdown of *Losses* account is as follows:

	2021	2020
Loss on Foreign Exchange	**12,124,774**	16,471,553
Loss on Foreign Revaluation	**0**	65,278,487
Loss of Assets	**39,855**	4,444,291
	12,164,629	86,194,331

35. INCOME TAX

Income tax expense for the years ended December 31 consists of:

	2021	2020
Current	**40,924,119**	77,135,715
Deferred	**99,840,401**	(39,375,904)
	140,764,520	37,759,811

An analysis of Deferred Tax is as follows:

	2021	2020 (As restated)
Leave Benefits Payable	**45,035,663**	55,873,630
Allowance for Impairment of Receivables	**341,454,362**	387,767,490
Unrealized Foreign Exchange Loss	**183,411,575**	229,387,537
Impact on Equity on Transition to PFRS 16 for the Right of Use of Asset	**3,937,883**	651,228
Deferred Tax Assets *(Note 15)*	**573,839,483**	673,679,885

36. SUBSIDY FROM NATIONAL GOVERNMENT - DOTr

This account pertains to the rental of terminal concessionaires from November 2020 to January 2021 paid thru subsidy received from DOTr on December 22, 2020 amounting to P468.86 million in line with the Bayanihan to Recover as One Act – Assistance Program. This fund will cover the settlement of fees to assist the critically impacted businesses in the aviation industry, including those operating in Airport Terminal.

37. SUBSIDY TO OTHER FUNDS

This account represents the 20 per cent share of the National Government on the Authority's annual operating income based on actual cash collection, excluding income from utilities and terminal fee [Passenger Service Charge (PSC)] to be remitted to the General Fund in the National Treasury to be used for the maintenance and operation of other international and domestic airports in the country in accordance with Section 3 of EO No. 298 dated July 26, 1987, computed as follows:

	2021	2020
Landing & Parking Fees (Aeronautical Fees)	**1,561,436,599**	1,273,607,718
Rentals	**878,221,367**	779,061,314
Other Business Income (Concession Privilege Fees)	**401,498,222**	673,546,013
Other Service Income (Miscellaneous Revenues)	**96,699,691**	89,040,600
	2,937,855,879	2,815,255,645
Rate of Government's Share	**20%**	20%
National Government's Share	**587,571,176**	563,051,129

38. LEASES

Authority as Lessor

The Authority rents some of its terminal facilities to various lessees. The lease terms range between one month to five years, with monthly rental ranging between P374.220 and P14.712 million. Escalation rate is two per cent per annum after the third year for concessionaires with lease term of five years. Lease payments under operating leases recognized as income amounted to P1.043 billion in 2021 and P1.016 billion in 2020.

The Lease and Concession Contract between the MIAA and Concessionaire specifically provides that the expenses incurred and directly attributable to the leased premises shall be for the account of the lessee/concessionaire. It further provides that the Real Property Tax shall be shouldered by the lessee/concessionaire, and the payments of the same is recognized in MIAA's books of accounts as Operating Expenses, which amounted to P12.812 million in 2021 and P4.541 million in 2020.

At year end, the Authority has outstanding receivables under non-cancellable operating leases that fall due as follows:

	2021	2020
*Not later than one year	**1,620,342,220**	1,625,221,686
Later than one year but not later than 5 years	**528,293,357**	125,359,349
Later than 5 years	**0**	0
	2,148,635,577	1,750,581,035

**Not later than one year is inclusive of rental/lease income from Authority's investment property (General Aviation areas) amounting to P152.350 million (Note 11).*

39. RESTATEMENT OF ACCOUNTS

The 2021 financial statements were restated to reflect the following adjustments:

Prior years' errors discovered in CY 2021

	December 31, 2019 (As previously reported)	Restatement/ Adjustment	January 1, 2020 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,212,510,852**	**64,569,905**	**3,277,080,757**
Reclassification of Undistributed Collections for CY 2019 and prior years		*32,017,127*	
Adjustments to Receivables - Disallowances		*32,552,778*	
Investment Property, net	**7,726,035,202**	**1,478,962,760**	**9,204,997,962**
Reclassification of PE to Investment Property		1,478,962,760	
Property and Equipment, net	**28,775,545,811**	**(2,074,919,057)**	**26,700,626,754**
Correction of prior years' error (Accumulated depreciation adjustments)		*(225,453)*	
Reclassification of PE in CY 2019 to Intangible Assets (Development in Progress – Computer Software)		*(21,128,643)*	
Reclassification of PE to Right-of-Use Assets – PFRS 16		*(574,602,201)*	
Reclassification of PE to Investment Property		*(1,478,962,760)*	
Right-of-Use Assets, net	**0**	**574,602,201**	**574,602,201**
Reclassification of PE in CY 2019 to Right-of-Use Assets – PFRS 16	*0*	*574,602,201*	
Intangible Assets	**0**	**21,128,643**	**21,128,643**
Reclassification of PE entries in CY 2019 to Intangible Assets (Development in Progress – Computer Software)		*21,128,643*	
Inter-Agency Payables	**1,798,046,997**	**10,804,701**	**1,808,851,698**
Accrual of expenses/payables to DBM Procurement Service in CY 2018		*10,804,701*	
Trust Liabilities	**1,259,829,081**	**(20,722,680)**	**1,239,106,401**
Derecognition of unclaimed deposits for inactive concessionaires/lessees of more than 10 years		*(20,722,680)*	

	December 31, 2019 (As previously reported)	Restatement/ Adjustment	January 1, 2020 (As restated)
Deferred Credits/ Unearned Income			
Derecognition of unclaimed advance for inactive concessionaires/lessees of more than 10 years	**684,091,990**	**(53,086,112)** *(34,256,008)*	**631,005,878**
Prior years adjustment – Unearned Income		*(2,243,168)*	
Adjustments to Receivables - Disallowances		*(16,586,936)*	
Other Payables	**6,344,304,381**	**59,117,477**	**6,403,421,858**
Reclassification of Tax Refunds Payable to Other Payables		*28,614,688*	
Reclassification of Undistributed Collections for CY 2019 and prior years		*32,017,127*	
Reclassification to Receivables - Disallowances		*(1,514,338)*	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**30,760,236,198**	**96,845,752**	**30,857,081,950**
Correction of prior years' error (Accumulated depreciation adjustments)		*(225,453)*	
Accrual of expenses/payables to DBM Procurement Service in CY 2018		*(10,804,701)*	
Derecognition of unclaimed advance and deposits for inactive concessionaires/lessees of more than 10 years		*54,978,688*	
Collection/Recovery of Receivables – Disallowances		*4,979,584*	
Reversal of Contra Account for Receivables Disallowances		*47,917,634*	

	December 31, 2020 (As previously reported)	Restatement/ Adjustment	January 1, 2021 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,847,173,648**	**136,268,090**	**3,983,441,738**
Reclassification of Undistributed Collections for			
CY 2020		*44,599,140*	
CY 2019 and prior years		*32,017,127*	
Adjustments on Lease Modification per PFRS 16		*27,363,889*	
Adjustments to Receivables - Disallowances		*32,287,934*	
Other Current Assets	**2,014,203,591**	**352,800**	**2,014,556,391**
Overstatement of insurance expenses for CY 2020		*352,800*	
Investment Property, net	**7,726,035,202**	**1,478,962,760**	**9,204,997,962**
Reclassification of PE to Investment Property		*1,478,962,760*	
Property and Equipment, net	**28,731,685,960**	**(1,916,608,752)**	**26,815,077,208**
Correction of prior years' error (Accumulated depreciation adjustments)		*(367,348)*	
Reclassification of PE in CY 2019 to Intangible Assets (Development in Progress – Computer Software)		*(21,128,643)*	

	December 31, 2020 (As previously reported)	Restatement/ Adjustment	January 1, 2021 (As restated)
Reclassification of PE to Right-of-Use Assets – PFRS 16		*(416,150,001)*	
Reclassification of PE to Investment Property		*(1,478,962,760)*	
Right-of-Use Assets, net			
Reclassification of PE in CY 2020 to Right-of-Use Assets – PFRS 16	**0**	**416,150,001** *416,150,001*	**416,150,001**
Intangible Assets			
Reclassification of PE to Intangible Assets (Development in Progress – Computer Software)	**0**	**21,128,643** *21,128,643*	**21,128,643**
Financial Liabilities			
Over accrual of payables/expenses due to contractors for CY 2020	**1,999,048,471**	**(144,560,468)** *(144,560,468)*	**1,854,488,003**
Inter-Agency Payables			
Accrual of expenses/payables to DBM Procurement Service in CY 2018	**374,693,908**	**10,804,702** *10,804,702*	**385,498,610**
Trust Liabilities			
Derecognition of unclaimed deposits for inactive concessionaires/lessees of more than 10 years	**1,345,734,509**	**(20,722,680)** *(20,722,680)*	**1,325,011,829**
Deferred Credits/ Unearned Income			
Derecognition of unclaimed advance for inactive concessionaires/lessees of more than 10 years	**539,725,872**	**(53,098,615)** *(34,256,008)*	**486,627,257**
Prior years adjustment – Unearned Income		*(108,077)*	
Adjustments to Receivables – Disallowances		*(18,734,530)*	
Other Payables	**445,663,168**	**94,248,129**	**539,911,297**
Reclassification of Tax Refunds Payable to Other Payables		*19,398,539*	
Reclassification of Undistributed Collections for			
CY 2020		*44,599,140*	
CY 2019 and prior years		*32,017,128*	
Reclassification to Receivables - Disallowances		*(1,766,678)*	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**29,778,104,326**	**268,981,014**	**30,047,085,340**
Correction of prior years' error (Accumulated depreciation adjustments)		*(367,348)*	
Over accrual of payables/expenses due to contractors for CY 2020		*144,560,468*	
Adjustments on Lease Modification per PFRS 16		*27,363,889*	
Accrual of expenses/payables to DBM Procurement Service in CY 2018		*(10,804,701)*	
Derecognition of unclaimed advance and deposits for inactive concessionaires/lessees of more than 10 years		*54,978,688*	
Overstatement of insurance expenses for CY 2020		*352,800*	
Collection/Recovery of Receivables -		*4,979,584*	

	December 31, 2020 (As previously reported)	Restatement/ Adjustment	January 1, 2021 (As restated)
Disallowance			
Reversal of Contra Account for Receivables Disallowances		*47,917,634*	
STATEMENT OF COMPREHENSIVE INCOME			
Net Income(Loss)	**(1,051,112,870)**	**172,135,262**	**(878,977,608)**
Adjustments in CY 2020 Net Income			
Over accrual of payables/expenses due to contractors for CY 2020		*144,560,468*	
Adjustments on Lease Modification per PFRS		*27,363,889*	
Correction of prior years' error (Accumulated depreciation adjustments)		*(141,895)*	
Overstatement of insurance expenses for CY 2020		*352,800*	

The Authority presented a three-year statements of financial position in compliance with the requirement of PAS 1, Presentation of Financial Statements, to include a complete set of financial statements as statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

40. OTHER MATTERS

a. Board Resolution (BR) No. 2021-009 dated February 4, 2021
Reduction of Interest Rate to six per cent per annum on Unpaid Accounts

The MIAA thru its Board of Directors, approved the request to apply the reduced interest rate of six per cent per annum, which shall cover those accounts that fell due starting March 15, 2020, onwards or during the pandemic.

b. Board Resolution No. 2020-014 dated April 17, 2020
Reprieve from Payment of Certain Airport Fees and Charges
(superseded by BR Nos. 2020-020, 2020-044, 2021-010 and 2021-040)

The MIAA thru its Board of Directors, approved the grant of the reprieve from payments of certain airport fees and charges as its way of alleviating the adverse financial impact of COVID-19 to its stakeholders as follows:

1. Deferment of payment of aeronautical fees of local air carrier for a period of one-year effective March 1, 2020 billings;

2. Rental Holiday for all concessionaire operating at the terminals from March 15, 2020 to December 31, 2020 and extension up to December 31, 2021 except for Concessions Privilege Fees (CPF) (including waiver of check-in-counters usage from March 15, 2020 to January 31, 2021), as summarized on the succeeding page:

Particulars	2021	2020
Rental*	686,166,252	787,467,512
Check-In-Counter	22,807,510	122,738,175
Garbage Collection Fee	4,439,602	7,130,567
Others	0	1,180,469
TOTAL	**713,413,364**	**918,516,723**

**Extension of waiver of rental charges from July 1 to December 31, 2021, only covers food and beverages, retail and lounges concessions in all terminals.*

3. Waiver of interest charges for late settlement of accounts from March 15, 2020 to December 31, 2020.

c. Board Resolution No. 2021-048 dated October 8, 2021
(superseded by BR No. 2021-051)

The MIAA thru its Board of Directors, approved the grant of the reprieve from payment of CPF to advertising and transport concessionaires from July 1 to December 31, 2021 totaling to P118.920 million.

d. Board Resolution No. 2020-048 dated October 15, 2020

The MIAA thru its Board of Directors, approved the grant of the reprieve from payment of Concessions Privilege Fees to all airport transport concessionaires effective March 17 to 31, 2020 and from August 4 to 18, 2020 for a total of 91 days or equivalent to three months and one day totaling to P8.190 million.

e. Board Resolution No. 2019-046 dated September 26, 2019
Early Retirement Incentive Program (ERIP) in RE: Amended MIAAs Organizational Restructuring Proposal

Relative to MIAA's Organizational Restructuring Proposal (ORP), MIAA was advised by Governance Commission for GOCCs (GCG) to comply with the additional requirements of the Commission enumerated in GCG Memorandum Circular No. 2015-4 issued on May 2, 2016. MIAA prepared separation package for those personnel whose positions will be affected in the MIAA ORP, with two options:

1. To remain in government service and apply to other available positions in the agency; and

2. To avail of retirement plus the ERIP as part of the ORP of the MIAA, subject to the approval of the President, based on the following formula:

Years of Service	Equivalent ERIP Gratuity
Up to 20 years	1 x Basic Monthly Salary
Above 20 years up to 30 years	1.5 x Basic Monthly Salary
Above 30 years	2 x Basic Monthly Salary

Employees with age 50 years old and above with minimum of 15 years in service were also included in the computation, should they opt to avail the proposed ERIP. The total amount to be incurred for the proposed ERIP is P895.590 million.

MIAA ERIP was already forwarded by the Department of Transportation to the Office of the President thru the GCG.

f. Receivable from Private Concessionaire with Pending Case

Philippine Airport and Ground Services (PAGS) (Civil Case No.000363) – P112.390 million.

This is an action to enjoin MIAA from increasing the rental rates for the premises (Open Area A and Open Area B) mentioned in the Revised and Restated Contract of Lease between parties. PAGS claims that the Restated Contract does not contain any escalation clause. MIAA, however, claims that the Restated Contract is null and void as it was not approved by the MIAA Board.

Hearing is ongoing. PAGS is presenting its witnesses. The Office of the Solicitor General (OSG) has recommended Compromise Agreement in view of the prevailing doctrine in Airspan. MIAA had sent its intention to compromise but no response was received from PAGS.

g. Airspan Case: Rate Adjustments

The Philippine Airlines (PAL), Macroasia Airport Services Corporation, and Macroasia Catering Services have, likewise, filed separate claims with the Authority for refund of rentals pertaining to the increase that was invalidated for lack of publication as ruled by the Supreme Court (SC) in the Airspan case. Said claims for refund, estimated at P1.200 billion, are still subject to the approval of the Office of the Government Corporate Counsel and the adjudication of the money claims by COA (MIAA Board Resolution No.2010-026). However, the MIAA Board of Directors issued Resolution No. 2017-103 dated January 8, 2018 recalling and cancelling MIAA Board Resolution No. 2010-026. Management sent letters to PAL and Macroasia to file money claims before COA. On December 26, 2018, PAL filed money claim before COA against MIAA for the refund of rentals paid for the period June 1999 to October 2016 in the amount of P2.090 billion.

In view of the prevailing doctrine in Airspan case, the Authority had determined accounts that may be subject to refund in case a proper claim is filed by the affected parties.

h. Samahang Manggagawa sa Paliparan ng Pilipinas (SMPP) vs. MIAA
Civil Case No. 05-1422-CFM
Regional Trial Court (RTC), Branch 119, Pasay City

A petition for Mandamus was filed by petitioners SMPP before the RTC of Pasay City praying for the issuance of a Writ of Preliminary Mandamus ordering respondent MIAA to implement Section 4.1 of Department of Budget and Management (DBM) Corporate Compensation Circular No. 10 by integrating, including and/or adding the Cost of Living Allowance (COLA) and Amelioration Allowance (AA) into the basic salaries for the respective positions of the individual petitioners effective July 16, 1999 up to the present.

Thereafter, respondent MIAA Board of Directors was directed to issue the necessary Board Resolution: (1) appropriating funds to pay COLA and AA of petitioners which were not integrated, included and/or added to their respective basic salaries commencing on July 16, 1999 up to the present; (2) directing the release of said funds as back pay for COLA and AA; and (3) allowing the grant of continuing COLA and AA.

The RTC affirmatively acted on the prayer for issuance of Mandamus and issued a decision upholding petitioner's position.

Dissatisfied with the said ruling, MIAA elevated on appeal the said decision to the Court of Appeals (CA). In a decision, dated July 30, 2010, the CA reversed and set aside the RTC's decision.

The case has a total estimated liability of P2.360 billion for similarly situated now pending before the SC. In January 2019, the SC is requiring the parties to inform the court if there are developments to assist the court in the resolution of the case.

i. Accounts under Litigation

1. People's Aircargo and Warehousing Co., Inc. (PAIRCARGO) vs. MIAA
Civil Case No. 00-304
RTC, Branch 110, Pasay City

This is a case filed by PAIRCARGO against MIAA questioning the increase in rental rates as mandated by Administrative Orders issued by the MIAA Board. Said concessionaire alleged that MIAA has no legal right to increase its rental rates because the concessionaire's lease contract with the then Civil Aeronautics Administration, which was renewed in 1991 under the pre-emptive right of the lessee, does not provide an escalation clause. By agreement of the parties, a status quo will be maintained during the pendency of the case.

Hearing is ongoing. The OSG is recommending Compromise Agreement in view of the prevailing doctrine in Airspan.

2. Avia Filipinas Int'l. Inc. vs. MIAA
SC, G.R. No. 180168

This is a case filed by Avia Filipinas against MIAA stemming from the increase in the former's monthly lease rentals from P6,580 per month to P15,966.50, or P9,386.50 increase per month, effective September 1, 1991 to September 30, 1994, for a total of P347,300.50. The increase was based on Section 2.04 of the lease contract and Administrative Order No. 1, Series of 1990, which embodied the increase in rentals of the properties being leased by MIAA to its lessees and concessionaires. However, Avia Filipinas refused to pay the increased rentals, claiming that under Sec. 8.13 of the lease contract, *"any amendment, alteration, or modification thereof shall not be valid and binding, unless and until made in writing and signed by the parties thereto"*. It claimed that since it did not sign the rental increase embodied in Administrative Order No. 1, Series of 1990, the said increase is not valid and binding.

On March 21, 2003, the lower court rendered a decision in favor of Avia Filipinas ordering MIAA to pay Avia Filipinas P2 million actual damages, P2 million exemplary damages, P100,000 attorney's fees, and costs of suit and to refund the monthly rental payments beginning July 1, 1997 up to March 11, 1998 with 12 per cent interest.

MIAA appealed to the CA which rendered a decision on June 19, 2007, deleting the award of actual and exemplary damages and reducing from 12 to 6 per cent the interest on the monthly rentals to be refunded beginning July 1, 1997 up to March 11, 1998. The six per cent interest is to begin from date of filing of the complaint until finality of the decision. A 12 per cent interest shall be imposed on any unpaid balance from such finality until judgment is fully satisfied. The award of attorney's fees still stands.

MIAA brought the case to the SC by way of a Petition for Review on December 7, 2007.

The SC, in its Decision dated February 27, 2012, denied MIAA's petition and affirmed the resolution of the CA. A Motion for Reconsideration was filed by MIAA before the SC.

MIAA is awaiting the Writ of Execution, but Avia Filipinas has not come forward to execute the judgment award.

3. **Domestic Petroleum Retailer Corporation (DPRC) vs. MIAA**
   CA Second Division
   RTC Branch 119, Pasay City

   This is a case for collection of sum of money. DPRC is seeking the refund of the increase in rentals it allegedly paid under protest to MIAA in the principal amount of P9.593 million plus legal interest computed from the time of judicial demand on July 27, 2006, and the sum of P300,000 for attorney's fees and the cost of the suit. The case is pending before the RTC.

4. **Conrado P. Cosico, Jr. and Antonio P. Cosico vs. MIAA**

   This is a case for consignation with prayer for issuance of temporary restraining order (TRO) and Preliminary Injunction. The Cosicos are seeking to compel MIAA to honor the lease contract which was entered into by their predecessors and the CAA which they claim to have been renewed by MIAA. The plaintiff prayed for P200,000 attorney's fees. The case is pending before CA.

5. **Inter-Asia Services Corporation vs. MIAA**

   This is a case for breach of contract. MIAA terminated the contract of Inter Asia for the lease and operation of Parking A of NAIA Terminal 1 for failure of the plaintiff to comply with the conditions of the contract, i.e. construction of the multi-level parking lot. Plaintiff countered that MIAA was the first to breach the contract since it did not reduce the Concession Privilege Fee (CPF) by 40 per cent. It prayed for at least P1 million for actual damages and P0.600 million for attorney's fees. The case is pending before the RTC, Makati City.

6. **SPS. Nocom and Kieng vs. MIAA**

This is a case for recovery of possession and accounting of rental. Plaintiffs are the registered owner of parcel of land consisting of 9,867 sq. m., more or less, covered by TCT No. 109416. NAIA occupied the said land without authority from the plaintiffs sometime in 1995. Hence, a claim for just compensation for the subject lot was filed by the Plaintiff.

The CA in its decision dated May 20, 2015 ordered MIAA to pay the Nocoms the sum of P41.240 million as rentals from December 1995 until December 2014 plus interest of 12 per cent per annum from date of decision until fully paid; and, beginning January 2015 to pay monthly rental of P176,406.33 with 12 per cent interest from the date of default until fully paid. The case is pending appeal before the SC.

7. **Corazon Cruz vs. MIAA**

This is a case for quieting of title with recovery of ownership and damages. Cruz claims to be the owner of a parcel of land in MIAA's possession and prayed for MIAA to pay P0.500 million for moral damages; P200,000 attorney's fees; P0.500 million for the costs of litigation and three per cent of the gross value of property. The RTC and the CA decided in favor of MIAA. The case is pending appeal before the SC.

8. **Aviation Technology Innovators, Inc. (ATII) vs. MIAA**

This is a case for damages, fixing the period of contract of lease and declaring the rental rate and interest null and void with application for issuance of preliminary injunction with prayer for TRO and/or Status Que Ante.

ATII entered to a contract of lease with the defendant MIAA for a period of one (1) year. On February 21, 2014, MIAA sent a demand letter to the plaintiff demanding the latter to pay its alleged outstanding account amounting to P59.740 million. On the strength of the Airspan decision, ATII proposed to pay the computed principal obligation in the amount of P6.040 million and interest of P42.480 million in 24 months. Hence, the case where ATII prayed for MIAA to pay the sum of P0.500 million as and by way of moral damages, P100,000 as exemplary damages and P200,000 as and by way of attorney's fees. The case is pending before the CA.

9. **Duty Free Philippines vs. MIAA**

This is a case pending before the Office of the Government Corporate Counsel for arbitration. Duty Free seeks the refund of payments. The claim for refund arose from the SC decision in Airspan et al. MIAA GR 157581 (December 1, 2004) which declared null and void MIAA BRs which increased the rental charges for certain areas within the Airport. The amount claimed as of March 31, 2017 amounts to P77.130 million and USD0.627 million plus two per cent interest compounded annually.

41. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth under BIR Revenue Regulation (RR) No. 15-2010, hereunder are the information on taxes, duties and license fees paid or accrued during the taxable year.

1. The Authority is a VAT-registered company with output tax declaration of P229.484 million for the year based on the amount reflected in the Sales account of P1.913 billion.

   The Authority has Zero-Rated Sale of Services amounting to P1.552 billion pursuant to Section 12 of RR-4-2007.

2. The amount of VAT input taxes claimed are broken down as follows:

a. Balance at the beginning of the year	287,126,166
b. Current year's purchases	
I. Goods for resale/manufacture or further processing	n/a
II. Goods other than for resale or manufacture	24,777,467
III. Capital goods subject to amortization	9,391,395
IV. Capital goods not subject to amortization	322,004
V. Services lodged under cost of goods sold	n/a
VI. Services lodged under other accounts	524,323,933
	558,814,799
c. Claims for tax credit/refund and other adjustments	
I. Prior year's set-up/accrual	(8,566,579)
II. Current year's set-up/accruals	11,911,197
III. Cancelled checks/transactions and adjustments	(21,580,992)
IV. Available input tax and tax deferred for succeeding period	(627,274,602)
	(645,510,976)
d. Balance at the end of the year	200,429,989

3. The amount of withholding taxes paid/accrued for the year amounted to:

I. Tax on compensation benefits	46,887,773
II. Creditable withholding taxes	105,544,178
III. Final withholding taxes	1,571,419
IV. Value-Added Tax and Other Percentage taxes withheld	240,157,349

4. Schedule of Other Taxes and Licenses

Real Property Tax (Pasay City Treasurer)	15,700,110
Network/Radio station license and RLM certificate (NTC)	722,070
Airport Coordination Australia (Annual Administrative Fee)	409,932
Documentary Stamp Tax and Certification Fee	353,998
Registration/Emission Testing and Inspection (LTO)	253,143
Mechanical Permit Fees (Pasay City Treasurer)	85,020

Discharge Permit (LLDA)	38,479
Registration fees for issuance of patent of MIAA titles (Land Registration Authority)	35,223
Tax on French Loan & adjustment of Foreign Exchange	19,479
Permit to operate generator sets and diesel storage (Environmental Management Bureau-NCR)	4,000
Community Tax (Pasay City Treasurer)	10,500
Annual VAT Registration	500

A. FINANCIAL AUDIT

1. Trade Receivables (TRs) totaling P4.322 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard (PFRS) 9. As a result, the valuation of the TRs at amortized cost of P2.956 billion, net of P1.366 billion allowance for impairment (AFI), could be more than its recoverable amount.

1.1 In CY 2020 audit, the Audit Team reported MIAA's deviation from PFRS 9, paragraph 5.2.1 which provides that after initial recognition, financial instruments (which include accounts receivables) shall be measured at amortized cost. Based on MIAA's previous years practice, the amortized cost is the principal amount of receivables minus any reduction (through the use of an allowance account) for impairment or expected credit losses (ECLs).

1.2 Paragraph 5.5.17 of PFRS 9 provides that *any measurement of expected credit losses under PFRS 9 shall reflect an unbiased and probability-weighted amount that is determined by evaluating the range of possible outcomes as well as incorporating the time value of money. Also, the entity should consider reasonable and supportable information about past events, current conditions and reasonable and supportable forecasts of future economic conditions when measuring expected credit losses.*

1.3 MIAA disclosed in Note 4 to financial statements (FS) that *for trade receivables, the Authority has applied the simplified approach and has calculated expected credit losses (ECLs) based on the lifetime expected credit losses. The Authority has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.*

1.4 MIAA's TRs is presented in Note 8 to the FS as follows:

Table 1- Breakdown of Trade Receivables (in PhP)

Classification	2021	2020
Non-Government Entities	3,795,281,831	3,319,158,581
Passenger Terminal Fees (PTFs)	433,434,486	320,925,255
Government-Owned and Controlled Corp. (GOCCs)	62,994,384	146,331,981
National Government Agencies (NGAs)	29,876,975	30,587,142
	4,321,587,676	3,817,002,959
Allowance for Impairment (AFI)	(1,365,817,451)	(1,292,558,298)
	2,955,770,225	2,524,444,661

1.5 Management further disclosed *a reconciliation of the allowance for impairment (AFI) at the beginning and end of 2021 and 2020* as shown below:

Table 2 - Reconciliation of the Allowance for Impairment (in PhP)

	2021	2020
Balance at beginning of year	1,292,558,298	1,257,227,459
Provision for the year	145,632,448	35,330,839
Write-off	(72,373,295)	0
	1,365,817,451	1,292,558,298

1.6 Based on year-end adjustment, MIAA still adopts the accounting policy prior to implementation of PFRS 9 which is based on the established provision matrix. Below is the details of the TRs and the related AFI:

Table 3 - Provision for Impairment Matrix/AFI Computation (in PhP)

Particulars	Amount	Rate	Computed AFI
TRs-Billed			
Past Due accounts for 10 years and above	1,046,087,959	100%	1,046,087,959
Current and Past Due accounts for less than 10 years	2,710,669,277	10%	271,066,928
Reconciling Items	60,947,068	0%	0
	3,817,704,304		1,317,154,887
TRs-PTF			
Past Due accounts for less than 10 years	416,086,762	10%	41,608,876
Current	17,347,724	0%	0
	433,344,486		41,608,876
TR-Unbilled CPF			
Current and Past Due accounts for less than 10 years	70,538,886	10%	7,053,888
	4,321,587,676		1,365,817,451

1.7 As can be gleaned in Table 3, of the total TRs of P4.322 billion, P17.348 million classified as "current" accounts, and P60.947 million TRs-billed tagged as "reconciling items" are excluded/not considered in the computation of AFI, *representing that these accounts totaling P78.295 million are 100 per cent collectible or realizable.*

1.8 Based on the Aging of TRs, accounts totaling P2.342 billion were over 365 days past due and provided with either 10 or 100 per cent AFI, as follows:

Table 4 - Over 365 days Past Due (in million Php)

Particulars	More than 1 Year to 9 Years Past Due	10 Years Past Due	Total	Remarks
Undisputed Past Due	480.301	3.726	484.027	Include those with pending issues between Concession Management Division and Billing Section; Provided with 10% and 100% ECL for more than 1 year to 9 years and 10 years past due, respectively
Disputed With Court Case	276.946	226.812	503.758	Compose of accounts of 12 concessionaires waiting for resolution by

Particulars	More than 1 Year to 9 Years Past Due	10 Years Past Due	Total	Remarks
				the Courts; provided with 10% and 100% ECL for more than 1 year to 9 years and 10 years past due, respectively.
Disputed Without Court Case	191.554	235.216	426.770	Consist of 52 accounts which have dispute on rental rates charged by MIAA; provided with 10% and 100% ECL for more than 1 year to 9 years and 10 years past due, respectively.
Passenger Terminal Fee	295.330	0	295.330	Prior years' accrual due unpaid PTF; provided with 10% for more than 1 year to 9 years past due.
Unbilled Accrual	34.913	0	34.913	Prior years' accrual of Unbilled CPF; provided with 10% ECL
Non-Moving Accounts	0	598.129	598.129	Transferred from Bureau of Air Transportation (now Civil Aviation Authority of the Philippines or CAAP); provided with 100% ECL.
Total	1,279.044	1,063.883	2,342.927	

1.9 It was mentioned in CY 2020 audit that, MIAA's provision matrix of estimating the ECL of 10 per cent for accounts that are 30 days to less than 10 years past due may not be based on the quoted provision of paragraph 5.5.17 of PFRS 9. Consider the following:

a. *The credit risk increased significantly when the contractual payments are more than 30 days past due.* A uniform rate of 10 per cent ECL provision for 30 days to 9 years past due accounts did not consider that the longer the period, the higher the probability of default.

   Likewise, included in the *disputed accounts without court case*, in Table 4, is the receivable from Philippine Aerospace Development Corporation (PADC) amounting to P1.842 million, exclusive of VAT and interest on non-payment. The interest was not recognized by MIAA in the books of accounts but reflected in the Statement of Account (SOA) being served to PADC. Based on the SOA, VAT and interest totaled P288.711 million. Net receivables per SOA of P290.243 million, after deducting overpayment of P309,814, is with a notation of "*disputed accounts*".

   PADC claims that it should not be billed for the interest since there is no related unpaid principal, considering that the P1.842 million were already paid by it, with the pertinent documents like Official Receipts provided to MIAA.

b. *The current conditions and reasonable and supportable forecasts of future economic conditions, and its creditors' base or groupings were not considered during assessment.* The persistent economic impact of COVID-19 pandemic in CY 2021 continually exposes MIAA to higher credit risk as most of its clients are engaged in aviation or airline industries, causing losses to some airlines and consequently defaults in payment of their obligations.

1.10 As a result of improper/non-assessment of collectability of receivables, Management's assertion that the valuation of its P2.956 billion (at amortized cost), could still not be relied upon. The amortized cost of TRs amounting to P2.956 billion maybe more than its recoverable amount.

1.11 **We reiterated our prior year's recommendations that Management:**

a. Revisit MIAA's established ECL provision matrix or conduct an assessment at the end of each reporting period to determine the sufficiency of Allowance for Impairment to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount;

b. Resolve the pending issues such as adjustments on rental rates and area which are awaiting resolution from Concession Management Division (CMD) and pursue collection of the accounts when decided as valid receivables; and

c. Determine the correct amount of receivables from PADC, exclude in the SOA those invalid TRs being billed from PADC, if any, and advice the latter on its claim that it already paid portion of the accounts included in the SOA.

1.12 Management commented that the reconciling items amounting to P60.947 million were excluded in the computation of AFI because *these items are year-end accruals/adjustments that were not yet posted in the subsidiary ledger*.

1.13 For the remaining TRs, MIAA will review its existing policy on measuring the ECL such that accounts which have been past due for 30 days to 9 years will not be provided with a uniform rate of 10 per cent allowance for uncollectability but rather with varying rates depending on the period they have been outstanding.

1.14 With regard to the receivables due from the PADC, a meeting was held on May 25, 2022 between their team and that of MIAA to discuss the disputed account. Accordingly, PADC will provide pertinent documents on the P1.842 million unpaid principal which the latter claim to be paid subject to validation of Accounting Division (AD). Management shall update the Audit Team on the status of the said account once the validation is completed.

1.15 The Audit Team will monitor Management's compliance with the recommendation to review its established ECL provision matrix or policy or assessment at the end of each reporting period to determine the sufficiency of Allowance for Impairment to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount.

1.16 With regard to the receivables totaling P60.947 million, which was represented as 100 per cent collectible, said TRs should also be considered in ECL provision.

2. The balance of Property and Equipment (PE) account, except land, totaling P42.144 billion, with carrying amount of P21.220 billion may not be a faithful representation of MIAA's assets because the completeness and/or existence thereof could not be validated due to improper conduct of physical count. The Report on Physical Count of PPE (RPCPPE) and the General Ledger (GL) balances are not reconciled, showing a variance of P627.434 million.

2.1 Section 5 of COA Circular No. 2020-06[1] enumerates the 12 steps in coming up with a reliable PPE balance. The last step provides as follows:

5.12. Property records shall be updated based on the results of the physical inventory and reconciled with the accounting records to come up with the reconciled balance of the agency's PPEs.

2.2 As of December 31, 2021, MIAA presented in its financial statements (FS), PE costing P47.762 billion, with carrying amount of P26.838 billion. Below is the composition of PE, after deducting PE-Land assets:

Table 5 – Composition of PE (in PhP)

Account Title	Cost	Accumulated Depreciation	Carrying Amount
Land and Land Improvements	10,058,064,571	3,909,703,534	6,148,361,037
Airport System	26,314,133,916	10,128,621,783	16,185,512,133
Buildings and Structures	426,972,176	331,472,703	95,499,473
Machinery and Equipment	9,203,642,337	6,553,564,683	2,650,097,654
Construction in Progress	1,758,755,373	0	1,758,755,373
Total Property and Equipment	47,761,568,373	20,923,362,703	26,838,225,670
Less: Land Assets	(5,617,746,673)	0	(5,617,746,673)
PE, except land	42,143,821,700	20,923,362,703	21,220,478,997

2.3 In CY 2020 audit, it was reported that the non-submission of RPCPPE, showing the quantity per Property Card and per Physical Count, prevented the determination of the total value of PE counted and still in good condition.

2.4 In CY 2021 audit, the Inventory Committee conducted a physical count of PE located in the entire Ninoy Aquino International Airport (NAIA) complex from November 2021 to January 2022 and the RPCPPE was submitted to the Audit Team on February 22, 2022. However, the result of the physical count of PE, showed a variance of P627.434 million between the amounts per GL and per physical count or RPCPPE for Land Improvements and Machinery and Equipment (ME), as summarized in Table 6:

[1] Entitled Guidelines and Procedures in the Conduct of Physical count of Property, Plant and Equipment (PPE), Recognition of PPE items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies.

Table 6 – Comparison of total PE per GL and RPCPPE (excluding land assets, in PhP)

Account Title (GL)	GL	Per RPCPPE*	Variance	Remarks
Land Improvements	4,440,317,899	4,344,945,483	95,372,416	Includes the "unlocated" leasehold improvement costing P12.888 million
Machinery and Equipment	9,203,642,337	8,671,580,574	532,061,763	
Total	13,643,960,236	13,016,526,057	627,434,179	

*The total per RPCPPE were computed using the softcopy files submitted by PMD, and adjusted to include some items procured in CY 2021 per Subsidiary Ledger which were verified as received based on the proof of deliveries or completed based on Certificate of Completion and Acceptance.

2.5 The following are some of the unaccounted ME items shown as shortages in the RPCPPE, which could have caused the variance on ME per Table 6, however derecognition is not yet effected in the books of accounts:

Table 7 – Unaccounted PE or Shortage

PE Classification	Quantity		Shortage	
	Per Property Card	Per Physical Count	Quantity	Cost (in PhP)
ME - Furniture and Fixtures	3,362	3,279	83	2,246,804
ME - Medical Equipment	1	0	1	149,850
ME - Communication Equipment	694	574	120	4,971,537
ME - Disaster Response and Rescue Equipment	501	387	114	6,055,003
ME - Other PPE	2,074	1,817	257	20,187,278
ME - ICT Equipment	2,196	1,675	521	31,856,274
ME - Office Equipment	1,832	1,321	511	27,995,495
	10,660	**9,053**	**1,607**	**93,462,241**

2.6 Section 6.3.1.d of the COA Circular provides that *the Property Unit* shall *prepare a List of Non-Existing/Missing PPEs for items described as non-existing or missing in the RPCPPE.* However, no *List of Non-Existing/Missing PPEs* was prepared by the Property Unit after the count.

2.7 The list will serve as a basis for the AD to recognize loss of PE and to set-up the corresponding receivables from the concerned accountable officer/personnel after conducting the procedures for the disposition of non-existing/missing PE provided under Section 7 of the Circular.

2.8 The Audit Team also noted the following which have an effect on the balances per Table 6:

a. *"Unlocated" Leasehold Improvement but no variance was reported – costing P12.888 million with net carrying amount of P1.289 million.* The RPCPPE for Leasehold Improvement disclosed as "unlocated" 1 of the 2 items listed in the RPCPPE described as NAIA II Villamor Airbase with Property No. 1998-09-020-001-106, and acquisition cost of P12.888 million and net carrying amount of P1.289 million. Despite the "unlocated" remarks, the Quantity per Ledger Card and per Physical Count indicated 1 item, thus, no shortage and overage was reported.

b. *No separate list for items "found at station" was submitted*. Consider the NAIA Terminal 3 which was transferred from PIATCO with PN 2014-03-080-0002-106 at lump sum amount of P15.591 billion, including items like gang chairs, and X-ray machines[2].

These PE items, not attached to the Terminal Building, if counted by the Committee should have been reported as "found at station" in accordance with Section 6.2.7 of COA Circular No. 2020-006, which states that:

> *6.2.7 PPEs found at station or items not included in the inventory working papers, but there is reasonable basis to consider the same as owned by the agency, shall likewise be included in the physical count and tagged with property stickers. These items shall be described as "found at station" which shall be indicated under the "Remarks" column of the ICF.*

2.9 The Audit Team was not able to conduct further alternative audit procedures in the absence of a reconciliation statement on the balances of PE per RPCPPE, GL and stock cards, that should have been subjected to examination.

2.10 As a result of the above practice, the depreciation expense and computed net carrying value of the PE may not be reliable considering that some PE subjected to depreciation were not validated as to existence.

2.11 We recommended that Management:

a. Comply with COA Circular No. 2020-006, dated January 31, 2020, on the guidelines and procedures in coming up with reliable property, plant and equipment balances that are verifiable as to existence, condition and accountability;

b. Require the Property Management Division (PMD) to prepare a List of Non-Existing/Missing PE for submission to the Accounting Division (AD) so that the AD will have a basis in derecognizing all the non-existing/missing PE; and

c. Require the Inventory Team to complete the inventory-taking process and the AD to ensure that the balance of PE per books of accounts, per count and per stock cards are reconciled, including the derecognition of non-existing/missing PE.

2.12 Management commented that the variance of P627.434 million in PE is partly accounted for by the cutoff date in the preparation of Inventory Count Sheet in

[2] Gang chairs were noted during observation of physical count at Terminal 3.

September 2021. The said cut-off date excluded from the RPCPPE the acquisitions of machinery and equipment and the cost of constructed improvements to land made after September 2021 which amounted to P389.65 million.

2.13 Another cause of variance is the recording of PE between the books of AD and PMD on input taxes. The former records the PE at net of the 12 per cent Input VAT, while the latter is at gross amount. They are now reconciling these two records to account for the variance.

2.14 The Audit Team appreciated the efforts and commitment of Management to comply with COA Circular No. 2020-006 and reconcile PE balances. The total per RPCPPE in Table 6 was an "adjusted total" to include some of those PE acquired after the inventory cut-off, which was verified by the Audit Team as received based on the proof of deliveries or completed based on Certificate of Completion and Acceptance. An updated RPCPPE is requested for submission.

3. The completeness of the number of Passenger Service Charge (PSC)-paying passengers could not be determined or validated due to lack of reliable data on aircraft and passenger movement. Consequently, the correctness/completeness of PSC collected and accrued totaling P694.578 million was not ascertained.

3.1 The collection of PSC by MIAA covers those departing passengers from Terminals 1 to 4[3], and via the General Aviation Area (GAA) for the Non-Scheduled/Special Flights, not exempted from paying International PSC.

3.2 The revenue sharing structure of the PSC[4] collected from international and domestic passengers at the rate of P550 and P200, respectively, are as follows:

Table 8 – PSC Sharing (in Php)

Beneficiary/Accounting Recognition	International	Domestic
MIAA, inclusive of VAT/*Transportation System Fees*	390	185
National Government, VAT exempt/*Due to Treasurer of the Philippines*	100	0
Office for Transportation Security, VAT exempt/*Due to NGAs*	60	15
	550	200

3.3 Related to the above sharing, MIAA reported the following accounts and amounts in CY 2021:

Table 9 – PSC Related Accounts as of December 31, 2021 (in PhP)

Transportation System Fee, net of VAT (MIAA's share)		576,658,426
Terminals 1 to 4	574,392,004	
General Aviation Area (GAA) (for 11,289 pax)	2,444,009	
Due to Treasurer of the Philippines		87,290,245
Due to National Government Agencies (NGAs)		30,630,120
Total PSC Collected, net of VAT		694,578,791

[3] In CY 2021, Terminal 4 is not operational; Terminals 2 and 3 have both domestic and international flights, while Terminal 1 is exclusively for international flights.
[4] Note 19 to FS

3.4 The PSC collected was subjected to testing to determine the completeness of the accounts per Table 9. The sample covers the PSC collected in Terminal 3 on departing flights during November 2021. Only Terminal 3 has a monthly data of departing passengers for domestic routes where the number of paying passengers can be determined on a per cut-off basis. Number of passengers *per flight* is not available, thus validation on a *per flight* basis is not possible.

3.5 The specific objectives of the testing are to determine whether: a) the amounts recognized tally with the Remittance Reports (RRs)[5] submitted by the Airlines or Fix-Based Operator (FBO) agents/Ground handlers remittances in the case of special flights; b) the accounting entries are correct and captured accurately in the books of accounts; and c) the number of paying passengers per RR tallies with the number of paying passengers per internal reports of the MIAA Operations Group (OG).

3.6 The testing of 10 transactions covering 224,475 paying passengers departing from Terminal 3 disclosed the following:

a. The amount of PSC collected or accrued tallies with the RRs and accurately captured in the books of accounts;

b. Of the 10 RRs, four for departing *domestic flights* did not tally with OG's data *on number of passengers*, while six cannot be validated due to lack of data on the number of *paying passengers for international routes.*

3.7 Regarding the collection of the PSC from departing passengers via GAA, the testing of transactions disclosed that the AD reported 11,289 paying passengers, however validation against the report of the General Aviation Operations Division (GAOD) was not possible because GAOD has no complete data of the outbound flights and the number of passengers (paying and non-paying).

3.8 A similar observation on this was reported in CY 2019 Annual Audit Report that *the uniform and accurate gathering of data on aircrafts and passengers' movement in all NAIA terminals required under MIAA Memorandum Circular (MC) No. 06-M (s. 2016) was not properly implemented resulting in erroneous and unreliable reports, hence the correctness of the PSC collected and reported by the Airlines remained unvalidated*. As of December 31, 2021, the observation is still prevalent as discussed above.

3.9 The existence of the variance on the sampled transactions could indicate that the reported Transportation System Fee (MIAA's share), Due to Treasurer of the Philippines and Due to NGAs amounting to P576.658 million, P87.290 million and P30.630 million, respectively, may not be faithfully represented[6].

[5] Remittance Report refers to a form containing all the necessary information for purposes of accounting the PSC collections and remittance of the Airline Companies.

[6] For financial information to be useful, it must be both relevant and provide a faithful representation of what it purports to represent.

Likewise, because the recorded PSC collections are based on the RRs submitted by the Air Carriers (ACs) and not on MIAA's own data, inaccurate RRs could not be detected resulting in probable losses on the part of the government in case of understated PSC report and remittances.

3.10 **We recommended that Management:**

a. **Revisit MIAA's existing policies on the Systems and Procedures, Reportorial Requirements, Monitoring and the Statement of Responsibilities related to the collection of Passenger Service Charge (PSC) to ensure that Management will achieve a reliable data on aircraft and passengers movement that is useful in generating financial data to assist the Accounting Division in capturing PSC collections accurately and detect errors on the RRs submitted by ACs, to include data on the following:**

   i. **Departing flights per Terminal and General Aviation Area;**

   ii. **Total passengers per flight with details as to paying and exempted from PSC payments; and**

   iii. **Other information relevant to financial reporting.**

b. **Monitor the effectiveness of such policy regularly to ensure that the objective of the policy is met; and**

c. **Identify the persons responsible for the specific process, so that Management can easily identify the personnel liable in case under collection and other instances of losses of assets arise.**

3.11 Management commented that a summary of reconciliation of Passenger Load Data vis-à-vis RRs of ACs done by the Collection Division for 2020 and 2021 was submitted. The passenger load data are sourced from the *Flight Checklist*, which is jointly accomplished and certified as to correctness by the TOP and AC representatives. The Flight Checklist, which is prepared on a daily basis does not provide information such as the Locally-Recognized Exempted Passengers (L-REP). The L-REP can only be determined upon submission of RRs by the ACs which is supported by Exemption Certificates (ECs).

3.12 To further strengthen the internal control systems on PSC collections, Management is looking at the possibility of deploying terminal inspectors who shall check on the boarding passes on a per flight basis vis-à-vis the passenger load reported by the ACs including the ECs presented by departing Overseas Filipino Workers or other exempted passengers at the check-in-counters vis-à-vis LREP declared by the ACs.

3.13 As to the collection of PSC from the departing passengers via GAA, the GAOD is spearheading the amendment of MC No. 6 series of 2016 on the Policy Guidelines for the Recording, Billing and Collection of Aeronautical Fees and Charges specifically the ones that apply to non-scheduled/special flights to address various loopholes that have resulted to incomplete generation of data.

3.14 Upon validation by the Audit Team, a *Summary Report on Comparative Passenger Load, MIAA vs Airlines* shows the following data per MIAA-OG and AC's RR:

a) Paying;
b) Infant/Extra Crew
c) Locally-Recognized Exempt Passenger (LREP);
d) Refunded;
e) Unrefunded.;
f) Total; and
g) Difference (between the total per OG and per ACs).

3.15 The report showed variance in the number of total passenger load and paying passengers per MIAA and Airlines but nothing was disclosed/presented on the resolution or reconciliation of the variance. Thus, the recommendations are maintained.

3.16 In addition, it is suggested that Management include the following in the amendments of its existing policy:

a. Receivables from Airlines and liabilities to terminal fee payors should be based on terminal fees collected by ACs integrated in the tickets (incorporating the tax effect on revenue collections)[7];

b. Revenue recognition should be based on the data of paying passengers who departed from the NAIA terminals, and GAA in cases of special flights, as reported by MIAA-OG; and

c. Service fees due to ACs should be covered by approved Disbursement Voucher (DV)[8] and recognized on a timely basis; and

d. Collections from ACs should be supported with RR.

4. The completeness of the Concession Privilege Fee (CPF) income amounting to P45.406 million could not be validated because of the lack of reliable source of data where the CPF collections and accruals can be traced. The Tenant Sales Monitoring System (TSMS) of concessionaires' Point of Sales (POS) integrated in Financial Management Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

[7] To align with the opinion of the OSG, and respond to the entry made by the ACs per BIR RMCs.

[8] All e-payment shall follow the existing procedures on disbursement with duly approved DV or Payroll with supporting documents subject to the usual accounting and auditing rules and regulations

4.1 In prior years' audit, it was reported that *not all POS application system of concessionaires' data integrated with TSMS of MIAA is working effectively.* Management commented that *accuracy and completeness of the sales data generated by TSMS including the efficient collection of these receivables will be addressed once the system is fully interfaced with the computerization project*. Furthermore, a Memorandum Circular (MC) No. 06, series of 2021 was issued to set guidelines on the use of sales monitoring through POS.

4.2 In CY 2021 audit, of the P1.460 billion Rent/Lease income, P268.425 million represents Gross Sales (GS)-based CPFs, as follows:

Table 10 – Breakdown of GS-based CPF Component of Rental Income (in PhP)

Concession Privilege	Actual	Estimate /Accrual	Total
Retail, services and food and beverages	33,517,194	11,888,872	45,406,066
Others	192,054,844	30,963,734	223,018,578
Total	**225,572,038**	**42,852,606**	**268,424,644**

4.3 In July 2021, the Audit Team conducted a walkthrough on FMIS on different functions and reports of the computerized system, which includes the Monthly POS Summary Report showing all concessionaires' daily sales with computed amount of CPFs to be settled. Its function is to aid MIAA in the collection and monitoring of GS-based CPFs. The report is from MIAA's TSMS that is being integrated to FMIS which is accessible online. The said report started in July 2021 which includes all POS sales report for CY 2021 onwards.

4.4 For the GS-based CPF based on POS amounting to P45.406 million, the Audit Team performed a testing of CPF transaction by extracting POS Summary Report from FMIS for the months of July 2021 to November 2021[9] and compared it against the schedule of CPF remittances per records of Accounting Division (AD). Below are the observations noted:

a. *Incomplete capture of CPFs by the AD*. There were concessionaires with sales data per POS Summary Report, however, *<u>no CPF was recognized by AD</u>*, thus understating the Rent/Lease Income.

Table 11 – Sample of Data on Concessionaires with POS Sales Report but no CPF Remittance per AD

Name of Concessionaire	Period Covered	Total Amount per POS Sales Report in FMIS (in PhP)	"Should be" CPF* (in PhP)
Golden Arches Development Corporation	July	59,727	4,181
Guido Ylaya Corporation	July to November	211,450	14,801
Island and More Retail & Distribution, Incorporated	October to November	87,809	6,147
J.P. Alabastro Food Services	November	114,563	8,019
Lyna Treats Enterprises	August	31,932	2,235

[9] Date of report extraction from FMIS were between March 24 to April 3, 2022

Name of Concessionaire	Period Covered	Total Amount per POS Sales Report in FMIS (in PhP)	"Should be" CPF* (in PhP)
Robinsons Convenience Stores, Incorporated	November	265,025	18,552
Rustan Coffee Corporation	July, September to November	353,219	24,725

*assuming that the POS sales report in FMIS is correct

b. *AD and the FMIS generated different financial data on CPFs.*

1. There were instances when AD had records of collection from some concessionaires but no sales per POS summary report in FMIS.

2. CPF amount *per POS summary report in FMIS* differs from amount collected *per AD record.*

4.5 According to Management Information System Division, a monthly report which contains list of concessionaires that shows compliance and non-compliance on completeness of sales data loaded to TSMS is submitted to Airport Development and Corporate Affairs (ADCA), then forwarded to Business Development and Concession Management Division (BDCMD) for further actions. However, this control does not address the discrepancy noted by the Audit Team as it only reports concessionaires' incomplete sales data and store closure. No comparison of the amounts which are collected from concessionaires against the generated sales and CPF by the system. *It further revealed that both Accounting and Collection Divisions do not use the Report from FMIS.*

4.6 The above instances indicated that MIAA's POS system is still not working effectively and cannot be used as source of data in validating the completeness of concessionaires' GS-based CPF payment. Thus, the GS-based CPF recognized by the AD are either based on representation of the Payors or estimated amounts. As mentioned in last year's audit, the absence of the effectively functioning POS system resulted in:

a. Lack of accurate basis when recording/accruing GS-Based CPF by AD

Based on review of CY 2021 Aging of Trade Receivables (TR) on Unbilled CPF, there are over a year outstanding TR-Unbilled which are recognized based on estimates totaling P34.912 million. AD also mentioned that they are still not using information from FMIS in recording/accruing CPF income.

b. No alternative way to validate the declared CPFs under the Sworn Statement

Since discrepancy still exists between the AD records and report from FMIS, there is no available internally generated data to validate the accuracy of the monthly Sworn Statements submitted by the concessionaires stating their Sales which is being used in computing the CPFs.

4.7 **We reiterated our prior year's recommendations that Management:**

a. **Ensure that the POS and TSMS are working effectively by updating/correcting its functionalities so that the monthly sales summary report of concessionaires could be generated from the FMIS and used as basis of the AD in rendering bills for CPF completely/accurately and on a timely basis;**

b. **Maximize and strictly monitor the use of the FMIS in generating reliable internal financial reports that will be used in recording CPF transactions, otherwise MIAA will not fully benefit from the FMIS Project;**

c. **Analyze the discrepancy between POS summary report and amount collected per AD; and**

d. **Determine and monitor the concessionaires with unremitted or under-remittance GS-based CPFs and collect any unremitted CPFs.**

4.8 Management commented that the TSMS, which has been interfaced with the FMIS, is already functional. The problem lies on the fact that a significant number of concessionaires have not fully complied to the requirement of always having their Cash Register Machine (CRM)/POS operational. While Management issued MC No. 06 s. 2021 providing for the guidelines on the use of CRM/POS, still some concessionaires have repetitively disregarded the punching of their sales transactions into the POS machine on a daily basis. Hence, the incomplete sales data generated by the system.

4.9 Currently, the FMIS can generate a summary of daily sales report of concessionaires that operate a CRM/POS connected to MIAA servers. This can be done by anybody with access to the system and no specific qualifications or skills are required. Thus, non-complying concessionaires are easily identified and notified by our MISD personnel for such violation.

4.10 To address the above problem, Management is looking into the possibility of incorporating into the lease agreement the provision of non-renewal of contracts for concessionaires who regularly fail to comply with its policy in the use of CRM/POS.

4.11 With regard to the recommendation to analyze the discrepancy between the POS summary report and the amount recorded per AD including the monitoring of concessionaires with unremitted or under remitted CPFs, Management shall do the same to comply with the recommendation.

4.12 Management's actions to address the non-compliance of concessionaires to have their CRM/POS operational, focus more on detection controls, however, in order to consistently capture the completeness of sales reports, the Audit

Team proposed that prevention controls within and around FMIS be installed. The Audit Team will monitor MIAA's compliance with the recommendations.

5. MIAA's Withholding Tax at Source account balance of P197.868 million as of December 31, 2021 may not be a faithful representation of the portion of MIAA's assets because the existence/validity could not be verified due to the unsupported Creditable Withholding Tax (CWT) amounting to P88.334 million.

5.1 In MIAA, the Withholding Tax at Source account consists of creditable tax withheld [Bureau of Internal Revenue (BIR) Form No. 2307)] and final tax withheld at source (BIR Form No. 2306).

5.2 As of December 31, 2021, the Withholding Tax at Source account balance amounted P197.868 million, which should be equivalent to withholding taxes supported by BIR Form Nos. 2306 and 2307 that are not yet applied as tax credits in the related returns required to be filed by the MIAA.

5.3 Audit of the account disclosed a variance of P88.334 million between the books of accounts and "should be" balance, computed as follows:

Table 12 – Variance between Books of Accounts and "Should be" Balance* (in Php)

Composition	2307	2306	Total
Tax Certificates received in CY 2021			
2020 4th quarter	11,195,307	2,045,877	13,241,184
2021 1st quarter	12,668,333	3,722,736	16,391,069
2021 2nd quarter	27,992,653	2,981,539	30,974,192
2021 3rd quarter	13,046,195	1,935,351	14,981,546
2021 4th quarter	20,778,570	2,368,984	23,147,554
2020 unused CWTs received in CY 2021	13,021,712	0	13,021,712
	98,702,770	13,054,487	111,757,257
Tax Certificates applied as tax credits in CY 2021			
2020 4th quarter	23,866,795	302,044	24,168,839
2021 1st quarter	12,136,274	214,486	12,350,760
2021 2nd quarter	22,406,625	27,799	22,434,424
2021 3rd quarter	12,130,843	369,199	12,500,042
	70,540,537	913,528	71,454,065
"Should be" balance as of December 31, 2021	28,162,233	12,140,959	40,303,192
Per books of accounts, net of Income Tax debit reclassification			128,637,191
Variance			**(88,333,999)**

*based on the available data

5.4 Inquiry with the concerned accounting personnel disclosed that prior to CY 2015, some customers/payors were not able to provide the BIR Form Nos. 2306/2307, which could have caused the variance.

5.5 The variance of P88.334 million in the above table pertains to unsupported withholding taxes, which when reported as portion of assets under Prepayments but no longer existing will overstate the assets and retained earnings considering that no economic benefits are expected from these alleged assets.

5.6 We recommended that Management determine the correct and valid or existing Withholding Tax at Source account as at reporting date, and prepare the adjusting entries, if warranted.

5.7 Management explained that reconciliation of these unaccounted CWTs is still ongoing. Any adjustment found in the course of verification will be reflected in the books of accounts prospectively.

5.8 The Audit Team will monitor the reconciliation being done to come up with the correct balance of the account.

6. The total land area owned by MIAA per Subsidiary Ledger (SL) prepared by Accounting Division (AD) and per Land Asset Inventory (Inventory) prepared by Business and Investment Development Division (BIDD)[10] are not reconciled, showing a variance of 291,257 sq. m. There are also transactions which may have effect on the Land account balance. As a result, the completeness and correctness of the total land area and the value of land assets presented in the financial statements (FS) amounting to P14.790 billion was not ascertained.

6.1 Notes 11 and 12 to FS disclosed that MIAA owns 6,338,292 square meters (sq. m.) of land, with a total value of P14.790 billion, classified under Property and Equipment, and Investment Property amounting to P5.618 billion and P9.172 billion, respectively.

6.2 The SL of Land assets prepared by AD and Inventory prepared by BIDD as of December 31, 2021 were submitted to the Audit Team. Analysis and comparison of the two data disclosed a variance of 291,257 sq. m. Likewise, the land area per Inventory increased by 97,534 sq. m. in CY 2021, thus the variance also increased compared to the total area reported in CY 2020, as shown below:

Table 13 – Comparative Data on Area of Land Owned by MIAA per AD and BIDD

	In sq. m.		
	2021	2020	Variance
Per AD	6,338,292	6,338,292	0
Per BIDD	6,629,549	6,532,015	97,534
Variance	(291,257)	(193,723)	97,534

6.3 Further, transactions and events were noted that may have effect on the Land assets as follows:

a. Land asset located at Brgy. La Huerta, Paranaque City, approximately, 3,415 sq.m[11], where five Approach Lighting System (barrettes) of Runway 06 are installed, is not included in the SL and Inventory.

[10] BIDD handles the Inventory of MIAA owned land based on survey and maps.

[11] Mentioned in Clause 1.7 of the Implementing Rules and Regulations of the Amended Memorandum of Agreement (MOA) between MIAA and the City of Paranaque dated July 20, 2012.

Section 1.9 of the MOA[12] between the MIAA and Local Government Unit (LGU) of Paranaque provides that one of the duties of the Paranaque City Government is to deliver to MIAA the clean title of lot, to include location map and cadastral survey. According to Business Development and Concessions Management Department (BDCMD), the former is still in the process of segregating and transferring the title of the subject lots.

b. The land containing an area of 61,417 sq. m. are occupied, used, rightfully owned, and recorded as land asset by Civil Aviation Authority of the Philippines (CAAP) are also included in the total land area recorded by MIAA. In Note 12 to FS, Management disclosed that the land asset will be transferred to CAAP by virtue of RA No. 9497. Pending derecognition, it will appear that the land asset is overstated by P61.417 million.

c. Some TCTs include portions owned by San Antonio Developers Corp (SADC), and Jose and Luis de Leon. According to BIDD, the total area occupied by MIAA is 13,098 sq. m. but only 5,166 sq.m. was included in the Inventory. The Deed of Sale or any document related to co-ownership with SADC and Luis de Leon on these lands was not furnished or presented to the Audit Team despite our request.

d. Some lots identified by “Lot Numbers” included in the Inventory cannot be traced to/from the Map of MIAA Lots being used by the BIDD in locating and identifying MIAA-owned lots. Those lots that are not included in the Inventory and the SL but are identified as MIAA lots per map may indicate incomplete Land Assets. A more detailed map has been requested from BIDD but not yet submitted as of this report date.

e. There is a 482 sq. m. variance on the area of Land covered by TCT No. S-141810 per Map of MIAA Lots and per TCT/Inventory of Land Assets.

f. Land covering an area of 475,579 sq. m. valued at P475.579 million is covered by Presidential Proclamations (PPs). The condition that the entity must have control may not be met to qualify said land as an asset as discussed in observation paragraph 7.

g. The total land area transferred to the MIAA upon the promulgation of Executive Order (EO) No. 903, otherwise known as the "Revised Charter of the Manila International Airport Authority" and the corresponding title issued in the name of MIAA, as provided on the 2nd paragraph of Section 3 of the said EO were not available which could be used as reference in validating the land asset originally transferred to the MIAA.

6.4 Considering that the information contained in the FS does not tally with the inventory of land prepared by the BIDD, and the possible effects on the account balance of the transactions mentioned in *a* to *f* above, the Audit Team was not able to conclude that the reported land assets in the FS totaling P14.790 billion are complete and that the valuation is correct.

[12] Referring to the MOA between MIAA and the City of Paranaque dated July 20, 2012.

6.5 **We recommended that Management:**

   a. **Reconcile the data on land assets per records of AD and BIDD, and prepare adjusting entry, if warranted; and**

   b. **Derecognize the land asset for transfer to CAAP as represented in Note 12 to FS, subject to submission of complete documents relative to the transfer.**

6.6 Management commented that BIDD and AD have been reconciling their records on land assets to come up with a reliable account balance. Management shall provide an updated status of this account once they are done with their reconciliation.

6.7 As to the transfer of land asset with an area of 61,417 sq.m. from MIAA to CAAP, MIAA can only assist CAAP by providing the documents needed for the transfer. The latest information gathered by Management from CAAP personnel is that the cause of delay of the transfer is the capital gains tax exemption ruling the latter is waiting from the Bureau of Internal Revenue.

6.8 The Audit Team appreciates the efforts and commitment of Management to comply with the recommendations, and will monitor its compliance with the recommendations.

7. **Land covering an area of 475,579 sq. m.[13] valued at P475.579 million[14], may not be a faithful representation of portions of MIAA's assets because these are covered by Presidential Proclamations (PPs). The condition that the entity must have control may not be met to qualify said land as an asset.**

7.1 Under the Conceptual Framework for Financial Reporting (Framework) an asset is defined as a present economic resource *controlled by the entity* as a result of past events.

7.2 Land area of 475,579 sq. m. are covered by PPs. The PPs awarding MIAA land to qualified beneficiaries have the following status:

Table 14 – Status of PPs

PP No.	Area in sq. m.	Status/Remarks
135	37,795	With Deed of Conveyance dated July 31, 2018. National Housing Authority (NHA) is still working on their budget and bidding of consultant for the titling of individual lots.
144/391/ 1027/1225	142,806	With Deed of Conveyance. For budgeting and bidding of survey works by the NHA
595	251,448	The Project Inter-Agency Committee (PIAC) is still finalizing the beneficiaries and budgeting of the Project.
380	20,576	No update

[13] A portion of this total area under PP is classified as IP, approximately 112,791 sq.m.
[14] Based on AD's land costing. Reconciliation of land assets by the management is still on-going.

PP No.	Area in sq. m.	Status/Remarks
(DSWD)		
970	22,954	MIAA Employees' housing; no update
	475,579	Total area based on PPs
	377,423	Total proclaimed areas per Inventory and SL
	463,829	Total proclaimed areas per Note 12 to financial statements (FS)

7.3 The Audit Team further noted the following:

a. *PP Nos. 144/391 and 595.* There was no indicated amount of consideration to be received by MIAA on the Memorandum of Agreement (MOA) related to this PPs.

A copy of the Deed of Conditional Contract to Sell and approved policy guidelines on beneficiary selection and lot disposition were requested, but not yet available.

b. *PP No. 135*. The Schedule of Other Payables prepared by the AD shows that P19.508 million was remitted by the NHA as early as 2004 to December 31, 2021 . No receivable pertaining to the disposition of lots was recognized which may result in understatement of Receivables account by at least P34.662 million[15].

c. *PP No. 970*. There is no update on this. The proclamation authorizes MIAA to enter into a Joint Venture (JV) with the NHA for the development and subsequent disposition of the proclaimed area. A copy of the JV, if any, was requested but none was submitted.

d. *PP No. 380*. The Audit Team requested for a copy of the PP in favor of Department of Social Welfare and Development but none was submitted to date.

7.4 No policy guidelines is available on the recognition of transactions related to the disposition of lots covered by PPs.

7.5 In view of the lack of guidelines implementing the PPs, it is not certain whether: a) the lots covered by the PPs are already for derecognition, it appearing that the subject asset no longer meet the definition of assets under the framework; b) the P19.508 million remittances of the NHA recognized as Other payables are valid liabilities, and c) if there are related accounts affected by these transactions.

7.6 **We recommended that Management:**

a. Apprise the Audit Team on the updated status of all MIAA land assets covered by PPs, and the proper recognition of at least P19.508 million remittances from the NHA relative thereto; and

[15] PP No. 135 with survey area of 34,662 sq. m. at P1,000/sq. m.

b. **Issue a policy guideline on the accounting, reporting and monitoring of land assets disposed/covered by PPs.**

7.7 Management commented that since these assets were already awarded to qualified beneficiaries and no longer controlled by MIAA, it shall work on the derecognition of same in the books of accounts after proper documentation.

7.8 The Audit Team will monitor Management's compliance with the recommendations.

8. Land assets, with an area 1,421,237.76 sq. m., were not titled in the name of MIAA or the Transfer Certificates of Title (TCTs) were not presented during the inventory[16], hence ownership was not appropriately proven or established.

8.1 The TCT is the best proof of ownership of a piece of land.

8.2 It was noted in CY 2020 audit that 1,326,934 sq. m., were not titled in the name of MIAA or the TCTs were not presented during the inspection, hence ownership on those land was not proven thru a TCT. In CY 2021, the land area not titled has increased to 1,421,237.76 sq. m.[17], as follows:

a. *395,002.76 sq. m., originating from TCT No. 6735.* TCT No. 6735 has already been subdivided into several lots. Lots identified by their "Lot Numbers", with a total area of 395,002.76 sq. m., originating from TCT No. 6735 were included in the List of Land Assets but the resulting TCTs, under the name of MIAA, from the subdivided TCT No. 6735 is yet to be processed/issued.

b. *498,664 sq. m. expropriated and purchased lots still untitled*. (Includes 7,388.43 sq. m. which has no record on file)

c. *186,600 sq. m. lots still under the name of previous owners.*

d. *309,727 sq. m. TCT of the land previously owned by Nayong Pilipino Foundation (NPF)*.

e. *27,829 sq. m. from TCT No. (28965) 010-136797.* The owners indicated in the mentioned TCT are Leonardo Calixto and Ricardo Ferrer. There is a Court decision in favor of MIAA annotated on the TCT on the ownership of Lot 2 with an area of 27,829 sq. m.

f. *3,415 sq. m. where five Approach Lighting System (barrettes) of Runway 06* are installed, located at Brgy. La Huerta, Paranaque City.

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[16] Conducted in CY 2020.
[17] Certain areas were updated based on the latest received MIAA Land Asset Inventory 2021.

8.3 The Audit Team requested for Deed of Sale/MOA/Writ of expropriation for purchase, sale and expropriation of land assets, except for the transactions with NPF and Department of Public Works and Highways (DPWH) but none have been submitted as of to date.

8.4 We reiterated our prior year's recommendations that Management:

a. Expedite the titling of land in MIAA's name to dispel doubts as to their legal ownership;

b. Update the Audit Team on the actions taken for the titling of MIAA's land assets; and

c. Submit the requested documents specifically Deed of Sale/MOA/Writ of expropriation for purchase, sale and expropriation of land assets.

8.5 Management commented that it is continuously coordinating with the Department of Environment and Natural Resources (DENR)-National Capital Region (NCR) and Registry of Deeds of Paranaque City for the issuance of Special Patents for MIAA's untitled properties. Of the 44 untitled MIAA lots/properties, 15 lots have been issued with Special Patents and already titled in the name of MIAA. The remaining 29 lots are still pending with the Licenses, Patents and Deeds Division of the DENR-NCR. A follow-up letter will be sent to expedite the issuance of Special Patents for the remaining untitled lots/properties.

8.6 Management's comment is duly noted. The Audit Team will appreciate the submission of requested documents such as Deed of Sale/MOA/Writ of expropriation for purchase, sale and expropriation of land assets.

9. The Due to BIR account amounting to P67.226 million may not be a faithful representation of the claims of the Bureau of Internal Revenue (BIR) against the MIAA, because of the variance of P23.362 million between the balance of the account per its books of accounts and the amount remitted to the BIR per related returns it filed for the quarter or month ending December 31, 2021.

9.1 MIAA disclosed in Note 20 to FS that Due to BIR account as of December 31, 2021 amounts to P67.226 million. This represents taxes withheld on salaries, goods and services.

9.2 Based on the description of the Due to BIR account, the balance at year-end is supposed to be equivalent to the unremitted amounts of taxes withheld as of December 31, 2021 which are due for remittance in January 2022, after clearing all items for adjustment, if any.

9.3 In the case of withholding tax on compensation, per BIR regulation, o*n or before the calendar year and prior to the payment of the compensation for last payroll period, the employer shall determine the sum of the taxable regular and supplementary compensation paid to each employee for the whole year and must <u>ensure that the tax due is equal to tax withheld</u>.* Hence, the balance of withholding tax on compensation account should be equal to the taxes withheld in December 2021, and for remittance in January 2022.

9.4 The Audit Team conducted a test of subsequent events to determine whether the balance of the Due to BIR account represents MIAA's withholding taxes remitted to the BIR on due date or January 2022.

9.5 Based on the results of testing, there is a variance of P23.362 million between the total taxes withheld as of December 31, 2021 which was remitted in January 2022 and the General Ledger (GL) balance, as shown below:

Table 15 – Due to the BIR GL balance as of December 31, 2021 and Remittances in January 2022

Tax Type	Amount (in PhP)
a) Withholding tax on Government Money Payment (GMP) (Form 1600)[18] remitted on January 10, 2022	24,025,159
b) Expanded Withholding Tax (Form 1601EQ)[19] remitted on January 11, 2022	14,882,864
c) Withholding Tax on Compensation (Form 1601C)[20] remitted on January 10, 2022	4,920,500
d) Final Withholding Tax (Form 1601FQ)[21] remitted on January 11, 2022	36,334
Total taxes withheld as of Dec. 31, 2021 and remitted in January 2022	**43,864,857**
Per GL balance	**67,226,482**
Variance	**23,361,625**

9.6 Thus, the Due to BIR account balance of P67.226 million may not be a faithful representation.

[18] BIR Form 1600 or also known as Monthly Remittance Return of Value-Added Tax and Other Percentage Taxes Withheld is a tax withheld by National Government Agencies and instrumentalities including government-owned and controlled corporations and local government units before making any payments to taxpayers on the purchase of goods and services. This shall be filed and paid on or before the 10th day of the month following the month in which withholding was made.

[19] BIR Form 1601-EQ, or also known as Quarterly Remittance Return of Creditable Income Taxes Withheld (Expanded) is a tax return filed by a designated Withholding agent who is required of withholding taxes on income payments subject to Expanded/Creditable Withholding Taxes. This shall be filed and paid/remitted not later than the last day of the month following the close of the quarter during which withholding was made.

[20] BIR Form 1601-C **or** Monthly Remittance Return of Income Taxes Withheld on Compensation is filed by a Withholding Agent who deducts and withhold taxes on compensation paid to employees. This shall be filed and paid on or before the 10th day of the month following the month in which withholding was made.

[21] BIR Form 1601-FQ or also known as Quarterly Remittance Return of Final Income Taxes Withheld is a tax return filed by a designated withholding agent who is required of withholding taxes on income payments subject to Final Withholding Taxes. This shall be filed and paid/remitted not later than the last day of the month following the close of the quarter during which withholding was made.

9.7 **We recommended that Management:**

a. **Determine the nature/details of P23.362 million which are not remitted/remittable to the BIR and derecognize if found as not valid liabilities to the BIR; and**

b. **Ensure that the balance of the Due to the BIR is faithfully represented in the financial statements (FS).**

9.8 Management commented that its initial reconciliation of prior year's transactions revealed that there were erroneous classification under BIR Forms No. 1600, 2550M/2550Q and 1702/1702Q but remain unadjusted in the books of accounts.

9.9 MIAA shall continue reconciling the unaccounted balance of Due to BIR account amounting to P23.362 million to ensure its accurate presentation in the FS.

9.10 The Audit Team appreciates the reconciliation being done to come up with the correct balance of the account.

10. **Some properties owned by MIAA, leased to, occupied or used by other parties rather than declaring these properties as available for use in the supply of the agency services or for administrative purposes, were recognized and presented as portion of Property and Equipment (PE) in the financial statements (FS), which is not in accordance with Philippine Accounting Standard (PAS) 40, resulting in understatement of Investment Property and overstatement of PE by undetermined amount.**

10.1 MIAA disclosed in Note 4 to the financial statements (FS) that *Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business or for administrative purposes*.

10.2 Review of the Subsidiary Ledger, Report on the Physical Count of Property, Plant and Equipment (RPCPPE), and Inventory Count Form (ICF) of MIAA for Land and Buildings classified under PE and Investment Property as of December 31, 2021 disclosed that MIAA has already reclassified certain land properties from PE to Investment Property in response to our prior year's observation, however, the portions of the following properties are classified under PE instead of Investment Property considering that portions of building were being occupied by other entities as tenants.

Table 16 – Buildings

Account Title	Current Classification	Source Document	No. of Items	Area (sqm)	Cost
Building	PE-Building	RPCPPE Buildings	38	62,214	no indicated value on source document

10.3 The non-reclassification of the building from PE to Investment Property resulted in the understatement of Investment Property account and overstatement of PE account.

10.4 We recommended that Management present the land and buildings apportioned as Investment Property and PE.

10.5 The 38 buildings in the RPCPPE have long been reclassified from PE to Investment Property – Building as per Journal Entry Voucher No. 2011-12-085 dated December 31, 2011. Reconciliation of these items in the RPCPPE vis-à-vis Subsidiary Ledger is likewise submitted for reference.

10.6 Based on the Audit Team's validation, the buildings under RPCPPE-Building in Table 16 and RPCPPE-Investment Property being claimed as reclassified from PE in CY 2011 do not have the same description and property numbers, thus, reconciliation of these reports are requested for submission.

10.7 The recommendation is maintained.

11. Proof of payment of real property taxes (RPTs) by 68[22] of 151 lessees was not submitted to MIAA, thus was not recognized as part of its operating expenses and lease income resulting in the understatement of operating expenses and lease income by undetermined amount.

11.1 In a Supreme Court (SC) decision, the SC declared that the Airport Lands and Buildings of MIAA are exempt from RPT, except for the portions that MIAA has leased to private parties[23].

11.2 In response to last year's observation on the non-recognition and non-monitoring of RPTs paid by concessionaires in behalf of MIAA, the Authority issued a memorandum[24] to all concessionaires in the General Aviation Area (GAA) and Other Areas (OA) requesting submission of proof of payment of RPTs as part of their requirement for lease renewal. In CY 2021, MIAA recognized RPT payments amounting to P15.700 million as operating expenses and lease income.

11.3 However, some concessionaires still have not submitted proof of payment of RPT or have not fully paid their RPT obligations under the lease agreement, as shown in Table 17:

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[22] Based on available data submitted by BIDD

[23] GR No. 155650, MIAA vs. Court of Tax Appeals, City of Parañaque.

[24] Memorandum dated November 11, 2021 on the submission of Business Permit CY 2022 and Proof of payment of RPT

Table 17 – Number of Concessionaires without Proof of RPT Payment as at December 31, 2021

Source Report/Particulars	Number of Concessionaires		
	GAA	OA	Total
List of Concessionaires from BIDD	73	101	174
Less: RPT Exempt/new leases	9	14	23
Number of "Should be" RPT Payors/concessionaires	64	87	151
Concessionaires with proof of RPT payment	61	22	83
Concessionaires without Proof of RPT Payment	3	65	68

Table 18 - MIAA Properties under Lease without Proof of RPT Payment[25]

	GAA	OA	Total
Total Area of land	2,290.43	393,220.53	395,510.96
Total Area of buildings/hangars	6,009.80	94,215.07	100,224.87

11.4 Based on the data per Table 17, only 83 of the 151 concessionaires in GAA and OA[26] or 54.97 per cent, submitted proof of payment of RPT, thus 68 concessionaires did not comply with the directive to submit proof of payment of RPTs, but 14[27] of which were able to renew their respective lease agreements.

11.5 Considering the non-submission of proof of RPT payments by 68 concessionaires per Table 17, in behalf of MIAA, the operating expenses and rent/lease income related thereto were not recognized in MIAA's books of accounts, hence the understatement of lease income and operating expenses accounts. MIAA may also be held liable for the non-payment of RPT on these properties leased to private persons/entities.

11.6 We reiterated our prior year's recommendations that Management:

a. Regularly monitor compliance of lessees with the terms and conditions of the contracts, specifically the payments of RPT on leased properties, among others;

b. Account for the:
   1. RPTs due from lessees, corresponding to the RPT assessment by the concerned Local Government Units (LGUs), based on the area leased;
   2. Payments of RPT by lessees for the account of MIAA; and
   3. RPTs for collection from lessees, if any.

c. Demand the settlement of unpaid RPTs due from lessees and/or submit to the Audit Team the List of Concessionaires with RPT

[25] Computed based on data submitted by BIDD; does not include areas with partial payments for CY 2021
[26] Referring to those GAA and OA concessionaires with obligations to pay RPT on behalf of the MIAA as provided in their lease contracts.
[27] Six concessionaires' contracts were not due for renewal; 48 did not renew but some were able to operate.

payment obligations under their Contract, showing the following information:

1. **Name of Concessionaires and Address;**
2. **Location of Leased Area;**
3. **Area of Land and Building Leased;**
4. **Period Covered required to pay RPT;**
5. **RPT Due;**
6. **RPT Payments, if any, with Proof of RPT Payments, and the related Journal Entry Vouchers (JEV) recording the Billing or Payment;**
7. **Unpaid RPT;**
8. **Names of Persons liable for the non-collection/under collection of RPTs and the Nature of Participation in the Transaction.**

d. Recognize the RPT and the related payment thereof by the lessees as Taxes, Duties and Licenses and Rent/Lease Income, and the unpaid RPT as Receivables and Rent/Lease Income.

11.7 Management commented that they will send a letter to 68 concessionaires for them to submit proof of payment in case they have already paid the RPT. Otherwise, it shall demand payment of the same by the concerned concessionaires to the LGUs. Any additional proof of payment to be submitted by the concessionaires will be prospectively recognized as part of their operating expenses and lease income.

11.8 After sending the demand letters, it will submit to the Audit Team the list of concessionaires with RPT payment obligations under their contract and yet did not pay their RPTs.

11.9 Also, Management contends that the MIAA is not being obliged by the LGUs of Pasay and Paranaque Cities for the unpaid RPTs of their lessees since there is no directive from the SC decision that requires MIAA to shoulder the same in case private parties failed to pay them.

11.10 Monitoring of the lessees' compliance with the terms and conditions of the contracts is a continuing activity being undertaken by BIDD.

11.11 Management's comment is duly noted. However, on the comment that MIAA is not obliged by the LGUs for the unpaid RPTs, because there was no SC's directive that requires MIAA to shoulder the same in case of failure to pay on the part of private party, the SC decision is clear that the portions of land owned by the MIAA which are leased to private parties are not exempted from RPT payments.

11.12 In our view, considering that RPT payments are part of the consideration for the lease and are provided as obligations of the concessionaries under Lease Agreements, RPT payments should be required, whether or not the LGU is demanding settlement of unpaid RPTs on the leased assets.

12. Unserviceable properties with a carrying amount of P5.158 million were not derecognized from the books of accounts resulting in the overstatement of the Property and Equipment (PE) account.

12.1 Paragraph 67 of Philippine Accounting Standard (PAS) 16 provides that *the carrying amount of an item of property plant and equipment shall be derecognized:*

a) On disposal; or

b) When no future economic benefits are expected from its use or disposal.

12.2 MIAA already listed some PE items in the Inventory and Inspection Report of Unserviceable Property (IIRUP) as of December 17, 2021, costing P32.321 million[28] with a carrying amount of P5.158 million, but no derecognition was made in its books of accounts. The details of which are presented in the itemized list attached to the IIRUP. Excluded from the cost and carrying amount are those of 183 items which have no indicated cost in the said report.

12.3 The non-derecognition of the carrying amount of the PE items is not in accordance with paragraph 67 of PAS 16, overstating the PE accounts by P5.158 million.

12.4 We recommended that Management derecognize from the books of accounts the unserviceable and condemned properties pursuant to paragraph 67 of PAS 16.

12.5 Management commented that they will adjust this in CY 2022.

12.6 The Audit Team will monitor Management's compliance with the recommendation.

B. OTHER OBSERVATIONS

13. The policy requiring the remittance of the Passenger Service Charge (PSC) on *flown and expired tickets* only pursuant to Sections 6.2, and 6.3 of the Memorandum Circular (MC) No. 18, series of 2019, dated August 9, 2019, is not consistent with the opinion of the Office of the Solicitor General (OSG), which resulted in the continued possession by the Air Carriers (ACs) of PSC collections, integrated in unflown and unexpired airline tickets.

13.1 In CY 2020 audit, the Audit Team reported that the current policy of the MIAA requires the ACs to remit the PSC on *flown and expired tickets only* based on the Revised Implementing Guidelines (IG) to the Memorandum of Agreement

[28] The total cost was computed by the Team from the softcopy file submitted by AD. There are no indicated total cost on either the IIRUP or the attached itemized list.

(MOA) between MIAA and ACs[29], despite the opinion of the OSG in its letter-reply[30], dated December 19, 2016 as follows:

> *First, MIAA can demand the remittance of the terminal fees collected by the ACs* ***even if it is not yet flown****. Article IV, Section 3 of both Memoranda categorically states that the terminal fees collected by the ACs are to be regarded as monies held in trust on behalf of the MIAA.*
>
> *However, considering that terminal fees can be assessed only against departing passengers, MIAA has an obligation to ensure that the payment made by the concerned passengers would be* ***credited*** *once they depart from the terminal. In this regard, we believed that if MIAA cannot provide a mechanism for such purpose, it will be better for the collected terminal fees on tickets not yet flown to remain in the hands of the ACs in the* ***meantime.***

13.2 There is an unreasonable delay on the part of MIAA in providing a mechanism mentioned by the OSG *that will ensure that the payment made by the concerned passengers would be* ***credited*** *once they depart from the terminal.* From the time that the opinion was rendered by OSG in 2016 until now, MIAA still has no mechanism or system for the aforementioned purpose.

13.3 Related to this observation, it was recommended that Management develop a policy for the accounting, reporting and monitoring of PSC collected by the ACs on behalf of MIAA. The policy shall be in support of providing a mechanism ensuring that the payment made by the concerned passengers for PSC would be credited once they depart from the terminal, so that MIAA can demand the remittance of the terminal fees collected by the ACs even on unflown tickets.

13.4 During the last year's exit conference, Management mentioned that they are not deviating from the position of the Audit Team, and commented that it must make sure that there is a solid ground or an in-depth study before giving any directives to ACs.

13.5 On the other hand, the BIR issued Revenue Memorandum Circular (RMC) No. 34-2012 and RMC No. 122-2021 with illustrative entries on the remittance of the terminal fees by the AC to the Airport Authority. The share of the MIAA, Office for Transportation Security (OTS), and Bureau of the Treasury (BTr) are required to be recognized by the ACs in their books of accounts, indicating that whether flown or not, the PSC is allocated for the benefit of the MIAA, OTS and BTr.

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[29] The MOA covers the Integration of the PSC, Honoring Exemption at the Point of Sale of Airline Ticket.

[30] In response to the query: *Can MIAA legally consider terminal fees collected by the AC as government money and demand for its remittance, even if it is not yet flown considering that under MIAA Administrative Order No. 1, terminal fee is assessed only on departing passengers?*

Table 19 – Illustrative Entries per RMCs

Airline Company Books			MIAA Books		
DPSC-Share of airport authority	165.18		Cash	200.00	
DPSC-Aviation Security Fee	15.00		DPSC-Share of airport authority		165.18
Input VAT (P165.18 x 12%)	19.82		DPSC-Aviation Security Fee		15.00
Cash		200.00	Output VAT (P165.18 x 12%)		19.82
Remittance of DPSC by Airline Company to Airport Authority.					
IPSC-Share of airport authority	348.21		Cash	550.00	
IPSC- Due to NG, PD 1957	100.00		IPSC-Share of airport authority		348.21
IPSC-Aviation Security Fee	60.00		IPSC- Due to NG, PD 1957		100.00
Input VAT (P348.21 x 12%)	41.79		IPSC-Aviation Security Fee		60.00
Cash		550.00	Output VAT (P348.21 x 12%)		41.79
Remittance of IPSC by Airline Company to Airport Authority.					

13.6 We reiterated our prior year's recommendation that Management develop a policy for the accounting, reporting and monitoring of PSC collected by the ACs and on behalf of MIAA, including those due from FBOs/ground handlers and operators. The policy shall be in support of providing a mechanism ensuring that the payment made by the concerned passengers for PSC would be credited once they depart from the terminal so that MIAA can demand the remittance of the terminal fees collected by the ACs even on *unflown tickets*, and should be consistent with the RMCs issued by the BIR.

13.7 Management did not find any inconsistency between MC No. 18 series of 2019 and opinion of OSG with regard to the remittance of PSC on flown and expired tickets. OSG is cognizant of the fact that PSC can only be assessed against departing passengers which has a corresponding responsibility on the part of MIAA to provide a mechanism to ensure that payment made by departing passengers are credited to MIAA's account once they depart from the terminal.

13.8 Also, it contends that it cannot demand the remittance of PSC collections integrated on unflown and unexpired tickets since passengers may opt to rebook or refund the tickets. Demand of remittance can only be made upon expiration of the tickets or 15 months after date of issuance, which is explicitly provided in the Memorandum of Agreement between MIAA and ACs.

13.9 The Audit Team emphasized that the OSG Opinion clearly stated that *MIAA can demand the remittance of the terminal fees collected by the ACs* ***even if it is not yet flown****. However,* this is not MIAA's policy, but only flown and expired tickets are required for remittance, hence the inconsistency.

14. The Property Inventory Form (PIF) submitted by MIAA to Government Service Insurance System (GSIS) was not properly filled-out/prepared. The Report on Physical Count of Property, Plant and Equipment (RPCPPE), as well as the Report on Physical Count of Inventories (RPCI), where the data for the PIF should have been extracted, were not available when MIAA secured the GSIS insurance for CYs 2021 and 2020, thus it could not be established whether MIAA was able to secure adequate and reliable protection against any damage(s) covering all its insurable interests.

14.1 Section 5.1 of the COA Circular No. 2018-002 provides that the *heads of agencies shall direct pertinent official under his/her supervision to:*

a. Secure directly from the GSIS GIF, all insurances or bonds covering properties, contracts, rights of action, and other insurable risks of their respective offices;
b. Prepare the Property Inventory Form (PIF) listing of all the insurable properties and other assets, showing their latest appraised values/valuation, appraisal date, location and other information;
c. <u>Extract from the Report on Physical Count of Property, Plant and Equipment, as well as from the Report of Inventories of, prepared in accordance with the provisions of Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government (excluding impaired properties);</u>
d. Cause the appraisal of insurable properties and other assets of their respective offices. For this purpose, an in-house appraisal shall be sufficient if the property or insurable interest has a value of P10 million and below. Otherwise, an independent appraisal shall be necessary; and
e. Submit the consolidated PIF to the Supervising Auditor/Audit Team Leader and the GIF, not later than April 30 of each year.

14.2 Validation of compliance of MIAA with the quoted provisions of COA Circular No. 2018-002 disclosed the following:

a. Insurance policies covering MIAA's properties, and other insurable risks were secured from the GSIS, as follows:

Table 20 – Insurance Premiums paid to GSIS for CY 2021

Insurance Coverage	Sum Insured	Premiums Paid (inclusive of VAT)	Remarks
a. Floater Insurance (FI)/various items/ Jan. 1, 2021 to Dec. 31, 2021, covers all risks of direct loss or damage from any external cause of insured equipment	474,552,169	16,634,337	Paid in Dec. 2020
b. Industrial All Risk Property Insurance (IARPI)/MIAA Terminals/Jan. 1, 2021 to Dec. 31, 2021 covers material damage, machinery breakdown, sabotage and terrorism, and business interruption for all real and personal properties of every kind	27,361,962,504	49,890,708	Paid in Mar. 2021/ Premiums for CY 2022 was paid in Jan, 10, 2022

Insurance Coverage	Sum Insured	Premiums Paid (inclusive of VAT)	Remarks
c. MIAA Directors & Officers Liability Insurance (DOLI)/Jan. 1 to Dec. 31, 2021 covers all losses arising out of claims made against the insured directors and officers	100,000,000	1,680,000	Paid on Feb. 1, 2021
d. Airport Liability Insurance (ALI)/Aviation/Jul 1, 2020 to June 30, 2021 covers liabilities to third parties arising out of aviation operations within NAIA complex	16,000,000,000	705,600	Paid on Nov. 3, 2020
e. Various policies coverage includes comprehensive and third-party liability for MIAA vehicles	Various	3,387,915	Various dates
		72,298,560	

b. The PIF as of *December 31, 2020* was received by the Audit Team in February 2022, while PIF as of December 31, 2021 is not yet submitted to the Audit Team to date. Based on the quoted provision, the PIF as of December 31, 2020 and December 31, 2021 are due for submission to the Audit Team not later than April 30, 2021 and April 30, 2022, respectively.

c. The data for the PIF pertaining to the insurable assets and interest of the MIAA (excluding impaired properties) which should be extracted from the RPCPPE and RPCI were not complied with. The Audit Team reported in CY 2020 Annual Audit Report that the non-submission of RPCPPE, showing the quantity per Property Card and per Physical Count, prevented the determination of the total value of PE counted and still in good condition.

14.3 Because of the non-availability of the RPCPPE and RPCI, from which the data on the PIF should be extracted, the Audit Team could not establish whether MIAA was able to secure adequate and reliable protection against any damage(s) covering all its insurable interests. Under the Circular, it is the responsibility of the officials of the GIF to validate/review the accuracy of the valuation of the properties reported in the PIF.

14.4 **We recommended that Management submit:**

a. A reliable RPCPPE and RPCI on time or every January 30 of each year, so it can have reliable source of data in preparing the PIF;

b. The PIF to the Audit Team not later than April 30 of each year as required under COA Circular No. 2018-002; and

c. A report on the determination/ assessment whether the insurance procured by the MIAA covers all its insurable interests, and whether the premium was paid on time or when due.

14.5 Management commented that it was only in June 2021 upon the issuance of an Audit Observation Memorandum on the review of account of MIAA that they came to know about COA's requirement to submit the RPCPPE and RPCI in the conduct of inventory count for CY 2020. As COA has mentioned, these reports are the bases for preparing the PIF, which in turn must be submitted to GSIS when securing property insurance and during that period, the CY 2021 insurance premiums have already been paid. The Airport Liability and Floater Insurance were paid as early as November 3, 2020 and December 23, 2020, respectively. Hence, there was no way that MIAA could properly comply with the foregoing requirements. While the submission of PIF has been mooted by the payment of 2021 insurance expense, it is submitting the same to the Audit Team for reference.

14.6 It shall prospectively comply with the timely submission of these reports based on the prescribed deadlines set under the COA Circular.

14.7 On the submission of report on the determination whether the insurance procured by MIAA covers all its insurable interests, Management hopes that the Audit Team will give it more time to comply with this requirement as this is the first time that it will be conducting an assessment of their insurance with GSIS.

14.8 Management’s comment is duly noted. The Audit Team will monitor MIAA’s compliance with the recommendation.

On non-compliance with Republic Act (RA) No. 9184 or the Government Procurement Reform Act

15. In the procurement of Operation and Maintenance (O&M) of Baggage Handling System (BHS) at NAIA Terminal 3 with Supply Support Agreement, the requirement that the bidder must be a valid holder of Philippine Contractors Accreditation Board (PCAB) license is contrary to Section 23 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

15.1 The following information relative to the Project implemented by the MIAA was gathered from the Invitation to Bid (IB):

Reference Number	:	7356005
Title	:	Operation and Maintenance (O&M) of Baggage Handling System (BHS) at NAIA Terminal 3 and Supply Support Agreement
Procurement Mode	:	Public Bidding
Classification	:	Goods
Category	:	Services

15.2 A Terms of Reference (TOR)[31] was also prepared for the Project. Clause XI of the TOR provides for the Bidders’ Technical Requirements and Qualification, which includes among others*: “Must be a valid holder of PCAB license/Mechanical Work Medium A.”*

[31] Pursuant to Generic Procurement Manual (GPM) Vol. 1, TOR is for Consulting Services while Scope of Work is for Services.

15.3 Section 23 of the RIRR of RA No. 9184 provides the *Eligibility Requirements of Goods and Infrastructure Projects,* partly quoted as follows:

> *23.1 For purposes of determining the eligibility of the bidders using the criteria stated in Section 23.4 of this IRR, __**only** the following documents shall be required by the BAC__, using the forms prescribed in the Bidding documents:*
>
> *Technical specifications*
>
> *vi) In the case of procurement of <u>Infrastructure Projects</u>, a valid Philippine Contractors Accreditation Board (PCAB) License or Special PCAB License in case of Joint Ventures, and registration for the type and cost of the contract to be bid.*

15.4 In Non-Policy Matter (NPM No.) 077-2014, the Government Procurement Policy Board (GPPB) clarified that *under Section 23.1(a) of the RIRR of RA No. 9184, a <u>valid PCAB license and registration shall only be required in the case of procurement of infrastructure projects</u>. Consequently, the imposition of PCAB license as an eligibility requirement will depend on whether the PE classifies its procurement as an infrastructure project or not. If the procurement is* classified *as an infrastructure project, a valid PCAB license and registration for the type and costs to be bid must be submitted by bidders as part of eligibility requirements. On the other hand, <u>such eligibility requirement need not be submitted for the procurement of goods and consulting services</u>.*

15.5 Since the project is classified as procurement of goods and not infrastructure project per IB, the PCAB license need not be required as part of the eligibility requirements for the Project because it is contrary to Section 23.1 thereby unduly restricted the competition and defeated the purpose of public bidding.

15.6 We recommended that Management:

a. Strictly comply with the RIRR of RA No. 9184;

b. Identify and submit to the Audit Team the officials involved in requiring the PCAB license for the Procurement of Goods in this case, which resulted in unduly restricting the competition; and

c. Clarify possible action against employees or officials in this case where an act was possibly committed that defeated the purpose of the public bidding.

15.7 Management explained that in coordination with the MIAA Engineering Department and upon perusal, the marked requirement of additional certificates, *particularly the PCAB License*, is at the least utilized to *guarantee the workmanship of the project.*

15.8 The Audit Team believes that Management will continue to violate the Government Procurement Reform Act, and will not conform to the policy of the government that procurement shall be competitive should the MIAA

Engineering and the Bids and Awards Committee (BAC) assert that it is necessary to require the PCAB license in the procurement of goods.

16. Post qualification proceedings, which are intended to ensure that the lowest calculated bids are evaluated to determine whether the bidder concerned complied with and is responsive to all the requirements and conditions as specified in the bidding documents, were undocumented and indicated gaps, casting doubt on the regularity of the awarding of four contracts aggregating P114.470 million in violation of Sections 12 and 34 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.

16.1 Among the functions of the BAC under Section 12 of the RIRR of RA No. 9184 is to undertake post-qualification proceedings. The Post-qualification procedures are laid down in Section 34 of the RIRR of RA No. 9184.

16.2 Post-qualification is the process of verifying, validating and ascertaining the veracity of all the statements made and documents submitted by the bidder with the Lowest Calculated Bid, which includes ascertaining the said bidder's compliance with the legal, financial and technical requirements of the bid, using a non-discretionary criteria as stated in the bidding documents.[32]

16.3 Review of selected procurement contracts disclosed the improper or undocumented conduct of post-qualification proceedings in at least four procurement activities leading to the award of contracts to the same bidder. Consider the following:

i) Operations and Maintenance (O&M) of Baggage Handling System (BHS) at NAIA Terminal 3 with Supply Support Agreement (SSA)-P83.603 million

No report on the post-qualification conducted for this procurement was submitted to the Audit Team. Testing was conducted by the Audit Team to determine whether there are evidences of compliance with technical requirements required under the TOR for the Project, and result of the testing disclosed that the compliance with the requirements was not established during the post-qualification procedures as follows:

a. *1st requirement-At least 1 previous project similar in scope and nature with a contract price equivalent to at least 50 per cent of the Approved Budget for the Contract (ABC).*

There is a set of documents related to the *O&M of Main Product Line Automated Conveyor System with Supply Support Agreement (SSA)*. The project amounts to P63 million (O&M – P37.800 million with SSA – P25.200 million), for one year ending December 17, 2018.

Nothing in the submitted documents can be deduced that the nature and complexity of the project is similar to the Project subject of

[32] Step 6 (Post Qualify) of the GPM.

bidding. The similarity maybe is on the Project Title only, described as *Operations and Maintenance of Main Production Line Automated Conveyor System with Supply Support Agreement*. However, the similarity in nature and complexity of the Project was not established.

The Audited Financial Statements (AFS) for CY 2018[33] of the winning bidder was also checked to determine whether the submitted Project/transaction is appropriately reported as part of Contractor's revenue in CY 2018, the year that the Project was completed based on the Certificate of Completion.

In our view, the CY 2018 AFS did not reflect the mentioned contract totaling P63.000 million or even the O&M counterpart in the amount of P25.200 million.

b. *2nd requirement- The prospective bidder shall be in the business for at least 5 years and have a <u>proven track record of at least 3 years in the Maintenance and Operations of an automated BHS.</u> The Contractor must have <u>a documented and/or existing contract with local or international airport with the same class/type of and automated BHS</u>.*

The Audit Team did not find any proof of compliance by the Contractor with this requirement based on the submitted documents. No document shows that the Contractor executed contracts with local or international airport entities with the same class/type of and automated BHS.

c. *3rd requirement - Must have the financial capacity and resources to provide and supply all the requirements of the BHS to ensure the continuous provisions of remote maintenance services and communications, technical support and the prompt supply and delivery of spare parts even after the duration of the Contract on the transition period as the case maybe.*

The Net Financial Contracting Capacity (NFCC) presented by the Contractor amounted to P5.722 billion based on the CY 2020 AFS.

For this procurement Project, the NFCC must be at least equal to the ABC of P88.000 million. The NFCC of P5.722 billion is grossly more than the ABC of P88.000 million. Thus, at the onset the requirement was complied.

However, no evidence was presented on how the Technical Working Group (TWG) verified the accuracy of computation of the NFCC of P5.722 billion.

[33] The Contractor is bidder for several MIAA Projects. The CY 2018 AFS is based on the submitted AFS for purchase of PPE under Contract No. 20-050G.

ii) Replacement of elevators and escalators amounting to P18.208 million and P7.589 million, respectively

For these procurements, no post-qualification report was submitted to the Audit Team for the replacement of escalators, while a post-qualification report was submitted for the replacement of elevators, however, the report does not contain the details of the validation and verification conducted and the results thereof.

The result of testing disclosed the following:

a. *On Statement of the bidder's Single Largest Completed Contract (SLCC) for the two Projects.*

The SLCC is among the eligibility requirements for Procurement of Goods and Infrastructure.[34] The Statement submitted by the Contractor contains the following:

Table 21 - SLCC presented by the Contractor for the Projects

Procurement project	For Elevators	For Escalators
Name of contract	Supply and Installation/ Retrofitting of 2 units of Elevator – Head Office, San Fernando, Pampanga	Supply and Installation of Escalator – Head Office, San Fernando, Pampanga
Company	3-Sides Builders & Trading Corp.	
Procurement project	**For Elevators**	**For Escalators**
Amount	P10,375,350	P7,475,650
Date completed	May 10, 2018	May 4, 2018

The two projects, per Table 21, are supported by the same set of documents that include: a) *Notice of Award* both dated December 27, 2017; b) *Memorandum of Agreement* both dated January 5, 2018; c) *Notice to Proceed* dated January 3 and 5, 2018; d) *Certificate of Completion* dated May 12 and 7, 2018; and e) *Certificate of Acceptance* both dated May 18, 2019. All mentioned documents were signed by only one person, the President of 3-Sides Builders & Trading Corp.

As represented by the bidder/contractor, these projects were completed in CY 2018. Also, in another bidding[35] awarded to the same contractor for these two Projects, the contractor submitted an SLCC pertaining to the contract with International Wiring Systems (Phils.) completed in CY 2018 in the amount of P63.000 million, which includes an O&M counterpart amounting to P37.800 million.

The AFS of the Contractor was checked to determine whether the three Projects/transactions per SLCCs were appropriately reported as

[34] Section 23.1 of the IRR, under Technical Documents
[35] O&M of BHS at Terminal 3

part of the Contractor's revenue in CY 2018, the year that the Project was completed based on the Certificate of Completion.

In our view, the three Projects declared by the Contractor in its SLCC, aggregating P80.851 million are not appropriately recognized as part of its Sales Revenue in CY 2018.

Thus, the truthfulness of the submitted SLCCs for both procurement projects could not be established.

b. *On the prospective bidder's computation of NFCC.*

This is also among the eligibility requirements under the financial documents pursuant to Section 23.1 of the RIRR of the RA No. 9184.

The NFCC presented by the Contractor amounted to P3.116 billion based on the CY 2019 AFS.

The NFCC must be at least equal to the ABC of P18.309 million for procurement of elevators and P7.689 million for procurement of escalators. In this case, the NFCC of P3.116 billion is grossly more than the ABC of these procurement projects. Thus, at the onset the requirement was complied.

However, again no evidence was presented on the result of verification of the accuracy of the NFCC computation.

c. *On the Requirements per Terms of Reference (TOR)*

Clause II of the TORs on *"Submittals"* for both procurement projects enumerates the requirements of MIAA to ensure that following justifications indicated in Clause III of the TORs were satisfied:

- the items offered are compliant with the specifications required;
- items to be supplied are genuine products;
- the contractor can perform repairs whenever deemed necessary; and
- the contractor maintains an outstanding service.

Various certifications were part of the bidding documents as compliance with the requirements. However, no document or evidence was found to validate the claims per certifications submitted. The results of such validation are supposed to form part of the basis of the BAC in recommending the award to the Contractor.

Based on the above, the Contractor may not have met the eligibility requirements under the RIRR of RA No. 9184, exhibiting him as not qualified for the award. Had the BAC conducted the Post-Qualification proceedings in accordance with Section 34 of the RIRR, the Report thereon could shed light on the regularity or irregularity of the documents and representations submitted by the Contractor.

Despite the undocumented validation of the documents submitted by the bidder, the BAC recommended the award of the contract to Contractor as the Single Calculated and Responsive Bid (SCRB)[36].

iii) Purchase of Protective Equipment for Electrical Division for P5.000 million

No report on the post-qualification conducted was prepared by the BAC TWG for this procurement, thus the conclusion that the bidder passed the post-qualification was not evidently based on the result of the verification and validation of the genuineness, validity and accuracy of the legal, technical and financial documents submitted by the bidder.

The following were noted by the Audit Team which could have been deciding factors during the post-qualification process:

a. *The unverified NFCC computation.* The winning bidder represented that its NFCC is P3.120 billion.

   The required NFCC is at least equivalent to the ABC to be bid. In this case the NFCC of P3.120 billion is grossly more than the ABC of P5.122 million. However, nothing was mentioned in any documents relating to this procurement on how the TWG verified the accuracy of the NFCC of P3.121 billion. Among the representation in the CY 2019 Audited Financial Statements (AFS) which needs validation affecting the NFCC computation are as follows:

   a.1 *Total current assets amounting to P307.098 million comprising mainly of P263.948 million receivables*. Of the 263.948 million receivables, P241.429 million is Trade Receivables (TRs). TRs increased materially by P219.301 million in December 31, 2019 compared with the December 31, 2018 balance, but the source of increase in TRs is not corresponding to the Revenue. Only P153.272 million was reported as Revenue in CY 2019. Thus, the reported TRs of P263.947 million, which is portion of the current assets amounting to P307.098 million used in computing the NFCC may not be accurate.

   a.2 *Loan of P266.875 million under long-term liabilities*. No interest expense and interest payables were reported. Interest expense payable is treated as current liabilities. Thus, the reported Current Liabilities may not be fairly stated.

   The existence of loan is also doubtful as there is no disclosure in the notes to FS about the details of the loan like the principal amount, the interest rate and the terms of payment. The terms of payment could clarify whether the amount is properly classified as

[36] Per BAC Resolution 003-2021 dated April 12, 2021 for the elevators and BAC Resolution 007-2021 dated April 27, 2021 for the escalators.

long-term or a portion thereof is a current liability. No payment of loan was also reported in the Cash Flows Statement.

b. *Incomplete data in the Statement of the prospective bidder of all its ongoing government and private contracts including contracts awarded but not yet started, if any, whether similar or not similar in nature and complexity to the contract to be bid.*

Section 23.1 (a.iv) of the RIRR of RA No. 9184 requires the submission of *Statement of the bidder of all its ongoing government and private contracts, **including contracts awarded but not yet started**, if any, whether similar or not similar in nature and complexity to the contract to be bid.*

The Statement did not include the waterproofing of NAIA Terminal 3 Roof Deck and Fixed Bridges project, which was reported as awarded on April 28, 2020 contrary to the quoted provision of Section 23.1 of the RIRR of RA No. 9184.

In summary, the methodology on the conduct of post qualification provided under the GPM and the RIRR of RA No. 9184 was not adopted by the BAC in this Project. The improper conduct of the post-qualification casts doubts on the regularity in declaring of the bid of the winning bidder as the Lowest Calculated and Responsive Bid (LCRB).

Moreover, it was noted that the winning bid is not complete. The form "For Goods Offered from Abroad" was used in submitting the bid for this bidding, however, not all the columns required in the bid form, to determine the correctness of the total bid, was properly filled up. Only, the quantity and total price were indicated in the bids. Thus, evaluation of bid that is compliant with Section 32.2.2 is not possible. Section 32.2.2 is quoted as follows:

> *"The BAC shall evaluate all bids on an equal footing to ensure fair and competitive bid comparison. For this purpose, all bidders shall be required to include the cost of all taxes, such as, but not limited to, value added tax (VAT), income tax, local taxes, and other fiscal levies and duties which shall be itemized in the bid form and reflected in the detailed estimates. Such bids, including said taxes, shall be the basis for bid evaluation and comparison."*

Despite the incomplete entries in the bid form, the bid was found as technically complying with the specification requirements of the project and that the arithmetical computations are mathematically correct.

16.4 We recommended that Management:

a. Comply with the provisions of RIRR of RA No. 9184, specifically, on the post-qualification by the BAC pursuant to Section 34, to be able to solicit best offer from qualified bidders which is the objective of

the competitive bidding, and to eliminate doubts on the integrity of the bidding process;

b. **Present the result of the verification and validation of all the statements made and documents submitted by contractor which became the bases for the declaration of the bid as the LCRB which could shed light on gaps in the conduct of post-qualification as discussed in the observations; and**

c. **Henceforth, ensure that the post-qualification is conducted by BAC and the TWG in accordance with the methodology under the GPM.**

17. The issuance of Notice to Proceed (NTP) and commencement of the project before signing of contract are contrary to the procedures laid down in Section 37.1.4 of the RIRR of RA No. 9184 on Notice and Execution of Award. As a result, the rendering of the service started without a contract.

17.1 In the *O&M of BHS at NAIA Terminal 3 with SSA*, the NTP was issued on June 29, 2021 and commencement of the Project was on July 1, 2021 while the conditions prior to the award of contract mentioned under Section 37.1.4 of the RIRR of RA No. 9184 were belatedly complied, specifically the following:

i. Performance bond mentioned in Section 37.1.4.b was posted on August 2, 2021. Pursuant to Section 39.1 posting of performance security is required prior to the signing of the contract; and

ii. Signing of Contract mentioned in 37.1.4.c was only on July 26, 2021. Under Board Resolution (BR) No. 2021-027, the MIAA BOD approved the *award of contract* *for O&M of BHS at NAIA Terminal 3 with SSA* on June 23, 2021. Under the Annex "C" of the IRR, the approval of the Contract by the higher authority is after the contract preparation and signing. Thus, there is no contract yet to ratify on June 23, 2021. Apparently, the Board approval was for the award of the contract.

17.2 Management disregarded the steps and procedures laid down in Section 37 of the RIRR of RA No. 9184 on the Notice and Execution of Award, thus, there was no existing agreement when the Contractor started rendering the services.

17.3 **We recommended that Management strictly comply with the RIRR of RA No. 9184.**

18. The key personnel currently working for the O&M of BHS at NAIA Terminal 3 are not the same key personnel as bid and awarded, thus, may lack the competence and experience as required and consequently, may affect the efficient implementation of the O&M with SSA.

18.1 Section VI of the TOR for *O&M of BHS at NAIA Terminal 3 with SSA* provides for the *Qualifications of Manpower* summarized as follows:

a. O&M Manager - shall have at least 5-year experience in managing similar automated BHS; and

b. Shift Supervisor or Team Leader - shall have minimum 2 years' experience in a similar role for similar size and complexity systems.

18.2 In the proposal submitted, Curricula Vitae of all of the key personnel nominated were presented, supposedly to ensure that the qualifications required by the MIAA for these personnel are met. As mentioned earlier, no Post-qualification Report was presented, thus the determination by the BAC that the key personnel possessed the requirements of the MIAA for the Project was not documented.

18.3 During implementation of the contract, none of those key personnel named in the proposal actually rendered their services, as shown below:

Table 22 – Key Personnel

Position	Nominees per Proposal	Personnel Per DVs
O&M Manager	Barnett Angeles	Chester Jay Francisco
Shift Supervisor or Team Leader	Larry Sumabat Angel Cruz Jr. Jessie Viernes Errol John Fajardo Jason Montealegre	Jessie Baltazar Ryan Carlo Mataro Christian Cremen John Hommer Masarap Raymond Santos

18.4 The current O&M Manager is previously the Shift Supervisor employed by the former contractor for BHS at Terminal 3, hence may not qualify with the 5-year experience in management requirement. In addition, one of the current Shift Supervisors was previously O&M Specialist, hence may not qualify with minimum 2 year experience in a similar role. This was already the situation from the start of implementation of the contract in July 2021 to January 2022, based on the latest available billing/Disbursement Voucher (DV).

18.5 Further, based also on the DVs supporting documents, most or 86 per cent of the personnel of previous MIAA contractor for this O&M for BHS in Terminal 3 were not changed indicating that the Contractor may not have its own personnel for the O&M.

18.6 Deploying other personnel from its proposal defeated the purpose of the bidding; this is on the assumption that the BAC had appropriately established that the qualifications required by the MIAA were adequately met.

18.7 We recommended that Management provide the basis/authority/justification for the replacement of key personnel

involved in O&M of BHS for Terminal 3, including the approval from the Head of the Procuring Entity, and the result of validation that the qualifications required by MIAA were adequately met.

19. Period or operational timeline of procurement activities exceeded the recommended maximum period provided in Annex "C" of the RIRR of RA No. 9184, thus delaying the project implementation.

19.1 The maximum period and the recommended earliest possible time of action on specific activities are provided for in Annex "C" of the RIRR of RA No. 9184.

19.2 Presented in the table below is the maximum period allowed per RIRR vis-à-vis the actual period for the implementation of the bidding activities resulting in delays as follows:

Table 23 – Period of Action on Procurement Activities

Project	Maximum period allowed per IRR Annex C	Actual	No. of days delay
Replacement of Elevators (Infrastructure)	141 days*	235 days	94 days
Replacement of Escalators (Goods)	136 days*	209 days	73 days
O&M of BHS at NAIA Terminal 3 with SSA	166 days	225 days	59 days

**Excluding 30 days for the approval of Contract by higher authorities. In both cases, the Contract was not approved by BOD. The replacement of escalators is below the limit of P10 million subject for BOD approval for procurement of goods, while for the replacement of elevators, no approval of the Contract was submitted. The BOD approval was for the award and not the signed Contract.*

19.3 The unreasonable deviation from the timelines provided in the RIRR may have caused the belated award and signing of the contract.

19.4 Furthermore, the Contract for the replacement of elevators was not supported with the Board Resolution on the approval thereof. The approval by the Board under BR No. 2021-024 is for the approval of the award of the Contract to the winning bidder.

19.5 **We recommended that Management direct the BAC/TWG to be on "jury duty"[37] type of assignment in order to complete the entire procurement processes within the timeline under Annex "C" of the RIRR of RA No. 9184.**

[37] Section 38.1 of the IRR - the term "jury duty" shall be understood to mean a state by which the members give utmost priority to BAC assignment over all the other duties and responsibilities until the requirements for the said assignments at hand are completed.

20. Delivering different product brand or specifications from the one offered during the bidding defeated the purpose of public bidding, and the deviation from the requirements per Terms of Reference (TOR) may be disadvantageous to the government[38].

20.1 Clause II (*Submittals*) of the TORs for replacement of elevators and escalators enumerates the requirements of MIAA for the Project, as follows:

2.1. ***Original*** *product brochures containing detailed specifications and dimension;*
2.2. *Certificate of Authorized Distributorship from the Manufacturer of the Escalator or Elevator;*
2.3. ***Certificate of Authorized Installer/Distributorship*** *from the Manufacturer of the Escalator or Elevator;*
2.4. *List of completed projects similar in nature from 2013 – present (for escalator), and 2005-present (for elevator);*
2.5. *List of* ***100 units of escalators*** *installed in the Philippines (Similar Brand) (for escalator), and* ***500 units*** *(for elevator);*
2.6. ***Warranty Certificate*** *for period of 1 year (for escalator), or Certificate of Warranty for all installed items, materials, consumables and workmanship for a period of 3 years after the final acceptance of the end-user (per Clause 2.8 for Elevator);*
2.7. ***Written Guarantee from the Manufacturer's Local Representative*** *for the availability of spare parts and service support for the next 10 years;*
2.8. *Certificate/Proof that the brand of their escalator is being* ***marketed in the Philippines*** *for the past 10 years, while no less than 15 years for elevator (under Clause 2.6);*
2.9. *Certificate/Proof that the manufacturer has a* ***local representative/service provider*** *established/existing locally continuously for the past 10 years of service (for escalator), and for the past 15 years of service maintenance/after sales support for elevator (per Clause 2.7).*

20.2 The "*Justification*" per Clause 3.1 of the TOR for escalator is that *Item 2.1 is necessary to ensure the end-user that the items being offered are compliant with the requirements stipulated in the specifications section of the terms of reference. <u>It also ensures that the items to be delivered by the winning bidder shall be similar or exact with their offer.</u>*

20.3 Furthermore, both procurement projects require the *Contractor's Qualifications and Responsibilities* per TOR, reiterating that:

- The brand of the elevator to be supplied had been introduced in the Philippines for at least 15 years;
- The Contractor must supply elevators whose principal has an authorized after-sale service company in the Philippines; and
- Spare parts availability for the elevators must be guaranteed for the next 10 years.

[38] On the assumption that the requirements was not to favor a particular bidder or brand of product to be supplied, and the items offered were found to be compliant with the required specifications.

20.4 Pursuant to these requirements, the winning bidder submitted as part of its technical documents the brochure of ***Schneider Lifts and Components***[39] including various certifications issued by VTSA International Inc. for the above requirements. It is assumed that these had undergone post-qualifications considering that the BAC declared the bids as legally, technically and financially complying[40].

20.5 During physical/ocular inspection at NAIA Terminal 1, the Audit Team noted that different brand (**FUJI Elevator and Escalator**[41]) were supplied and installed and the elevators and escalators were already being used by the public. The Audit Team was also informed that most of the documents for both projects are still being prepared by the Contractor.

20.6 Hence, the Audit Team believes that the whole process of bidding under RA No. 9184 was disregarded. *Public bidding will cease to be competitive if Procuring Entities will be permitted to make substantial variance between conditions under which the bids are invited and the contract executed after the award.*[42]

20.7 In addition, Section 37.2.3(c) of the RIRR of RA 9184 provides that the technical specifications and offer of the winning bidder forms part of the contract. *The inclusion of these documents in the contract created an obligation on the part of the contractor to deliver the specific goods that it offered.*[43]

20.8 Likewise, upon verification, as of to date, the AD has not yet recognized these transactions in the books of accounts, including the provision for depreciation despite the fact that the elevators and escalators are already being used by the public.

20.9 The disregard of the bidding procedures and the deviation from the requirements of the TORs defeated the purpose of competitive bidding, which may be disadvantageous to the government.

20.10 We recommended that Management:

a. Clarify/explain the result of the pre-qualification regarding the compliance of the winning bidder with the requirements mentioned in the TOR on the "*Submittals"* and on "*Contractor's Qualifications and Responsibilities"*; and

b. Justify the Contractor's installation of a different brand of products/items from the one offered during the bidding.

[39] The sole distributor of Schneider Lifts and Components in the Philippines is VTSA International Inc.
[40] Per BAC Resolution 003-2021 dated April 12, 2021for the elevators and BAC Resolution 007-2021 dated April 27, 2021 for the escalators.
[41] FUJI Elevator products is exclusively sold and distributed by Rockspeed Elevator & Escalator Corporation.
[42] NPM No. 050-2017
[43] Ibid.

20.11 Management commented that the BAC will pursue the recommendations of the Audit Team. They will conduct a coordinating meeting with all the concerned officials and personnel to peruse the concerns of the Audit Team and proffer remedial adjustments utilizing the guidance set forth in the Audit Team's recommendations.

20.12 The Audit Team will monitor the compliance with the recommendations.

21. The Finance Section of MIAA was not represented in the BAC, and detailed bid evaluation, which is among the functions of the BAC, was delegated to the end-user, contrary to Sections 11.2.2(c) and 12.1 of the RIRR of RA No. 9184 and the GPM.

21.1 Section 11.2.2 (c) of the RIRR provides that *one of the regular member of the BAC - An officer, who is at least a fifth (5th) ranking permanent official, or if not available, an officer of the next lower rank with knowledge, experience and/or expertise in procurement who, to the extent possible, represents the finance area of the Procuring Entity*.

21.2 The five members of the BAC under Office Order No. 062 dated August 18, 2020 are as follows:

a. Chairman - Assistant General Manager (AGM) (3rd ranking official)[44]
b. Vice Chairman – Officer-in-Charge, Legal Office
c. Three (3) Regular Members:
   - AGM for Security and Emergency Services
   - AGM for Engineering
   - Department Manager (Airport Operations)
d. Two (2) Provisional Members*:
   - AGMs
   - Terminal Managers

**End-users will sit in the BAC as Provisional Member depending on the procurement at hand.*

21.3 Thus, none of the BAC members represents the finance area of the MIAA, contrary to the above-quoted provision of the RIRR.

21.4 The bid evaluation of the project was also delegated by the BAC to the end-user, contrary to Section 12.1 of the IRR which enumerates the functions of the BAC, among which is the conduct of evaluation of bids. Also, Item 3 of the Methodology on the Evaluation of Bids, Step 5 (Evaluate the Bids) of the GPM provides that:

> *"After the preliminary examination of bids, **the BAC, or through the TWG, shall immediately conduct a detailed evaluation of all bids** rated "passed," using a nondiscretionary criteria, x x x" (emphasis supplied)*

[44] Mr. Raul V. Austria is holding a position of Chief of Staff but with a position of AGM- Airport Development and Corporate Affairs (ADCA) per approved Plantilla

21.5 **We recommended that Management:**

a. **Review the composition and qualifications of the members of the BAC and ensure compliance that members possess the required knowledge, experience and/or expertise in procurement required under Section 11.2.2 of RIRR of RA No. 9184; and**

b. **Require the BAC to perform its functions under Section 12.1 of the RIRR of RA No. 9184.**

21.6 Management commented that while it is true that there is no representative from Finance to sit as regular member of the BAC, it must be stressed that the OIC, Budget Division has been designated as member of the Technical Working Group. As such, she is tasked to handle BAC function pertaining to finance matters.

21.7 Nevertheless, Management shall incorporate in the procedure that it is crafting the responsibility that comes along with being a member of the TWG coming from Finance that is to assist the Committee in matters pertaining to finance area.

21.8 The Audit Team would like to reiterate that Section 11.2.2 (c) of the RIRR specifies that ***a regular member of the BAC*** *represents the finance area*. Thus, it will remain non-compliant with RA No. 9184 in case no regular BAC member represents the finance area.

22. MIAA did not create/assign a Responsibility Center (RC) for the GAD Focal Point System (GFPS) to account, monitor and report Gender and Development (GAD) expenses and other GAD-related financial transactions which is not in compliance with COA Circular No. 2021-008[45]. Likewise, the CY 2021 GAD Accomplishment Report (AR) and its supporting documents were not yet submitted to the Audit Team, thereby precluding the team a thorough audit of the GAD AR.

22.1 COA Circular No. 2021-008 requires all government agencies to create/assign a Responsibility Center for their GAD Focal Point System (GFPS) to facilitate generation of all reports pertaining to GAD-related expenses and other GAD-related financial transactions, and to monitor and properly account for the GAD funds.

22.2 We noted that the GFPS have not established their own responsibility accounting for GAD to facilitate the generation of reports pertaining to GAD-related expenses and other GAD-related financial transactions, and to monitor and properly account for the GAD funds.

[45] Dated September 6, 2021 and published in the Philippine Star on September 13, 2021 – Assignment of Responsibility Center for the Gender and Development (GAD) Focal Point System to Account, Monitor and Report GAD Expenses and Other GAD-Related Financial Transactions

22.3 Likewise, we noted that the GAD AR and its supporting documents were not yet submitted to the Audit Team.

22.4 Inquiry with the GFPS revealed that the GAD AR was still under review by the Philippine Commission on Women (PCW). As a result, the Audit Team was precluded from further evaluating the accomplishments of MIAA.

22.5 **We recommended that Management:**

a. Strictly comply with the requirement of COA Circular No. 2021-008 by establishing Responsibility Centers and assigning RC Codes for GAD; and

b. Submit to the Audit Team the FY 2021 PCW-Reviewed GAD AR together with the required supporting documents.

22.6 Management commented that it will take the following actions:

On the creation of RCs:

a. Concerned MIAA Offices shall be tasked to create Responsibility Center for GAD-related financial transactions to facilitate the generation of reports pertaining to GAD-related expenses, monitor and properly account for the GAD Funds.

b. The Human Resource Development Division (HRDD) shall be tasked to conduct continuous capability-building (Gender Sensitivity Training, Gender Analysis, Gender Mainstreaming, Gender Audit, Use of GAD Tools (GMEF, HGDG and PIMME) and other GAD-related learning activities to the members of MGFPS and all MIAA Officers and staff to ensure deeper understanding on the process and requirement on GAD Planning and Budgeting and GAD AR.

On the submission of GAD AR:

MIAA has submitted the CY 2021 GAD AR thru GMMS on 24 March 2022, after the grant of submission extension in an email dated 21 March 2022**.** It was returned by PCW for revisions on 12 April 2022. The MIAA revised GAD AR, including the attachments, shall be submitted to the PCW on 31 May 2022.

Action to be taken:

a. MIAA shall provide the Audit Team with a copy of the final CY 2021 GAD AR submitted to PCW.

b. The GFPS shall request for the creation of a GAD Unit, with 2 supervisors and researchers, under the office of the General Manager, to ensure that future GAD compliances can be accomplished on time.

22.7 Management's comment is duly noted. Advice on the progress of the committed action to be taken by Management will be appreciated.

23. Compliance with Tax Laws

Taxes withheld for CY 2021 were recognized and remitted within the prescribed period. December 2021 taxes withheld were remitted in January 2022.

24. Compliance with Rules on Government Mandatory Deductions and Remittances

Statutory deductions for Government Service Insurance System, PhilHealth and Home Development Mutual Fund contributions of MIAA employees were withheld and remitted as of December 31, 2021, including government share. December 2021 statutory deductions were remitted in January 2022.

25. Status of Suspensions, Disallowances and Charges

25.1 Below is the summary of the Notices of Suspension, Disallowance and Charge issued and settled during the year.

Table 24 – Status of Suspensions, Disallowances and Charges

Audit Action	Beginning Balance January 1, 2021	Issued	Settled/ Matured into Disallowance	Ending Balance December 31, 2021
Suspensions	0	0	0	0
Disallowances	58,734,774	0	36,744	58,698,030
Charges	0	0	0	0
	58,734,774	**0**	**36,744**	**56,698,030**

25.2 Of the P56.698 million disallowances, P42.869 million pertains to excess overtimes rendered by officials and employees of MIAA in 2010. An entry of judgment has been rendered by the Court. The Commission Proper (CP) has yet to issue the COA Order of Execution (COE) to enforce settlement.

25.3 Other Notices of Disallowance (NDs) issued in 2019 pertains mainly to the disallowance of Representation Allowance and Transportation Allowance (RATA) of MIAA officials totaling P15.772 million. The ND for the RATA has a pending Motion for Reconsideration with the CP.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 38 audit recommendations contained in the prior years' Annual Audit Reports, 16 were implemented, 17 were partially implemented and 5 were not implemented. Details are as follows:

Reference	Observations	Recommendations	Status of Implementation
CY 2020 AAR			
Observation No. 1, Page 55	Land assets are not duly accounted by specific Transfer Certificate of Title (TCT), area and cost/value that would tally with the amount of P14.789 billion presented in the financial statements. Consequently, sufficient evidence was not obtained to conclude on the completeness and valuation of the reported land assets.	a. Account all the land assets owned by the MIAA by individual/specific TCT, areas and valuation (per TCT), and ensure that the amount of land assets presented in the financial statements is complete;	Implemented
		b. Resolve or clear the annotation on the levy and sale related to the decided cases on Real Property Tax to secure MIAA's ownership on the subject lot;	Implemented
		c. Apprise the Audit Team on the updated status of all MIAA land assets covered by Presidential Proclamations (PPs), and the proper recognition of at least P15.353 million remittances from the National Housing Authority (NHA) relative thereto;	Partially Implemented With update on status of PPs and NHA collections but none as to proper recognition of NHA remittances received by the agency. Reiterated in Observation No. 7 of this Report.

Reference	Observations	Recommendations	Status of Implementation
		d. Issue a policy guidelines on the accounting, reporting and monitoring, of land assets disposed/covered by PPs;	Not Implemented No policy was issued on the accounting, reporting and monitoring of land assets disposed/covered by PPs. Reiterated in Observation No. 7 of this Report.
		e. Reconcile the data on land assets per records of Accounting Division (AD) and Business and Real Estate Investment Development Division (BIDD), and prepare adjusting entry, if warranted; and	Partially Implemented Reconciliation of land assets between BIDD and Accounting Division is ongoing. Reiterated in Observation No. 6 of this Report.
		f. Take appropriate actions to expedite the titling of land in MIAA's name to dispel doubts as to their legal ownership.	Implemented Initial appropriate action was taken as evidenced by the copy of the letter sent to the Department of Environment and Natural Resources (DENR)- National Capital Region (NCR).
Observation No. 2, Page 61	Property and Equipment (PE) amounting to P41.730 billion, with carrying amount of P21.635 billion, may not be a faithful	a. Comply with COA Circular No. 2020-006, dated January 31, 2020, on the guidelines and procedures in	Partially Implemented MIAA has already started the adoption of the procedures

Reference	Observations	Recommendations	Status of Implementation
	representation of portions of MIAA's assets because the completeness and their existence could not be validated due to incomplete/improper inventory taking. The non-submission of Report on Physical Count of PPE (RPCPPE), showing the quantity per Property Card and per Physical Count, prevented the determination of the total value of PE counted and still in good condition.	coming up with reliable PE balances that are verifiable as to existence, condition and accountability;	prescribed under the Circular in the conduct of inventory-taking for CY 2021. Reiterated in Observation No. 2 of this Report.
		b. Submit the RPCPPE for CY 2020 in prescribed format and duly signed by the Inventory Committee and Approved by the Agency Head;	Reconsidered Because submission of RPCPPE for CY 2020 is already moot, Management henceforth, submitted the RPCPPE for CY 2021 in the prescribed format
		c. Account and reconcile the variance between GL and 2020 PE Lapsing Schedule, and effect adjustments in its books of accounts; and	Partially Implemented Management submitted the lapsing schedule for CY 2020 which no longer include the items dropped from the books of accounts during CY 2020.
		d. Submit the 2018 Lapsing Schedule, other pertinent documents and data for the Audit Team to verify the correctness of the adjusting entries made on the Depreciation Expense and Accumulated Depreciation accounts.	Implemented

Reference	Observations	Recommendations	Status of Implementation
Observation No. 3, Page 68	The Trade Receivables (TRs) totaling P3.737 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard (PFRS) 9. As a result, the valuation of the TR at amortized cost of P2.444 billion, net of P1.293 billion allowance for impairment (AFI), could be more than its recoverable amount.	a. Revisit its established Expected Credit Loss (ECL) provision matrix or conduct an assessment at the end of each reporting period to determine the sufficiency of AFI to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount; and	Not implemented Management has yet to effect provision matrix in accordance with PFRS 9. Reiterated in Observation No. 1 of this Report.
		b. Resolve the pending issues such as, adjustments on rental rates and area which are awaiting resolution from Concession Management Division (CMD) and pursue collection of the accounts when decided as valid receivables.	Partially Implemented The Authority is pursuing its collection efforts against concessionaires with delinquent accounts despite the pandemic, to which they responded by entering into an installment payment scheme. Reiterated in Observation No. 1 of this Report.
Observation No. 4, Page 73	Recognition of lease payments from lessees/concessionaires is not on a straight-line basis over the lease term. In addition, modification to operating	Ensure that MIAA's accounting policy comply with PFRS 16 by recognizing Rent/Lease Income based on straight-line basis over the lease	Implemented Management had already recognized the lease payments based on a straight-line basis which

Reference	Observations	Recommendations	Status of Implementation
	lease, caused by the waiver of rental charges for 15 months to concessionaires in all Ninoy Aquino International Airport (NAIA) Terminals, was not accounted as a new lease contrary to Philippine Financial Reporting Standard (PFRS) 16 resulting in the understatement of Rent/Lease Income and related receivable accounts by at least P55.050 million.	term, including the modification of lease effective March 15, 2020.	further extends until June 30, 2021.
Observation No. 5, Page 75	Not all Point of Sales (POS) application system of concessionaires' data integrated with Tenant Sales Monitoring System (TSMS) of MIAA is working effectively, as a result the reported Concession Privilege Fees (CPFs) income amounting to P176.854 million is not faithfully represented.	a. Ensure that the POS and TSMS are working effectively, so that the monthly sales summary report of concessionaires subject to payment of Gross Sales (GS)-based CPFs could be generated from the TSMS and used as basis of the Accounting Division in rendering complete bills for CPFs; and	Partially Implemented MIAA has issued Memorandum Circular (MC) No. 06 dated March 4, 2021 series of 2021 providing for the guidelines in the implementation of Concessionaires Sales Monitoring System. Reiterated in Observation No. 4 of this Report
		b. Determine and monitor the concessionaires which are operating and with unremitted GS-based CPFs and collect any unremitted CPFs.	Partially Implemented The system is already interfaced with the Computerization Project. Sales Report of each concessionaire can

Reference	Observations	Recommendations	Status of Implementation
			already be generated thru the Financial Management Information System. Reiterated in Observation No. 4 of this Report
Observation No. 6, Page 78	The Unearned Revenue/Income account amounting to P135.278 million includes a lump-sum amount of P33.215 million without details, and advance rental payments by concessionaires/lessees who are no longer doing business with MIAA, casting doubt on the accuracy and validity thereof.	Review the transactions pertaining to the account to ensure that only those existing and valid unearned income are presented in the financial statements as of December 31, 2020, and prepare the necessary adjusting entries.	Implemented
Observation No. 7, Page 79	Payment of real property taxes (RPT) by the 10 out of 158 lessees amounting to P1.455 million on behalf of MIAA was not recognized by the latter as part of its operating expenses and lease income resulting in understatement of these accounts by the same amount.	a. Regularly monitor compliance of lessees with the terms and conditions of the contracts, specifically the payments of RPT on leased properties, among others;	Partially Implemented The number of concessionaires who paid RPT for the account of MIAA increased in CY 2021. However, some concessionaires were able to renew their lease agreements without proof of payment of RPT. Reiterated in Observation No. 11 of this Report.

Reference	Observations	Recommendations	Status of Implementation
		b. Account the: i. RPTs due from lessees, corresponding to the RPT assessment by the concerned Local Government Unit (LGU), based on the area leased; ii. Payments of RPT by lessees for the account of MIAA; and iii. RPTs for collection from lessees, if any.	Not Implemented Reiterated in Observation No. 11 of this Report.
		c. Require the settlement of unpaid RPTs due from lessees; and	Partially Implemented Reiterated in Observation No. 11 of this Report.
		d. Recognize the RPT and the related payment thereof by the lessees as Taxes, Duties and Licenses and Rent/Lease Income, and the unpaid RPT as Receivables and Rent/Lease Income.	Partially Implemented Management had already recognized the RPT and the related payment thereof in its books of accounts. Reiterated in Observation No. 11 of this Report.
Observation No. 8, Page 80	Trade Receivables (TRs) totaling P3.727 billion include dormant accounts amounting to	Take appropriate action to collect dormant receivables and if this proved to be	Reconsidered In CY 2021, Management filed a

Reference	Observations	Recommendations	Status of Implementation
	P602.871 million which are for write-off subject to approval of the Commission on Audit (COA) pursuant to COA Circular No. 2016-005.	futile, gather documents and evidence required under COA Circular No. 2016-005 to be able to pursue the filing of request for write-off of dormant TRs.	request for authority to write-off receivables totaling P85.703 million.
Observation No. 9, Page 81	Trade Receivables (TRs) amounting to P26.158 million were derecognized based on unidentified/unverified bank credits, as a result, the correctness and propriety of this transaction is not verified.	Discontinue the practice of derecognizing TRs based on unidentified/unverified bank credits and instead, recognize the latter as Undistributed Collections account and gather data about the payors.	Implemented
Observation No. 10, Page 82	The Authority's liabilities, more particularly the Due to Bureau of Internal Revenue (BIR) account of P104.773 million, net of debit or overpayment of P124.649 million, may not be a faithful representation of the claims of the BIR against the MIAA, because of the noted variance between the balances of the account per books, and the related returns filed with the BIR for the period or month ending December 31, 2020 totaling P66.531 million.	Clarify and/or reconcile the noted variance between the balances per SLs of Due to BIR account and balance reported in the tax returns, and effect the necessary adjustments.	Partially Implemented The reconciliation is ongoing. Reiterated in Observation No. 9 of this Report.
Observation No. 11, Page 85	The Customer's Deposits Payable account amounting to P354.246 million as of	Review the transactions pertaining to the account to ensure that only those	Implemented

Reference	Observations	Recommendations	Status of Implementation
	December 31, 2020 includes deposits made by concessionaires/ lessees, as early as 1985, which are no longer doing business with MIAA, casting doubts on the accuracy and validity thereof.	existing and valid Customer's Deposits Payable are presented in the financial statements as of December 31, 2020, and prepare the necessary adjusting entries.	
Observation No. 12, Page 86	Withholding of taxes on purchases of goods and services were recognized upon payment to suppliers/contractors/service providers contrary to Revenue Memorandum Circular (RMC) No. 10-2018, which states that the obligation to withhold taxes arises when an expense or asset is already recorded whether or not the same has been paid, resulting in the overstatement of Accounts Payable and understatement of Due to BIR by undetermined amount.	Strictly comply with RMC No. 10-2018 and Revenue Regulations (RR) No. 12-2001, and effect the necessary adjustments in the books of accounts to recognize the withholding taxes portion of Accounts Payable.	Implemented The withholding taxes relative to the deliveries were already recognized at the time of recording the item as asset or expense.
Observation No. 13, Page 88	The Inventory and Inspection Report of Unserviceable Property (IIRUP) was not properly filled up casting doubt whether the derecognized PE costing P19.744 million, with carrying amount of P4.731 million, from the books are the same items actually disposed and sold.	Require the Accounting Division to record the derecognition of disposed PE based on properly accomplished IIRUP.	Partially Implemented An itemized list was attached to the IIRUP.

Reference	Observations	Recommendations	Status of Implementation
Observation No. 14, Page 89	The provision to remit only the Passenger Service Charge (PSC) on flown and expired tickets pursuant to Sections 6.2, and 6.3 of the Memorandum Circular (MC) No. 18, series of 2019, dated August 9, 2019, resulted in the continued possession by the Air Carriers (ACs) of PSC collections, integrated on unflown and unexpired airline tickets, held in trust on behalf of the government/MIAA.	Develop a policy for the accounting, reporting and monitoring of PSCs collected by the ACs on behalf of MIAA. The policy shall be in support of providing a mechanism ensuring that the payment made by the concerned passengers for PSC would be credited once they depart from the terminal so that MIAA can demand the remittance of the terminal fees collected by the ACs even on unflown tickets.	Not Implemented Management retains its position that PSC can only be assessed against departing passenger for the use of airport facilities as provided in MIAA's Administrative Order No. 1 series of 2000, thus, the Authority has no legal basis to demand the remittance of PSC for unflown tickets. Reiterated in Observation No. 13 of this Report.
Observation No. 15, Page 91	Some Air Carriers (ACs) did not remit the Passenger Service Charges (PSCs) on flown tickets within the period provided under the Memorandum Circular (MC) No. 18, series of 2019, thus penalty should apply. As of February 28, 2021, at least P154.491 million PSCs collected by ACs integrated with the flown tickets remained unsettled.	Impose the penalty on the late remittances pursuant to Section 6.5 of MC No. 18, series of 2019.	Implemented A memorandum was issued to all ACs on July 6, 2021 to inform that PSC remittances are not covered by the waiver of interest charges for late settlement of account.
Observation No. 16, Page 92	Some MIAA land assets are occupied by informal settler families (ISFs) and other parties who are not paying rent to MIAA resulting in	a. Assert MIAA's right on the properties occupied and being used by other parties, like demanding	Partially Implemented Management had initially addressed the recommendation

Reference	Observations	Recommendations	Status of Implementation
	foregone potential rental income and eventually, putting these land assets at risk.	payment of rental dues for the use of the properties and/or consider initiating legal action against those ISFs; and b. Monitor the land assets regularly to prevent the proliferation of informal settlers.	on land assets under Presidential Proclamation only but no update as to action taken on MIAA land assets which are not under PPs but occupied by third parties who are not paying rent. Implemented Management submitted to the Audit Team a memorandum on the new shift assignment/days-off and designation issued by the Airport Police Department and the Guard Deployment Plan of Vigilant Investigative and Security Agency Inc. on MIAA land properties.
Observation No. 17, Page 94	The documents relative to the disposal of various unserviceable waste materials and properties for only P445,999, which includes Property and Equipment (PE) costing P19.744 million, with carrying amount of P4.731 million, were not furnished to the Audit Team 20 days before the advertisement of the call to public auction, contrary to COA Circular No. 89-296. As a result, the review of the	Strictly comply with the guidelines prescribed under COA Circular No. 89-296 on the disposal of government properties.	Partially Implemented In CY 2021 disposal activity, Management had complied with the COA Circular on the submission of disposal-related documents within the prescribed period. However, the submitted IIRUP has no data on the appraised value.

Reference	Observations	Recommendations	Status of Implementation
	propriety of the disposal was not performed.		
Observation No. 18, Page 96	The CY 2020 GAD Plan Budget (GPB) and Gender and Development (GAD) Accomplishment Report (AR) were not submitted to the Philippine Commission for Women (PCW) through the Gender Mainstreaming Monitoring System (GMMS), contrary to PCW Memorandum Circular (MC) Nos. 2019-02, 2020-03, and 2021-01, thus preventing the PCW from conducting review and endorsement of the same.	a. Comply with the annual requirements of the PCW on the online submission, review and endorsement of GPBs and GAD ARs; and b. Coordinate with the PCW for proper technical support and training on the use of GMMS for encoding of the Authority's GPB and GAD ARs.	Implemented Implemented
Observation No. 19, Page 97	MIAA did not utilize the Harmonized Gender and Development Guidelines (HGDG) Evaluation Tools in attributing Programs, Activities and Projects (PAPs) in the CY 2020 GAD Plan and Budget (GPB) and GAD Accomplishment Report (AR), contrary to the provisions of PCW Memorandum Circular (MC) No. 2019-02 and PCW-NEDA-DBM Joint Circular (JC) No. 2012-01.	Prioritize capacity building of GAD Focal Point System (GFPS) members in the use of HGDG evaluation tools to assess the gender-responsiveness of the Authority's PAPs, attribution of relevant cost of its PAPs to the GAD Budget, and in order to provide technical assistance to all concerned personnel of the Authority on gender mainstreaming.	Implemented
Observation No. 20, Page 99	Gender and Development (GAD) Accomplishment Report	Strictly comply with the pertinent provisions set forth under Section	Not Implemented

Reference	Observations	Recommendations	Status of Implementation
	(AR) for CY 2020 submitted to the Audit Team, as required by Section 10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and Section 6.0 of PCW Memorandum Circular (MC) No. 2021-01, was not properly supported thereby precluding the team from conducting a thorough audit of the GAD AR.	10.4 of PCW-NEDA-DBM Joint Circular No. 2012-01 and annual requirements of the PCW pertaining to the attachment of the required supporting documents to the GAD AR, and submit the same to the Audit Team for further verification.	Reiterated in Observation No. 25 of this Report.
AAR for CY 2019			
Observation No. 7, Page 73	The computerization project intended primarily to address the deficiencies of the existing manual operations/processes particularly on the Authority's revenue related transactions remained uncompleted despite the lapse of two years, thereby delaying the attainment of the Project's objectives. Also, MIAA paid the Contractor the full cost of the delivered items when the contract provides only for 90 per cent payment prior to the project's full integration.	a. Demand from the Contractor any undelivered/ uncompleted work/deliverables; and b. Effect the roll-out of the project as soon as completed.	Partially Implemented The remaining uncompleted work is the Verification and Finalization of Reports. Some reports/outputs were already verified and currently being used while some are still awaiting real data, which is still in the process of digitalization. Partially Implemented The end-to-end roll-out of the project has yet to be implemented because there is a remaining ongoing activity, that is, to completely populate the concessions registry module for all other modules to

Reference	Observations	Recommendations	Status of Implementation
			operate; generate remaining bills and validate the same.
Observation No. 8, Page 77	Management did not terminate the contract on the Rehabilitation of NAIA Terminal 2 Project with a contract cost of P604.657 million at the time that the Contractor's negative slippage reached 15.31 per cent in July 2019 and despite continuous incurrence of delay which peaked at 67.06 per cent as of December 31, 2019, contrary to the provisions of Annex I of the Implementing Rules and Regulations (IRR) of Republic Act (RA) 9184. This resulted in the extension of the construction period prolonging the inconvenience of passengers/terminal users, likewise exposing MIAA to complaints and/or negative comments.	Take all appropriate actions and remedies to ensure the completion of the project the soonest time possible. Management should likewise enforce the provisions of the contract and adhere to the pertinent provisions of the IRR on the implementation of the project.	Partially Implemented The project was completed on December 18, 2020 per Certificate of Completion dated September 10, 2021. No evidence/ documents was gathered by the Audit Team on the action taken by Management re: enforcement of the provisions of the contract.