REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT

June 23, 2023

RECEIVED
MANILA INTERNATIONAL AIRPORT AUTHORITY
OFFICE OF THE CORPORATE BOARD SECRETARY
DATE/TIME 6/23/23
PRINTED NAME OLGA DIAL
SIGNATURE

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 the audit of the accounts and transactions of Manila International Airport Authority (MIAA) for the years ended December 31, 2022 and 2021.

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 expressed a qualified opinion on the fairness of presentation of the financial statements of MIAA because the correctness/completeness of the total Passenger Service Charge (PSC) collected totaling P3.597 billion, accrued/recognized as Transportation System Fee (MIAA's share), Due to Bureau of the Treasury and Due to National Government Agencies amounting to P2.970 billion, P304.844 million and P322.218 million, respectively, was not ascertained due to the lack of reliable data on the number of PSC-paying passengers.

Moreover, MIAA's Accounts Receivable (AR) totaling P3.352 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard (PFRS) 9. Thus, the amortized cost of AR amounting to P1.905 billion could be more than its recoverable amount.

The Inter-Agency Receivable (IAR) – Department of Public Works and Highways (DPWH) account amounting to P996.399 million with amortized cost of P785.952 million was not properly assessed to determine current/updated evidence of impairment as required under PFRS 9.

Lastly, the completeness of the Concession Privilege Fee (CPF) income amounting to P336.288 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 the Financial Management

Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

For the above observations, we recommended that Management:

On 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 passenger movement that is useful in generating financial data to assist the Accounting Division (AD) in capturing PSC collections accurately and detect errors on the Remittance Reports submitted by Air Carrier (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 PSC-exempted passengers; 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;

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; and

d. Identify the ACs with missed PSC remittances that were billed of Tacking Fee charges per Flight Operations Report and Bill of Charges and demand remittance of PSC from them.

On AR:

a. Revisit its 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.

On IAR:

a. Conduct proper assessment on the IAR – DPWH to ensure that the valuation of IAR at amortized cost will not exceed the recoverable amount.

On CPF:

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 the amount collected per AD;

d. Determine and monitor the concessionaires with unremitted or under-remitted Gross Sales-based CPFs and collect unremitted CPF; and

e. Submit to the Audit Team the documents on the result of conduct of MIAA Audit Procedure per Paragraph 14 of Memorandum Circular (MC) No. 06, series of 2021.

The other significant audit observation and recommendation that needs immediate action is as follows:

1. The policy requiring the remittance of PSC on flown and expired tickets only pursuant to Sections 6.2 and 6.3 of MIAA 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 continued possession by ACs of PSC collections integrated in unflown and unexpired airline tickets.

   We reiterated our recommendation that Management should develop a policy for the accounting, reporting and monitoring of PSCs collected by the ACs and on behalf of MIAA, including those due from fixed-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 Bureau of Internal Revenue.

The audit observations together with the recommended courses of action, which were discussed with the concerned Management officials and staff during the exit conference conducted on June 19, 2023, are presented in detail in Part II of the 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 actions taken thereon 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
Director IV

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 - Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
The UP Law Center
The National Library

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CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT

June 23, 2023

MANILA INTERNATIONAL AIRPORT AUTHORITY
OFFICE OF THE GENERAL MANAGER
RECEIVED
JUN 23 2023
TIME
BY

BRYAN ANDERSEN Y. CO
Officer-in-Charge
Manila International Airport Authority
Pasay City

Sir:

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 the audit of the accounts and transactions of Manila International Airport Authority (MIAA) for the years ended December 31, 2022 and 2021.

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 expressed a qualified opinion on the fairness of presentation of the financial statements of MIAA because the correctness/completeness of the total Passenger Service Charge (PSC) collected totaling P3.597 billion, accrued/recognized as Transportation System Fee (MIAA's share), Due to Bureau of the Treasury and Due to National Government Agencies amounting to P2.970 billion, P304.844 million and P322.218 million, respectively, was not ascertained due to the lack of reliable data on the number of PSC-paying passengers.

Moreover, MIAA's Accounts Receivable (AR) totaling P3.352 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard (PFRS) 9. Thus, the amortized cost of AR amounting to P1.905 billion could be more than its recoverable amount.

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Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

For the above observations, we recommended that Management:

On 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 passenger movement that is useful in generating financial data to assist the Accounting Division (AD) in capturing PSC collections accurately and detect errors on the Remittance Reports submitted by Air Carrier (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 PSC-exempted passengers; 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;

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; and

d. Identify the ACs with missed PSC remittances that were billed of Tacking Fee charges per Flight Operations Report and Bill of Charges and demand remittance of PSC from them.

On AR:

a. Revisit its 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.

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a. Conduct proper assessment on the IAR – DPWH to ensure that the valuation of IAR at amortized cost will not exceed the recoverable amount.

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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 the amount collected per AD;

d. Determine and monitor the concessionaires with unremitted or under-remitted Gross Sales-based CPFs and collect unremitted CPF; and

e. Submit to the Audit Team the documents on the result of conduct of MIAA Audit Procedure per Paragraph 14 of Memorandum Circular (MC) No. 06, series of 2021.

The other significant audit observation and recommendation that needs immediate action is as follows:

1. The policy requiring the remittance of PSC on flown and expired tickets only pursuant to Sections 6.2 and 6.3 of MIAA 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 continued possession by ACs of PSC collections integrated in unflown and unexpired airline tickets.

   We reiterated our recommendation that Management should develop a policy for the accounting, reporting and monitoring of PSCs collected by the ACs and on behalf of MIAA, including those due from fixed-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 Bureau of Internal Revenue.

The audit observations together with the recommended courses of action, which were discussed with the concerned Management officials and staff during the exit conference conducted on June 19, 2023, 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
Director IV

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
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

MANILA INTERNATIONAL AIRPORT AUTHORITY

For the Years Ended December 31, 2022 and 2021

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, 2022, the MIAA has 1,288 organic personnel, 2,554 contract of service and 80 job order personnel. It has an approved Corporate Operating Budget for calendar year 2022 amounting to P8.416 billion.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	(In Thousand Pesos)		
	2022	2021 (As restated)	Increase/ (Decrease)
Assets	51,528,309	50,244,649	1,283,660
Liabilities	4,805,320	5,408,646	(603,326)
Equity	46,722,989	44,836,003	1,886,986

[1] Formerly Manila International Airport

Comparative Results of Operation

	(In Thousand Pesos)		
	2022	2021 (As restated)	Increase/ (Decrease)
Income	10,371,767	4,464,899	5,906,868
Less: Expenses	6,937,516	6,484,237	453,279
Income (Loss) Before Tax	3,434,251	(2,019,338)	5,453,589
Less: Income Tax Expenses	109,894	140,765	(30,871)
Income (Loss) After Tax	3,324,357	(2,160,103)	5,484,460
Subsidy from National Government	0	70,592	(70,592)
Less: Subsidy to Other Funds	1,429,707	587,571	842,136
Net Income (Loss)	1,894,650	(2,677,082)	4,571,732

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, 2022 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, 2022 and 2021. 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 rendered a qualified opinion on the fairness of presentation of the financial statements of MIAA for the years 2022 and 2021 because the correctness/completeness of the total Passenger Service Charge (PSC) collected totaling P3.597 billion, accrued/recognized as Transportation System Fee (MIAA's share), Due to Bureau of the Treasury and Due to National Government Agencies amounting to P2.970 billion, P304.844 million and P322.218 million, respectively, was not ascertained. The lack of reliable data on the number of paying passengers caused the inability to determine the complete/accurate 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 the Authority.

Moreover, MIAA's Accounts Receivable (AR) totaling P3.352 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard (PFRS) 9. The Authority's assessment of Expected Credit Loss (ECL) for past due accounts did not consider that credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Also, some disputed accounts for which a similar dispute was already decided by the court against MIAA, was not adequately provided of ECL. The prior cases decided against MIAA are considered available data which may support or indicate a measurable decrease in estimated future cash flows pertaining to the disputed receivables.

Thus, the amortized cost of AR amounting to P1.905 billion could be more than its recoverable amount.

Similarly, the Inter-Agency Receivable (IAR) – Department of Public Works and Highways (DPWH) account amounting to P996.399 million with amortized cost of P785.952 million was not properly assessed to determine current/updated evidence of impairment as required under PFRS 9. Considering that DPWH does not recognize any amount payable to MIAA, the Authority should have taken into consideration that a credit loss occurs, since the collectability of the receivable is dependent on the approved budget of DPWH per General Appropriations Act.

The completeness of the Concession Privilege Fee (CPF) income amounting to P336.288 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 the Financial Management Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

For the above observations, we recommended that Management:

On 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 passenger movement that is useful in generating financial data to assist the Accounting Division (AD) in capturing PSC collections accurately and detect errors on the RRs submitted by ACs, to include data on the following:

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

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; and

d. Identify the ACs with missed PSC remittances that were billed of Tacking Fee charges per Flight Operations Report and Bill of Charges and demand remittance of PSC from them.

On AR:

a. Revisit its 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.

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a. Conduct proper assessment on the IAR – DPWH to ensure that the valuation of IAR at amortized cost will not exceed the recoverable amount.

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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 the amount collected per AD;

d. Determine and monitor the concessionaires with unremitted or under-remitted Gross Sales-based CPFs and collect unremitted CPF; and

e. Submit to the Audit Team the documents on the result of conduct of MIAA Audit Procedure per Paragraph 14 of Memorandum Circular (MC) No. 06, series of 2021.

The other significant audit observation and recommendation that needs immediate action is as follows:

1. The policy requiring the remittance of PSC on flown and expired tickets only pursuant to Sections 6.2 and 6.3 of MIAA 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 continued possession by ACs of PSC collections integrated in unflown and unexpired airline tickets.

   We reiterated our recommendation that Management should develop a policy for the accounting, reporting and monitoring of PSCs collected by the ACs and on behalf of MIAA, including those due from fixed-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 Bureau of Internal Revenue.

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 P58.641 million as of December 31, 2022, details of which are included in Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 56 audit recommendations contained in the prior years' Annual Audit Reports, 31 were implemented/reconsidered and the remaining 25 which were not implemented by MIAA are reiterated in Part II of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

INDEPENDENT AUDITOR'S REPORT

The Board of Directors
Manila International Airport Authority
Pasay City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Manila International Airport Authority (the Authority or MIAA), which comprise the statements of financial position as at December 31, 2022 and 2021, 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.

In our opinion, except for the effects and possible effects of the matters discussed in the Bases for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of MIAA as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

The correctness/completeness of the total Passenger Service Charge (PSC) collected totaling P3.597 billion, accrued/recognized as Transportation System Fee (MIAA's share), Due to Bureau of the Treasury and Due to National Government Agencies amounting to P2.970 billion, P304.844 million and P322.218 million, respectively, was not ascertained. The lack of reliable data on the number of paying passengers caused the inability to determine the complete/accurate 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 the Authority.

MIAA's Accounts Receivable (AR) totaling P3.352 billion were not properly assessed to determine current/updated evidence of impairment as required under PFRS 9. The Authority's assessment of Expected Credit Loss (ECL) for past due accounts did not consider that credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Also, some disputed accounts for which a similar dispute was already decided by the court against MIAA, was not adequately provided of ECL. The prior cases decided against MIAA are considered available data which may support or indicate a measurable decrease in estimated future cash flows pertaining to the disputed receivables. Thus, the amortized cost of AR amounting to P1.905 billion could be more than its recoverable amount.

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

Other Matters

In our report dated June 9, 2022, we did not express an opinion on the Calendar Year (CY) 2021 financial statements because the balance of Property and Equipment (PE), 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 Property, Plant and Equipment (RPCPPE) and the General Ledger balances are not reconciled, showing a variance of P627.711 million. As a result, 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. Unserviceable properties with carrying amount of P5.158 million is for derecognition.

Also, the total land area owned by MIAA per Subsidiary Ledger (SL) prepared by Accounting Division and per Land Asset Inventory prepared by Business and Investment Development Division are not reconciled, showing a variance of 291,257 square meters. 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 amounting to P14.790 billion was not ascertained.

In CY 2022, diligent efforts were made by MIAA Management to produce and retrieve documents to support the recorded balances of the PE and Land Assets. The variance between the balances of PE recorded in the books of accounts and RPCPPE, and the variance between the total land area of MIAA's land assets per SL and per Land Asset Inventory were reconciled. Accordingly, our present opinion on the restated 2021 financial statements, as presented herein is no longer modified concerning these matters.

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of MIAA's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on MIAA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause MIAA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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 and has been subjected to auditing procedures applied in our audits of the basic financial statements. In our opinion, except for the possible effects of the matters described in the Bases for Qualified Opinion paragraph of our report, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

KIMBERLY R. CAALAM
OIC - Supervising Auditor

June 19, 2023

MIA Road, NAIA Complex
Pasay City, Philippines 1300

www.miaa.gov.ph
(632) 8877-1109

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, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines necessary to enable the preparation 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 the 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. JAIME J. BAUTISTA
Chairman of the Board

BRYAN ANDERSEN Y. CO
Officer-In-Charge, MIAA

ALICE R. NATIVIDAD
Manager, Accounting Division

Signed this 19th day of June 2023.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2022 and 2021
(in Philippine Peso)

	Note	**2022**	2021 (As restated)	January 1, 2021 (As restated)
ASSETS				
Current Assets				
Cash and Cash Equivalents	6	**7,147,527,098**	703,387,686	350,972,168
Financial Assets	7	**2,657,633,741**	4,636,448,495	8,944,325,524
Receivables, net	8	**3,168,156,374**	4,477,490,757	4,085,807,149
Inventories	9	**167,481,091**	151,067,117	118,913,704
Other Current Assets	10	**1,953,498,933**	2,378,205,584	1,946,393,981
Total Current Assets		**15,094,297,237**	12,346,599,639	15,446,412,526
Non-Currrent Assets				
Investment Property, net	11	**9,039,864,372**	9,039,864,372	9,039,864,372
Property and Equipment, net	12	**26,573,993,916**	28,001,991,361	28,165,916,514
Right-of-Use Assets, net	13	**99,245,599**	257,697,800	416,150,001
Intangible Assets	14	**24,001,172**	24,001,172	21,128,643
Deferred Tax Assets	15, 34	**696,251,458**	573,839,483	673,679,885
Other Non-Current Assets	16	**655,000**	655,000	655,000
Total Non-Current Assets		**36,434,011,517**	37,898,049,188	38,317,394,415
TOTAL ASSETS		**51,528,308,754**	50,244,648,827	53,763,806,941
LIABILITIES				
Current Liabilities				
Financial Liabilities	17	**1,083,960,168**	1,670,941,677	1,854,636,547
Lease Payable	18	**112,948,043**	157,876,030	147,496,688
Inter-Agency Payables	19	**701,851,968**	375,743,899	457,707,129
Trust Liabilities	20	**1,679,877,799**	1,442,022,576	1,325,011,829
Deferred Credits/Unearned Income	21	**634,052,414**	550,938,114	486,872,272
Provisions	22	**214,122,224**	180,142,653	186,245,434
Other Payables	23	**378,507,799**	528,648,843	539,911,297
Total Current Liabilities		**4,805,320,415**	4,906,313,792	4,997,881,196
Non-Current Liabilities				
Financial Liabilities	17	**0**	389,383,731	1,065,552,084
Lease Payable	18	**0**	112,948,043	270,824,073
Total Non-Current Liabilities		**0**	502,331,774	1,336,376,157
Total Liabilities		**4,805,320,415**	5,408,645,566	6,334,257,353
EQUITY				
Government Equity	24	**18,010,052,336**	18,010,052,336	17,974,657,124
Retained Earnings	25	**28,712,936,003**	26,825,950,925	29,454,892,464
Total Equity		**46,722,988,339**	44,836,003,261	47,429,549,588
TOTAL LIABILITIES AND EQUITY		**51,528,308,754**	50,244,648,827	53,763,806,941

The notes on pages 10 to 58 form part of this financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(in Philippine Peso)

	Note	**2022**	2021 (As restated)
INCOME			
Business and Service Income	26	**10,193,181,309**	4,413,439,183
Shares, Donations and Grants	27	**56,466,600**	1,091,000
Gains	28	**92,404,540**	31,941,894
Other Non-Operating Income	29	**29,714,985**	18,427,220
		10,371,767,434	4,464,899,297
EXPENSES			
Personnel Services	30	**1,075,278,815**	970,950,456
Maintenance and Other Operating Expenses	31	**3,562,438,403**	3,268,062,346
Financial Expenses	32	**45,663,610**	100,520,907
Non-Cash Expenses	33	**2,254,135,362**	2,144,703,447
		6,937,516,190	6,484,237,156
INCOME (LOSS) BEFORE TAX		**3,434,251,244**	(2,019,337,859)
Income Tax Expense	34	**109,893,801**	140,764,520
INCOME (LOSS) AFTER TAX		**3,324,357,443**	(2,160,102,379)
Subsidy from National Government - DOTr	35	**0**	70,591,586
Subsidy to Other Funds	36	**(1,429,706,937)**	(587,571,176)
NET INCOME (LOSS)		**1,894,650,506**	(2,677,081,969)

The notes on pages 10 to 58 form part of this financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(in Philippine Peso)

	Note		Contributed Capital (Note 24)	Retained Earnings (Note 25)	Total
Balances, January 1, 2021, as reported		**10,000,000,000**	**6,235,157,609**	**30,047,085,340**	**46,282,242,949**
Adjustments/Correction of Errors	39		1,739,499,515	(592,192,876)	1,147,306,639
Balances, January 1, 2021, as restated		**10,000,000,000**	**7,974,657,124**	**29,454,892,464**	**47,429,549,588**
Changes in Equity for 2021					
Net loss for the year				(2,677,081,969)	(2,677,081,969)
Dividends declared				0	0
Reversal of prior year FOREX revaluation				48,140,430	48,140,430
Liquidation of DOTr funds transferred to MIAA for the NAIA Terminal 2 Rehabilitation Project			35,395,212		35,395,212
Accrual of expenses for unliquidated cash advances to NGAs:					
Reversal of unliquidated balance, beginning of the year				2,816,120	2,816,120
Unliquidated cash advances, end of the year				(2,816,120)	(2,816,120)
Balances, December 31, 2021, as restated		**10,000,000,000**	**8,010,052,336**	**26,825,950,925**	**44,836,003,261**
Changes in Equity for 2022					
Net income for the year				1,894,650,506	1,894,650,506
Dividends declared				0	0
Reversal of prior year FOREX revaluation				(7,665,428)	(7,665,428)
Accrual of expenses for unliquidated cash advances to NGAs:					
Reversal of unliquidated balance, beginning of the year				2,816,120	2,816,120
Unliquidated cash advances, end of the year				(2,816,120)	(2,816,120)
Balances, December 31, 2022		**10,000,000,000**	**8,010,052,336**	**28,712,936,003**	**46,722,988,339**

The notes on pages 10 to 58 form part of this financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(in Philippine Peso)

	Note	**2022**	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		**10,922,135,915**	3,576,775,133
Collection of Receivables		**528,112**	2,092,852
Receipt of Inter-Agency Fund Transfers		**1,606,361,606**	410,226,729
Trust Receipts		**280,079,958**	205,142,518
Total Cash Inflows		**12,809,105,591**	4,194,237,232
Cash Outflows			
Payment of Expenses		**4,846,444,815**	4,890,880,919
Grant of Cash Advances		**218,908**	0
Remittance of Personnel Benefit Contributions and Mandatory Deductions		**126,901,196**	123,335,881
Grant of Financial Assistance/Subsidy/Contribution		**1,115,989,206**	491,720,029
Release of Inter-Agency Fund Transfers		**897,826,509**	451,375,427
Other Disbursements		**157,814,115**	208,125,163
Total Cash Outflows		**7,145,194,749**	6,165,437,419
Net Cash Provided by/(Used in) Operating Activities		**5,663,910,842**	(1,971,200,187)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflow			
Proceeds from Matured Investments		**4,669,156,259**	14,153,480,920
Total Cash Inflow		**4,669,156,259**	14,153,480,920
Cash Outflows			
Purchase/Acquisition of Investments		**2,657,633,741**	9,740,385,476
Purchase/Construction of Property and Equipment		**619,851,619**	1,141,976,976
Total Cash Outflows		**3,277,485,360**	10,882,362,452
Net Cash Provided by Investing Activities		**1,391,670,899**	3,271,118,468
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Long-Term Liabilities		**624,793,538**	895,297,787
Payment of Interest on Loans and Other Financial Charges		**36,901,809**	71,633,085
Total Cash Outflows		**661,695,347**	966,930,872
Net Cash Used in Financing Activities		**(661,695,347)**	(966,930,872)
Effects of exchange rate changes on cash and cash equivalents		**50,253,018**	19,428,109
NET INCREASE IN CASH AND CASH EQUIVALENTS		**6,444,139,412**	352,415,518
CASH AT BEGINNING OF THE YEAR		**703,387,686**	350,972,168
CASH AT END OF THE YEAR	6	**7,147,527,098**	703,387,686

The notes on pages 10 to 58 form part of this financial statements.

1. GENERAL INFORMATION

The Manila International Airport Authority (MIAA), an attached agency of the Department of Transportation, was created by virtue of Executive Order (EO) No. 778 which was approved on March 4, 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 for passengers' safety, security, comfort and welfare. The following are the major projects (P5 million and above) completed in CY 2022:

- Thermoplastic Repainting of Pavement Markings and Taxiways;

- Replacement of Elevators PE1, PE2 and SE4 at Ninoy Aquino International Airport (NAIA) Terminal 1; and

- Replacement of Departure Baggage Handling System at NAIA Terminal 1.

The MIAA has successfully maintained its International Organization for Standardization (ISO) 9001: 2015 Quality Management System certification after passing the external audit conducted by Certification Partner Global (CPG) in CY 2022. 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.

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, Philippine Interpretations Committee and Standing Interpretations Committee as approved by the Financial Reporting Standards Council and Board of Accountancy.

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 2022 that are relevant to the Authority

The new and amended PFRS which are effective for the year ended December 31, 2022 and have been applied in preparing the financial statements are summarized below.

- 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 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.

b. Effective in 2022 that are not relevant to the Authority

- 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 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 PFRSs.

- 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 includes 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 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.

c. *New and amended PFRS issued but not yet effective*

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 *and PFRS Practice Statement 2, 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*, 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.

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

- Amendments to PFRS 17, *Insurance Contracts* – On December 15, 2021, the FSRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of IFRS 17 by two (2) years after its effective date as decided by the IASB.

  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.

- 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 Authority.

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, 2022 and 2021.

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).

Impairment of Financial Assets at Amortized Cost and FVOCI

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.

<u>Derecognition of Financial Assets and Liabilities</u>

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.

<u>*Leases*</u>

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 Philippine Financial Reporting Standards (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.

The Authority adopted the new accounting policy in the recognition of Property, Plant and Equipment (PPE) due to increase of capitalization threshold from P15,000 to P50,000 per Commission on Audit (COA) Circular No. 2022-004 dated May 31, 2022 in reference to Section 23 of the General Provisions of Republic Act No. 11639 or the FY 2022 General Appropriations Act. Accordingly, tangible items below P50,000 shall be accounted as semi-expendable property.

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 computed based on the collectability of the receivable accounts and other criteria such as age of the receivables, length of the Authority's relationship with the customer, customer's payment behavior, collection and expected loss experiences as follows:

Age of Account	Rate of Allowance for Impairment
Accounts without Disputes	
Current (not yet due)	1%
1 – 180 days	5%
181 – 365 days	10%
1 – 2 years	20%
3 – 5 years	40%
6 – 10 years	60%
Dormant Account	100%
Account with Promissory Note	5%
Disputed Accounts (with and without Court Case)	
1 year	10%
2 years	40%
3 – 10 years	60%
Over 10 years	90%

At the end of 2022 and 2021, the Authority has recognized allowance for impairment of receivables in the amount of P1.474 billion and P1.393 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
Furniture and Fixtures	10	Motor Vehicles	7
Machineries	10	Other Equipment	5

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2022	2021
Cash on Hand	**22,486,015**	7,126,912
Cash in Bank - Local Currency	**6,433,046,144**	246,291,720
Cash in Bank - Foreign Currency	**691,994,939**	449,969,054
	7,147,527,098	703,387,686

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 P55.755 and P50.999 to US$1.00 as of December 31, 2022 and 2021, respectively.

Total interest earned on cash deposits included in the Statements of Comprehensive Income amounted to P69.841 million and P8.375 million in 2022 and 2021, respectively (Note 26).

7. FINANCIAL ASSETS

Financial Assets pertains to investment in peso time deposits with Authorized Government Depository Banks for a period of 91 days or more amounting to P2.658 billion and P4.636 billion in 2022 and 2021, respectively.

Total interest earned on these short-term investments included in the Statements of Comprehensive Income amounted to P40.251 million and P99.343 million in 2022 and 2021, respectively (Note 26).

8. RECEIVABLES

This account consists of the following:

	2022	2021 (As restated)
Loans and Receivables		
Accounts Receivable		
Concessionaires/Lessees	**3,037,562,502**	3,922,383,831
Passenger Service Charges	**314,358,225**	433,434,486
	3,351,920,727	4,355,818,317
Allowance for Impairment	**(1,446,742,909)**	(1,393,433,819)
	1,905,177,818	2,962,384,498
Interest Receivables	**36,399,424**	13,546,662
	1,941,577,242	2,975,931,160
Inter-Agency Receivables		
National Government Agencies (NGAs)	**1,008,620,675**	1,024,887,297
Allowance for Impairment	**(211,754,406)**	0
	796,866,269	1,024,887,297
Other Receivables		
Expanded Value-Added Tax (E-VAT)	**350,664,174**	376,653,854
Receivables - Disallowances/Charges	**47,438,936**	47,917,634
Others	**31,609,753**	52,100,812
	429,712,863	476,672,300
	3,168,156,374	4,477,490,757

Accounts Receivable consists of receivables from airline companies (including unremitted collections of airline companies for terminal fees/Passenger Service Charges integrated in the sale of flown airline tickets), and concessionaires/lessees (Government-Owned and Controlled Corporations, NGAs and non-government entities) 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.

A reconciliation of the allowance for impairment at the beginning and end of 2022 and 2021 is shown below.

	2022	2021 (As restated)
Balance, January 1	**1,393,433,819**	1,292,558,298
Provision for the year	**69,669,841**	173,248,816
Write-off	**(16,360,751)**	(72,373,295)
Balance, December 31	**1,446,742,909**	1,393,433,819

MIAA's request for authority to write-off the receivables from Civil Aviation Authority of the Philippines covering CYs 2009 to 2011 was granted per COA-Corporate Government Audit Sector (CGAS) Decision No. 2021-006 dated October 18, 2021 and COA-CGAS Decision No. 2022-013 dated December 19, 2022.

Interest Receivables pertains to accrued interest on time deposits.

Inter-Agency Receivables consists mainly of the sale of the 61,148 square meter (sq. m.) land to Department of Public Works and Highways (DPWH) for the C5 Road Extension Project (Note 12). In March 2019, MIAA collected P913.803 million or 50 per cent of the total receivable from DPWH. Second and final payment to be made (a) at the time of the transfer of 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 Memorandum of Agreement 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 (E-VAT) pertains to the balances of the 12 per cent E-VAT billed to concessionaires.

Receivables - Disallowances/Charges pertains to COA disallowances 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 GR No. 218388 dated September 1, 2020.

9. INVENTORIES

This account consists of the following:

	2022	2021
Electrical Supplies and Materials Inventory	**88,613,761**	98,982,805
Construction Materials Inventory	**45,949,195**	27,740,175
Office Supplies Inventory	**4,938,804**	5,604,926
Fuel, Oil, and Lubricants Inventory	**1,718,741**	1,625,787
Military, Police and Traffic Supplies	**1,287,975**	1,441,665
Drugs and Medicines Inventory	**1,161,572**	1,684,980
Medical, Dental and Laboratory Supplies	**93,490**	60,697
Accountable Forms, Plates and Stickers	**0**	110,000
Other Supplies and Materials Inventory	**23,717,553**	13,816,082
	167,481,091	151,067,117

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:

	2022	2021 (As restated)
Restricted Fund	**1,124,523,351**	1,111,145,411
Prepayments	**741,720,366**	1,179,804,957
Guaranty Deposits	**87,255,216**	87,255,216
	1,953,498,933	2,378,205,584

Restricted Fund represents the fund transfer from the Department of Transportation for the Ninoy Aquino International Airport Terminal 2 Rehabilitation Project, and the remittances from airline companies of unrefunded Passenger Service Charge from unflown/unused/cancelled airline tickets (Note 20).

The breakdown of *Prepayments* is as follows:

	2022	2021 (As restated)
Creditable Input Tax	**486,676,713**	758,476,607
Input Tax	**168,895,620**	200,429,989
Withholding Tax at Source	**68,968,249**	126,535,409
Deferred Input Tax	**15,364,784**	63,513,836
Prepaid Insurance	**1,815,000**	18,750,473
Advances to Contractors	**0**	12,098,643
	741,720,366	1,179,804,957

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

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

- *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 to the Bureau of Internal Revenue.

- *Prepaid Insurance* pertains to advances for the insurance of MIAA properties.

- *Advances to Contractors* pertains to advances for the mobilization funds of contractors, and credited for recoupment upon payment of progress billings.

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

11. INVESTMENT PROPERTY

This account consists of the following:

	BUILDINGS	LAND	TOTAL
At December 31, 2021 (As restated)			
Cost	334,111,026	9,006,453,270	9,340,564,296
Accumulated Depreciation	(300,699,924)	0	(300,699,924)
Carrying Amount	**33,411,102**	**9,006,453,270**	**9,039,864,372**
Year Ended December 31, 2022			
Opening Net Book Value	33,411,102	9,006,453,270	9,039,864,372
Depreciation Expense	0	0	0
Closing Net Book Value	**33,411,102**	**9,006,453,270**	**9,039,864,372**
At December 31, 2022			
Cost	334,111,026	9,006,453,270	9,340,564,296
Accumulated Depreciation	(300,699,924)	0	(300,699,924)
Carrying Amount	**33,411,102**	**9,006,453,270**	**9,039,864,372**

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 Rent/Lease Income from MIAA's Investment Property (General Aviation Area) amounted to P218.240 million and P152.350 million in 2022 and 2021, respectively (Note 38).

Based on the CY 2018 Appraisal Report of Celer Appraisal Inc. on MIAA land and buildings located at General Aviation Area, 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 in General Aviation Area have a fair market value of P519.170 million.

12. PROPERTY AND EQUIPMENT

	LAND & LAND IMPROVEMENTS	AIRPORT SYSTEMS	BUILDINGS	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
2022						
COST						
Balance, January 1, 2022	10,003,501,808	27,253,489,883	440,887,001	10,203,038,739	1,442,952,904	49,343,870,335
Additions	1,835,967	0	911,752	741,694,062	235,332,723	979,774,504
Reclassifications	0	0	0	0	(553,646,195)	(553,646,195)
Disposals	0	(283,871,881)	0	(108,555,496)	0	(392,427,377)
Balance, December 31, 2022	**10,005,337,775**	**26,969,618,002**	**441,798,753**	**10,836,177,305**	**1,124,639,432**	**49,377,571,267**

	LAND & LAND IMPROVEMENTS	AIRPORT SYSTEMS	BUILDINGS	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
ACCUMULATED DEPRECIATION						
Balance, January 1, 2022	3,916,218,465	10,220,597,281	331,996,701	6,873,066,527	0	21,341,878,974
Depreciation	25,381,281	1,125,130,085	5,504,738	590,101,767	0	1,746,117,871
Disposals	0	(205,188,105)	0	(79,231,389)	0	(284,419,494)
Balance, December 31, 2022	**3,941,599,746**	**11,140,539,261**	**337,501,439**	**7,383,936,905**	**0**	**22,803,577,351**
Carrying Amount, December 31, 2022	**6,063,738,029**	**15,829,078,741**	**104,297,314**	**3,452,240,400**	**1,124,639,432**	**26,573,993,916**
2021 (As restated)						
COST						
Balance, January 1, 2021	10,000,902,591	26,569,293,792	423,340,871	9,902,110,658	1,596,267,600	48,491,915,512
Additions	0	969,654,516	17,546,130	522,933,837	648,182,306	2,158,316,789
Reclassifications	2,599,217	302,311,419	0	(2,599,217)	(801,497,002)	(499,185,583)
Disposals	0	(587,769,844)	0	(219,406,539)	0	(807,176,383)
Balance, December 31, 2021	**10,003,501,808**	**27,253,489,883**	**440,887,001**	**10,203,038,739**	**1,442,952,904**	**49,343,870,335**
ACCUMULATED DEPRECIATION						
Balance, January 1, 2021	3,876,669,576	9,595,675,087	326,772,274	6,526,882,061	0	20,325,998,998
Depreciation	39,548,889	1,108,838,994	5,224,427	540,202,373	0	1,693,814,683
Disposals	0	(483,916,800)	0	(194,017,907)	0	(677,934,707)
Balance, December 31, 2021	**3,916,218,465**	**10,220,597,281**	**331,996,701**	**6,873,066,527**	**0**	**21,341,878,974**
Carrying Amount, December 31, 2021	**6,087,283,343**	**17,032,892,602**	**108,890,300**	**3,329,972,212**	**1,442,952,904**	**28,001,991,361**

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.

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 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 24).

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 P540.06 million or at zonal value of P10,000 per sq. m. Subject property was used by DPWH for the construction of the C5 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 to implement the Republic's approved construction of the C5 South Link Expressway Project (C5 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, 2022, the total land area owned by the Authority is 6,060,405 sq. m. inclusive of the 22.3 hectares transferred from NPF and Investment Property – Land (Note 11) but exclusive of the 115,154 sq. m. sold to DPWH, 64,417 sq. m. occupied and to be transferred to Civil Aviation Authority of the Philippines and the 357,655 sq. m. covered by the following Presidential Proclamations (PPs):

PP No.	Area in sq. m.	Retained Areas (PP No. 1027)	Final Area in sq. m.	Site
144/391	138,241	20,000	118,241	Balagbag 1, Bo. Pilipino Putol, Don Carlos Village, Maricaban
595	243,972	52,603	191,369	Balagbag 2, Pildera 1 and 2, Rivera Village
1225	2,000		2,000	SHEC Project; Relocation of ISF at PAL Gate 1, Andrews Avenue
135	26,045		26,045	Sitio San Juan, Sitio Rita, Sitio Maligaya, Sitio Puyat
350	20,000		20,000	DSWD & NCWP
Total	**430,258**	**72,603**	**357,655**	

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.

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
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	189	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

	2022	2021
Right-of-use Assets, Land	**733,054,402**	733,054,402
Accumulated Impairment Losses	**(633,808,803)**	(475,356,602)
Carrying Amount	**99,245,599**	257,697,800

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

14. INTANGIBLE ASSETS

This account represents cost incurred in the development of computer software for the 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 34).

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:

	2022	2021 (As restated)
Payables	**715,049,567**	1,034,598,266
Bills/Bonds/Loans Payable	**368,910,601**	1,025,727,142
Less: Non-Current Portion	**0**	(389,383,731)
	1,083,960,168	1,670,941,677

The breakdown of *Payables* account is as follows:

	2022	2021 (As restated)
Accounts Payable	**653,827,096**	941,302,275
Due to Officers and Employees	**54,477,259**	76,039,248
Interest Payable	**6,745,212**	17,256,743
	715,049,567	1,034,598,266

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 interest due on loans acquired from various creditors.

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

	2022	2021
Foreign Loans	**368,910,601**	781,613,242
Domestic Loans	**0**	244,113,900
	368,910,601	1,025,727,142

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

	2022	2021
French Loan to finance consultancy services for the detailed architectural and engineering design of NAIA Terminal 2 contracted with Natixis (formerly Credit Nacionale)		
FRF 321,800 = Euro 49,058.07 = US$ 55,828.08 at P50.974		2,845,781
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)		
JPY 878,738,000 = US$ 6,535,174.51 at P56.45	**368,910,601**	
JPY 1,757,476,000 = US$ 15,277,738.87 at P50.974		778,767,461
	368,910,601	781,613,242
Less: Current Portion	**(368,910,601)**	(392,229,511)
	0	389,383,731

The French loan from Credit Nacionale, 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, formerly OECF, now Japan International Cooperation Agency, 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 (NG).

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

	2022	2021
LBP PN No. 4808 TL12 4076 000 dated April 11, 2012	**122,056,950**	366,170,850
DBP PN No. 2012-29-021 dated April 11, 2012	**122,056,950**	366,170,850
Less: Semi-annual amortization	**(244,113,900)**	(488,227,800)
	0	244,113,900
Less: Current Portion	**0**	(244,113,900)
	0	0

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 NG.

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 site from BCDA. The lease is for a period of 25 years, with annual rental of 1 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 payments 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, 2022, the carrying amount of Lease Payable is as follows:

Balance, January 1	270,824,073
Interest Expense	19,057,890
Lease Payment	(176,933,920)
	112,948,043
Current Portion	112,948,043
Non-Current Portion	0

19. INTER-AGENCY PAYABLES

This account consists of the following:

	2022	2021 (As restated)
Due to Bureau of the Treasury (BTr)	**585,859,746**	199,693,396
Due to Bureau of Internal Revenue (BIR)	**58,625,642**	139,435,001
Due to National Government Agencies (NGAs)	**36,597,414**	22,734,476
Due to Government Service Insurance System	**14,920,962**	11,750,860
Due to PhilHealth	**3,919,749**	979,890
Due to Pag-IBIG	**1,928,455**	1,150,276
	701,851,968	375,743,899

Due to BTr represents unremitted share of the NG and the Office for Transportation Security (OTS) on the following:

	2022	2021
20 per cent share on MIAA income	**486,028,274**	172,310,543
Passenger Service Charge (PSC) International	**60,994,022**	18,250,637
OTS share on PSC Domestic	**38,837,450**	9,132,216
	585,859,746	199,693,396

Due to BIR represents taxes withheld on salaries, goods and services.

Due to NGAs represents unliquidated portion of the fund transfer from Department of Transportation (DOTr) for the NAIA Terminal 2 Rehabilitation Project, unremitted share of the OTS on international terminal fees, interest earned from subsidy/others and payable to Department of Budget and Management (DBM) Procurement Service.

	2022	2021
OTS share on PSC International	**36,596,413**	10,950,382
Interest earned from subsidy	**1,001**	979,393
Department of Budget and Management – Procurement Service	**0**	10,804,701
	36,597,414	22,734,476

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 as the National Civil Aviation Security Committee. Section 2 of EO No. 277 directs the OTS to be primarily responsible for the implementation of International Civil Aviation Organization 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 per cent) 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 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:

	2022	2021
Trust Liabilities	**1,124,522,350**	1,006,639,171
Customer's Deposits Payable	**406,245,546**	306,735,614
Guaranty/Security Deposits Payable	**149,109,903**	128,647,791
	1,679,877,799	1,442,022,576

Trust Liabilities represents remittances of various airline companies starting July 2018 of unrefunded terminal fees/PSC 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 consists of the following:

	2022	2021 (As restated)
Deferred Output Tax	**350,664,174**	376,653,852
Output Tax	**156,981,998**	72,494,804
Unearned Revenue/Income	**126,406,242**	101,789,458
	634,052,414	550,938,114

Deferred Output Tax represents value-added tax (VAT) amount which is not due until actual payment of the billed amount from clients.

Output Tax represents Output VAT collected from sale of goods and services.

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

22. PROVISIONS

This account represents the present value of the accumulated unused leave credits of MIAA personnel based on their basic salaries.

	2022	2021
Balance, January 1	**180,142,653**	186,245,434
Add: Accumulated Leave Credits	**85,384,269**	54,921,723
Less: Payment of Terminal Leave Benefit during the year	**(51,404,698)**	(61,024,504)
Leave Benefits Payable, December 31	**214,122,224**	180,142,653

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

23. OTHER PAYABLES

This account consists of the following:

	2022	2021
Undistributed Collections	**24,013,002**	20,974,024
Other Payables	**354,494,797**	507,674,819
	378,507,799	528,648,843

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

The breakdown of *Other Payables* account is as follows:

	2022	2021
Retention Payable	**210,797,180**	337,168,327
Contra Account – Deferred Input Tax (Note 10)	**15,364,784**	63,513,836
Tax Refund Payable	**11,640,639**	17,607,746
Others	**116,692,194**	89,384,910
	354,494,797	507,674,819

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

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

24. GOVERNMENT EQUITY

This account consists of the following:

	2022	2021 (As restated)
Government Equity	**10,000,000,000**	10,000,000,000
Contributed Capital	**8,010,052,336**	8,010,052,336
	18,010,052,336	18,010,052,336

Government Equity includes the value of assets transferred to the Authority by the Air Transportation Office (now Civil Aviation Authority of the Philippines), and DOTC (now DOTr). This also includes the P605 million share of the National Government (NG) on the income of the Authority from 1983 to 1986 that was converted to NG equity in accordance with EO No. 298, and P2.808 billion representing 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 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 *Contributed Capital* represents property transferred from the DOTr for the completion, renovation and upgrading of NAIA Terminal 3 in December 2018, and 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:

	2022	2021 (As restated)
Nayong Pilipino Foundation	**5,218,937,061**	5,218,937,061
NAIA Terminal 3 Completion Project	**1,954,951,425**	1,954,951,425
NAIA Terminal 2 Rehabilitation Project	**509,000,000**	509,000,000
Rapid Exit Taxiways Project	**300,000,000**	300,000,000
National Housing Authority Project	**26,044,850**	26,044,850
DPWH SLEP C5 Extension Project	**1,119,000**	1,119,000
	8,010,052,336	8,010,052,336

25. 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.

26. BUSINESS AND SERVICE INCOME

This account consists of the following:

	2022	2021 (As restated)
Business Income	**9,700,975,265**	4,242,074,415
Service Income	**492,206,044**	171,364,768
	10,193,181,309	4,413,439,183

Business Income represents income from terminal fees collected from passengers, landing and parking fees for aircraft, rent/lease income, concession privilege fees and other fees and charges as follows:

	2022	2021 (As restated)
Landing and Parking Fees	**3,689,674,005**	2,005,618,843
Transportation System Fees	**2,970,028,795**	576,658,426
Rent/Lease Income	**2,504,794,081**	1,457,731,948
Fines and Penalties - Business Income	**335,929,035**	52,087,770
Interest Income	**110,091,687**	107,718,088
Royalty Fees	**90,457,662**	42,259,340
	9,700,975,265	4,242,074,415

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

	2022	2021
Parking Fees	**311,505,215**	70,525,855
Utilities/GCF/Others	**174,047,293**	95,294,583
Visitors' Stick-on Passes	**6,653,536**	5,544,330
	492,206,044	171,364,768

27. SHARES, DONATIONS AND GRANTS

This account pertains to the donation received in 2021 from Pitmaster Foundation, Inc. of one land ambulance, old commuter van (with medical supplies and accessories), and donation from US21, Inc. of six full body scanners in 2022.

28. GAINS

This account consists of the following:

	2022	2021
Gain on Foreign Revaluation	**75,321,643**	30,978,822
Gain on Foreign Exchange	**17,082,897**	963,072
	92,404,540	31,941,894

Gain on Foreign Revaluation represents gain in the revaluation of foreign denominated assets and liabilities at closing date.

Gain on Foreign Exchange represents actual gain realized in the conversion of foreign currency upon payment of liabilities.

29. 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 bid documents, MIAA access passes and Aircraft Movement Area stickers, sale of scrap materials, renovation permits, etc.

30. PERSONNEL SERVICES

This account consists of the following:

	2022	2021
Salaries and Wages	**543,140,787**	484,099,170
Other Compensation		
Overtime and Night Pay	**103,054,252**	59,016,759
Year-End Bonus	**46,630,786**	47,905,171
Personnel Economic Relief Allowance	**31,451,453**	32,578,955
Hazard Pay	**10,353,785**	42,357,730
Representation Allowance	**8,638,420**	8,963,762
Clothing/Uniform Allowance	**7,782,000**	8,252,268
Cash Gift	**6,812,750**	6,946,500
Laundry Allowance	**276,803**	146,449
Other Bonuses and Allowances	**161,179,619**	130,124,804
Personnel Benefits Contributions		
Retirement and Life Insurance Premiums	**68,335,664**	57,755,926
PhilHealth Contributions	**9,749,337**	6,535,211
Pag-IBIG Contributions	**1,585,600**	1,635,100
Employees Compensation Insurance Premiums	**1,579,900**	1,636,400
Other Personnel Benefits		
Terminal Leave Benefits	**71,079,035**	22,961,749
Retirement Gratuity	**3,628,624**	1,121,938
Other Personnel Benefits	**0**	58,912,564
	1,075,278,815	970,950,456

31. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2022	2021 (As restated)
General Services	**1,055,724,792**	1,010,531,448
Utility Expenses	**952,635,072**	662,426,222
Professional Services	**709,658,628**	692,894,090
Repairs and Maintenance	**561,657,495**	656,080,871
Taxes, Insurance Premiums and Other Fees	**74,573,511**	83,881,297
Supplies and Materials	**66,566,948**	74,058,413
Extraordinary and Miscellaneous Expenses	**17,215,495**	13,589,777
Communication Expenses	**14,649,074**	15,863,200
Training Expenses	**2,725,605**	1,329,696
Traveling Expenses	**422,511**	271,667
Other Maintenance and Operating Expenses	**106,609,272**	57,135,665
	3,562,438,403	3,268,062,346

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

	2022	2021
Service Fee on PSC Collections	**88,007,833**	17,617,840
Rent/Lease Expenses	**11,616,553**	8,910,901
Membership Dues and Contributions to Organizations	**2,692,563**	2,297,799
Representation Expenses	**1,639,402**	2,119,429
Donations	**1,370,156**	25,123,593
Subscription Expenses	**1,122,895**	1,044,232
Advertising Expenses	**159,870**	21,871
	106,609,272	57,135,665

32. FINANCIAL EXPENSES

This account consists of the following:

	2022	2021
Interest Expenses	**45,374,615**	89,428,758
Bank Charges	**50,494**	99,675
Guarantee Fees	**14,096**	4,943,830
Other Financial Charges	**224,405**	6,048,644
	45,663,610	100,520,907

33. NON-CASH EXPENSES

This account consists of the following:

	2022	2021 (As restated)
Depreciation	**1,746,117,871**	1,693,814,683
Impairment Loss	**499,994,377**	435,554,061
Losses	**8,023,114**	15,334,703
	2,254,135,362	2,144,703,447

Breakdown of *Depreciation* account is as follows*:*

	2022	2021 (As restated)
Infrastructure Assets	**1,125,130,085**	1,108,838,994
Machinery and Equipment	**573,936,884**	523,661,085
Land Improvements	**25,381,281**	39,548,889
Transportation Equipment	**11,437,697**	10,963,876
Buildings and Other Structures	**5,504,738**	5,224,427
Other Property and Equipment	**2,922,989**	3,717,662
Furniture, Fixtures and Books	**1,804,197**	1,859,750
	1,746,117,871	1,693,814,683

Breakdown of *Impairment Loss* account is as follows*:*

	2022	2021 (As restated)
Loans and Receivables	**281,424,246**	173,248,816
Right-of-Use Assets	**158,452,201**	158,452,201
Property and Equipment	**60,117,930**	103,853,044
	499,994,377	435,554,061

Breakdown of *Losses* account is as follows*:*

	2022	2021 (As restated)
Loss of Assets	**5,352,717**	3,209,929
Loss on Foreign Exchange	**2,670,397**	12,124,774
	8,023,114	15,334,703

34. INCOME TAX

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

	2022	2021
Current	**87,929,058**	40,924,119
Deferred	**21,964,743**	99,840,401
	109,893,801	140,764,520

An analysis of Deferred Tax is as follows:

	2022	2021
Allowance for Impairment of Receivables	**329,652,287**	341,454,362
Unrealized Gain on Foreign Revaluation	**164,581,165**	183,411,575
Net Operating Loss Carry Over (NOLCO)	**144,376,717**	0
Leave Benefits Payable	**53,530,556**	45,035,663
Impact on Equity of Transition to PFRS 16 for the Right-of-use of Asset	**4,110,733**	3,937,883
Deferred Tax Assets (Note 15)	**696,251,458**	573,839,483

35. SUBSIDY FROM NATIONAL GOVERNMENT - DOTr

This account pertains to the rental of terminal concessionaires from November 2020 to January 2021 paid through 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 terminals.

36. 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 collections, excluding income from utilities and terminal fee/Passenger Service Charge, 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:

	2022	2021
Landing & Parking Fees (Aeronautical Fees)	**3,557,674,136**	1,561,436,599
Rentals	**2,192,339,646**	878,221,367
Other Business Income (Concession Privilege Fees)	**974,511,223**	401,498,222
Other Service Income (Miscellaneous Revenues)	**424,009,682**	96,699,691
	7,148,534,687	2,937,855,879
Rate of Government's Share	**20%**	20%
National Government's Share	**1,429,706,937**	587,571,176

37. NET OPERATING LOSS CARRY OVER

Pursuant to Section 4 of the Bayanihan II and as implemented under BIR Revenue Regulation No. 25-2020, the net operating losses of a business or enterprise incurred for taxable years 2020 and 2021 can be carried over as a deduction from gross income for the next five consecutive taxable years following the year of such loss.

The details of the Authority's NOLCO is as follows:

Inception Year	Amount	Used	Balance	Expiry Year
2020	384,060,323	0	384,060,323	2025
2021	1,558,037,024	0	1,558,037,024	2026
	1,942,097,347	**0**	**1,942,097,347**	

38. LEASES

Authority as Lessor

The Authority rents some of its terminal facilities to various lessees. The lease term ranges between one month to 25 years, with monthly rental ranging between P332.64 to P13.345 million. Escalation rate is two percent per annum for concessionaires with lease term of three years. Lease payments under operating leases recognized as income amounted to P1.423 billion in 2022 and P1.043 billion in 2021.

The Lease and Concession Contract between MIAA and the 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.

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

	2022	2021
Not later than one year*	**1,522,612,984**	1,620,342,220
Later than one year but not later than five years	**972,599,985**	528,293,357
Later than five years	**0**	0
	2,495,212,969	2,148,635,577

**Not later than one year is inclusive of Rent/Lease Income from Authority's Investment Property (General Aviation Area) amounting to P218.24 million (Note 11).*

39. RESTATEMENT OF ACCOUNTS

The 2022 financial statements were restated to reflect the following adjustments:

Prior Years' Errors discovered in CY 2022	December 31, 2020 (As previously reported)	Restatement/ Adjustment	January 1, 2021 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,983,441,738**	**102,365,411**	**4,085,807,149**
Unbilled CPF for prior years		41,472,561	
Adjustment of receivable from DPWH for the C5 SLEP and C5 Extension Project		34,848,000	
Adjustment of receivable from the NHA Project		26,044,850	

Prior Years' Errors discovered in CY 2022	December 31, 2020 (As previously reported)	Restatement/ Adjustment	January 1, 2021 (As restated)
Other Current Assets	**2,014,556,391**	**(68,162,410)**	**1,946,393,981**
Expired Tax Certificates		(68,162,410)	
Investment Property, net	**9,204,997,962**	**(165,133,590)**	**9,039,864,372**
Reclassification of IP with value of P50,000 below per COA Circular No. 2022-004		(1,500)	
Derecognition of IP, Land sold to DPWH, and areas covered by Presidential Proclamations		(165,132,090)	
Property and Equipment, net	**26,815,077,208**	**1,350,839,306**	**28,165,916,514**
PE transferred from DOTr re: NAIA Terminal 3		1,544,414,367	
Reclassification of PE to Investment Property		(77,483,670)	
Reclassification of PE with value of P50,000 below per COA Circular No. 2022-004		(116,091,391)	
Financial Liabilities	**1,854,488,003**	**148,544**	**1,854,636,547**
Payable to Mr. Sabino Jenosa Jr.		148,544	
Inter-Agency Payables	**385,498,610**	**72,208,519**	**457,707,129**
Basic tax deficiencies for CY 2017		72,208,519	
Unearned Income	**486,627,257**	**245,015**	**486,872,272**
Rebook previously derecognized 1-month advance rental of concessionaires		245,015	
STATEMENT OF CHANGES IN EQUITY			
Contributed Capital	**6,235,157,609**	**1,739,499,515**	**7,974,657,124**
PE transferred from DOTr re: NAIA Terminal 3		1,954,951,425	
Adjustment of receivable from the NHA Project		26,044,850	
Adjustment of receivable from DPWH for the C5 SLEP and C5 Extension Project		1,119,000	
Derecognition of IP, Land sold to DPWH, and areas covered by Presidential Proclamations		(242,615,760)	
Retained Earnings	**30,047,085,340**	**(592,192,876)**	**29,454,892,464**
Unbilled CPF for prior years		41,472,561	
Adjustment of receivable from DPWH for the C5 SLEP and C5 Extension Project		33,729,000	
Payable to Mr. Sabino Jenosa Jr.		(148,544)	
Rebook previously derecognized 1-month advance rental of concessionaires		(245,015)	
Expired Tax Certificates		(68,162,410)	
Basic tax deficiencies for CY 2017		(72,208,519)	
Reclassification of PE with value of P50,000 below per COA Circular No. 2022-004		(116,092,891)	
PE transferred from DOTr re: NAIA Terminal 3		(410,537,058)	

Prior Years' Errors discovered in CY 2022	December 31, 2021 (As previously reported)	Restatement/ Adjustment	January 1, 2022 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**4,409,983,633**	**67,507,124**	**4,477,490,757**
Unbilled CPF for prior years		36,258,675	
Adjustment of receivable from DPWH for the C5 SLEP and C5 Extension Project		34,848,000	
Adjustment of receivable from the NHA Project		26,044,850	
Adjustment of CY 2021 Rent Income per lease modification		(2,028,034)	
Adjustment of CY 2021 Allowance for Impairment of Receivables		(27,616,367)	
Other Current Assets	**2,449,538,068**	**(71,332,484)**	**2,378,205,584**
Expired Tax Certificates		(71,332,484)	
Investment Property, net	**9,204,997,962**	**(165,133,590)**	**9,039,864,372**
Reclassification of IP with value of P50,000 below per COA Circular No. 2022-004		(1,500)	
Derecognition of IP, Land sold to DPWH, and areas covered by Presidential Proclamations		(165,132,090)	
Property and Equipment, net	**26,838,225,671**	**1,163,765,690**	**28,001,991,361**
PE transferred from DOTr re: NAIA Terminal 3		1,339,145,838	
Reclassification of Construction in Progress upon completion of project		(1,288,738)	
Reclassification of PE to Investment Property		(77,483,670)	
Reclassification of PE with value of P50,000 below per COA Circular No. 2022-004		(96,607,740)	
Financial Liabilities	**1,670,793,133**	**148,544**	**1,670,941,677**
Payable to Mr. Sabino Jenosa Jr.		148,544	
Inter-Agency Payables	**303,535,380**	**72,208,519**	**375,743,899**
Basic tax deficiencies for CY 2017		72,208,519	
Unearned Income	**550,693,099**	**245,015**	**550,938,114**
Rebook previously derecognized 1-month advance rental of concessionaires		245,015	
STATEMENT OF CHANGES IN EQUITY			
Contributed Capital	**6,270,552,821**	**1,739,499,515**	**8,010,052,336**
PE transferred from DOTr re: NAIA Terminal 3		1,954,951,425	
Adjustment of receivable from the NHA Project		26,044,850	
Adjustment of receivable from DPWH for the C5 SLEP and C5 Extension Project		1,119,000	
Derecognition of IP, Land sold to DPWH, and areas covered by Presidential Proclamations		(242,615,760)	
Retained Earnings	**27,643,245,778**	**(817,294,853)**	**26,825,950,925**
Unbilled CPF for prior years		41,472,561	
Adjustment of receivable from DPWH for the C5 SLEP and C5 Extension Project		33,729,000	

Prior Years' Errors discovered in CY 2022	December 31, 2021 (As previously reported)	Restatement/ Adjustment	January 1, 2022 (As restated)
Payable to Mr. Sabino Jenosa Jr.		(148,544)	
Rebook previously derecognized 1-month advance rental of concessionaires		(245,015)	
Expired Tax Certificates		(68,162,410)	
Basic tax deficiencies for CY 2017		(72,208,519)	
Reclassification of PE with value of P50,000 below per COA Circular No. 2022-004		(116,092,891)	
Adjustments of CY 2021 Net Income (Loss)		(225,101,977)	
PE transferred from DOTr re: NAIA Terminal 3		(410,537,058)	
STATEMENT OF COMPREHENSIVE INCOME			
Net Income (Loss)	**(2,451,979,992)**	**(225,101,977)**	**(2,677,081,969)**
Derecognition of depreciation for PE with value of P50,000 below per COA Circular No. 2022-004		19,483,651	
Reclassification of Consultancy Services to PE		586,483	
CY 2021 depreciation of completed projects		(1,875,220)	
Adjustment of CY 2021 Rent Income per lease modification		(2,028,034)	
Expired/Unutilized Tax Certificates		(3,170,074)	
Unbilled CPF for prior years		(5,213,886)	
Adjustment of CY 2021 Impairment Loss of Receivables		(27,616,367)	
CY 2021 depreciation of PE transferred from DOTr re: NAIA Terminal 3		(205,268,530)	

The Authority presented a three-year statement 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. 2022-014 dated March 30, 2022 Reprieve from Payment of Certain Airport Fees and Charges

(supersedes BR Nos. 2020-014, 2020-020, 2020-044, 2021-010, 2021-040 and 2022-006)

The MIAA, through its Board of Directors (BOD), approved the grant of reprieve from payment of certain airport fees and charges as its way of alleviating the adverse financial impact of coronavirus disease to its stakeholders as follows:

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

2. Rental holiday for all concessionaires operating at the terminals from March 15, 2020 to December 31, 2021 and extension up to June 30, 2022 except for

Concession Privilege Fees (including waiver of check-in-counter usage from March 15, 2020 to January 31, 2021), as summarized below:

Particulars	2022	2021	2020
Rental*	303,232,559	686,166,252	787,467,512
Check-In Counter	0	22,807,510	122,738,175
Garbage Collection Fee	46,281	4,439,602	7,130,567
Others	0	0	1,180,469
TOTAL	**303,278,840**	**713,413,364**	**918,516,723**

**Waiver of rental charges from July 1 to December 31, 2021 only covers food and beverages, retail and lounges concessions in all terminals, while the extension of reprieve up to June 30, 2022 further applies to advertising concessionaires inside all passenger terminals.*

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

b. BR No. 2021-009 dated February 4, 2021
Reduction of Interest Rate to six per cent per annum on Unpaid Accounts

The MIAA through its BOD, 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.

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

The MIAA through its BOD, approved the grant of the reprieve from payment of Concession Privilege Fee (CPF) to advertising and transport concessionaires from July 1 to December 31, 2021 totaling to P118.920 million.

d. BR No. 2020-048 dated October 15, 2020

The MIAA through its BOD, approved the grant of the reprieve from payment of CPF 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. BR 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 through the GCG.

f. Receivable from Private Concessionaire with Pending Case

Philippine Airport and Ground Services (PAGS) (Civil Case No.000363) – P174.114 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 BOD 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 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 BOD 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 (AOs) 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 AO 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 AO 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 six 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 Ninoy Aquino International Airport (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 Bureau of Internal Revenue (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 value-added tax (VAT)-registered company with output tax declaration of P765.811 million for the year based on the amount reflected in the sales account of P6.382 billion.

   The Authority has zero-rated sale of services amounting to P3.47 billion pursuant to the provisions of Section 12 of RR No. 4-2007.

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

a. Balance at the beginning of the year	200,429,989
b. Current year's purchases	
I. Goods for resale/manufacture or further processing	n/a
II. Goods other than for resale or manufacture	20,066,071
III. Capital goods subject to amortization	0
IV. Capital goods not subject to amortization	4,541,727
V. Services lodged under cost of goods sold	n/a
VI. Services lodged under other accounts	376,020,421
	400,628,219
c. Claims for tax credit/refund and other adjustments	
I. Prior year's set-up/accruals	17,990,038
II. Current year's set-up/accruals	12,523,073
III. Cancelled checks/transactions and adjustments	(6,586,536)
IV. Available input tax and tax deferred for succeeding period	(456,089,162)
	(432,162,587)
d. Balance at the end of the year	168,895,621

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

I. Tax on compensation and benefits	74,126,603
II. Creditable withholding taxes	69,663,170
III. Final withholding taxes	309,956
IV. VAT and other percentage taxes withheld	172,630,823

4. Schedule of Other Taxes and Licenses

Compulsory third party liability insurance (GSIS)	5,729,820
Real Property Tax (Pasay City Treasurer)	2,932,063
Network/Radio station license and RLM certificate (NTC)	715,710
Airport Coordination Australia (annual administrative fee)	388,527
Documentary Stamp Tax and certification fee	353,998
Registration/Emission testing and inspection (LTO)	315,945
Registration fees for issuance of patent of MIAA titles (Land Registration Authority)	315,515
Renewal of Discharge Permit (LLDA)	70,166
Community Tax (Pasay City Treasurer)	10,500
Tax on French loan and adjustment of foreign exchange	5,313
Annual VAT Registration	500
	10,838,057

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The verifiability of Passenger Service Charge (PSC) account could not be determined due to lack of reliable data on aircraft and passenger movement. Consequently, the accuracy and completeness of the collected and accrued PSC totaling P3.597 billion could not be ascertained.

1.1. This is a reiteration of prior year's audit observation with updated information.

1.2. The Conceptual Framework for Financial Reporting provides verifiability as one of the qualitative characteristics that enhance the usefulness of information that both is relevant and provides a faithful representation of what it purports to represent.

1.3. Paragraph 2.30 of the Framework states that,

> *"Verifiability helps assure users that information faithfully represents the economic phenomena it purports to represent. Verifiability means that different knowledgeable and independent observers could reach consensus, although not necessarily complete agreement, that a particular depiction is a faithful representation."*

1.4. Memorandum Circular (MC) No. 18, series of 2019, defined PSC as terminal fee imposed by the Manila International Airport Authority (MIAA) on departing passengers, presently pegged at the following rates:

International	:	P550.00 inclusive of 12% Value-Added Tax (VAT)
Domestic	:	P200.00 inclusive of 12% VAT

1.5. Note 19 to the financial statements disclosed the following sharing on the terminal fees:

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

	International			**Domestic**		
	Total	Net of VAT*	VAT*	**Total**	Net of VAT*	VAT*
MIAA	**390**	348.21	41.79	**185**	165.18	19.82
National Government	**100**	0	0	**0**	0	0
National Action Committee on Anti-Hijacking and Anti-Terrorism	**60**	0	0	**15**	0	0
	550			**200**		

**computation provided by the Audit Team*

1.6. Relative to the above sharing, MIAA reported the following accounts and amounts in Calendar Year (CY) 2022:

Table 1 – PSC-related accounts as of December 31, 2022 (in Php)

Transportation System Fee, net of VAT (MIAA's share)	2,970,028,795
Due to Bureau of the Treasury (BTr)[1]	304,844,200
Due to National Government Agencies (NGAs)[2]	322,218,465
	3,597,091,460

1.7. The Audit Team collected and compared available reports from different Divisions involved in collecting, recording and gathering of data relative to departing passengers in all NAIA Terminals to ascertain completeness and accuracy of the PSC remittances by Air Carriers (ACs). Comparison of Monthly Statistical Reports from the Terminal Operations Group (TOG) and subsidiary ledgers by the Accounting Division (AD) was made. The recorded amount in the SL is based on the Remittance Reports (RR) submitted by ACs.

1.8. Selection was trimmed down to ACs with domestic routes in Terminal 3 during CY 2022, since Monthly Statistical Report provided by TOG in other terminals are incomparable against the RR submitted by ACs. The TOG report in Terminals 1, 2 and 4, and Terminal 3 for international routes, have no data on net paying passengers. The RR shows the breakdown of net paying passengers compared to TOG Report in other terminals which only shows the number of total passengers. Only the report from Terminal 3 has monthly data for departing passengers for domestic routes where number of paying passengers can be determined.

1.9. Our validation disclosed that there is a variance of 11,115 PSC domestic paying passengers between the TOG Report and RR, as shown in Table 2:

Table 2 – Variance on PSC per comparison of TOG Report and RR

Month (A)		TOG Report		RR/Per Books	Difference
	Total Passengers (B)	I-REP (C)	Net Paying Passengers (D = B - C)	Net Paying Passengers (E)	(F = D - E)
January	233,856	3,436	230,420	227,486	2,934
February	330,316	4,186	326,130	320,903	5,227
March	380,818	4,486	376,332	375,454	878
April	480,531	5,701	474,830	474,103	727
May	583,388	6,646	576,742	576,160	582
June	525,386	5,034	520,352	520,056	296
July	511,392	5,269	506,123	506,086	37
August	480,884	4,922	475,962	475,954	8
September	416,019	4,686	411,333	411,317	16
October	436,212	4,747	431,465	431,848	(383)
November	426,681	4,311	422,370	422,358	12
December	534,895	5,747	529,148	529,133	15
	5,340,378	**59,171**	**5,281,207**	**5,270,858**	**11,115***

**at absolute amount*

[1] Computed based on total paying passenger at P100 per international passenger.

[2] Computed based on total paying passenger at P60 and P15 per international and domestic passenger, respectively.

1.10. The Collection Division (CD) provided the Audit Team a Summary of Total Passenger Load for CY 2022 for all terminals which is a list of ACs with net discrepancies as regards to number of total passengers per TOG Report and RR. The said discrepancies are communicated to ACs for reconciliation.

1.11. For PSC collection on passengers departing in General Aviation Area, the Audit Team still cannot validate the completeness and correctness of the RR submitted by Fixed Based Operator agent, Ground handlers and Operators, since the report from General Aviation Operation Division relative to the passenger statistics are also incomparable as it only presents total passengers.

1.12. Alternatively, the Audit Team performed further analysis and procedures to determine completeness of PSC remittances in CY 2022. The analysis was based on the comparison of recorded PSC remittances by the AD and the Flight Operations Report and Bill of Charges (FORBC)[3] generated and extracted from the Financial Management Information System (FMIS) which is used in billing the ACs. Since some FORBC includes billing for Tacking Fee[4] or the charge for the use of loading bridge for arriving and departing passengers for international flights, it is the Audit Team's view that Tacking Fee should co-exist with the PSC collected by ACs on behalf of MIAA from departing passengers. Such that if a Tacking Fee is charged to an AC in its FORBC, it signifies that departing passengers use the loading bridge to board the aircraft and that PSC must have been collected from those passengers. Although, this procedure cannot quantify the number of departing passengers who used loading bridge, it can still identify ACs that have missed PSC remittances for the period.

1.13. The following samples taken are ACs with international flights departing in NAIA Terminals 1 and 3:

Table 3 – ACs with no PSC remittances on the period when they were billed of Tacking Fee

Month	Selected Flight Date with Tacking Fee charging	Selected Bill No. with Tacking Fee charging	Period without PSC Remittance
Air Carrier 1			
July	01-Jul-22	IO-001439-07-22	Jul 1-15
Air Carrier 2			
January	08-Jan-22	IO-000034-01-22	Jan 1-15
February	09-Feb-22	IO-000309-02-22	Feb 1-15
March	21-Mar-22	IO-000588-03-22	Mar 16-31

1.14. Based in Table 3, there are two ACs which had no PSC remittances on the period when they were billed of Tacking Fee on ACs' FORBC.

1.15. As a result, the noted discrepancy and incomplete remittances implies that Transportation System Fee, Due to BTr and Due to NGAs amounting to P2.970 billion, P304.844 million and P322.218 million, respectively, may not be faithfully represented in the financial statements.

[3] FORBC shows flight and aircraft details and breakdown of landing/take-off fee, parking fee, tacking fee and lighting fee.

[4] Defined in MC No. 06 series of 2016 as charge imposed to scheduled and non-scheduled international and domestic flight operations for the use of various loading bridges at NAIA terminals computed on an hourly basis depending on the type of loading bridges used.

1.16. It is also worth mentioning that the TOG Reports are based on data provided by ACs. MIAA has no reliable data on aircraft and passenger movement that is useful in generating financial data to assist the AD in capturing PSC collections accurately and detect errors on the RRs submitted by ACs.

1.17. Passenger movement is the basis of the PSC collections/remittances. Hence, absence of reliable data on passenger movement caused difficulty in validating the RR which leaves MIAA no other option but to rely only on the submitted RR by ACs in recording PSC collections.

1.18. **In view of the foregoing, we reiterated our prior year's recommendations 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 PSC to ensure that Management will achieve a reliable data on aircraft and passenger movement that is useful in generating financial data to assist the AD 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 PSC-exempted passengers; 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.**

1.19. **Furthermore, we recommended that Management should identify the ACs with missed PSC remittances that were billed of Tacking Fee charges per FORBC and demand remittance of PSC from them.**

1.20. Management commented that the existing MC on the Gathering of Passenger Load Data is being amended. Notable change in the MC is the introduction of SITATEX Online, an operational messaging solution for the Air Transport Industry which will allow MIAA and ACs to exchange operational messages from any location on any personal computer or tablet with internet connection. Through this online messaging, flight and passenger load data can be gathered real time after each flight. The MC is now in its final stage of review for approval of the General Manager.

1.21. Meanwhile, the Authority continues to validate the completeness and correctness of the RRs submitted by the ACs through the Report of Passenger Load submitted by the TOG. Any discrepancy between the two reports is communicated to the ACs for them to reconcile; otherwise, a demand letter is issued for the settlement of under remittance. For CY 2022, there were about 17 ACs whose RR did not match with the

TOG Report. As a result, letters were sent to the concerned ACs for reconciliation of the reports.

1.22. As an audit rejoinder, while a reconciliation of the TOG Report and RR is being made and the variance is being communicated to the ACs, such reconciliation will not achieve a reliable data on aircraft and passenger movement that is useful in generating financial data in capturing PSC collections accurately, as the TOG Report shows total passengers and not paying passengers.

1.23. As regards 17 ACs identified by Management wherein RR and TOG Report showed variance, the Audit Team further recommended to collect the correct amount of PSC from them once reconciliation is complete.

1.24. Further, the Audit Team will monitor the results of amendment to the existing MC on the Gathering of Passenger Load Data.

2. Accounts Receivable (AR) totaling P3.352 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 AR at amortized cost of P1.905 billion, net of P1.447 billion Allowance for Impairment (AFI), could be more than its recoverable amount.

2.1. This is a reiteration of prior years' observation with updated information.

2.2. Note 8 to CY 2022 financial statements disclosed that AR *consists of receivables from airline companies (including unremitted collections of airline companies for terminal fees/Passenger Service Charges integrated in the sale of flown airline tickets), and concessionaires/lessees (Government-Owned and Controlled Corporations, NGAs and non-government entities) 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.*

2.3. Further, in Note 5 to the financial statements, *it was disclosed that the Authority maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is computed based on the collectability of the receivable accounts and other criteria such as age of the receivables, length of the Authority's relationship with the customer, customer's payment behavior, collection and expected loss experiences xx.*

2.4. The AR account is presented in Table 4:

Table 4 – AR as of December 31, 2022 and 2021 (in Php)

	2022	2021
Accounts Receivable		
Concessionaires/Lessees	3,037,562,502	3,922,383,831
Passenger Service Charges	314,358,225	433,434,486
	3,351,920,727	4,355,818,317
Allowance for Impairment	(1,446,742,909)	(1,393,433,819)
Accounts Receivable, net	**1,905,177,818**	**2,962,384,498**

2.5. In CY 2021, it was reported that Trade Receivables were not properly assessed to determine current/updated evidence of impairment as required under PFRS 9.

2.6. In response to the previous years' observation, MIAA issued MC No. 07 series of 2023 dated March 29, 2023 on the Guidelines on the Recognition of Allowance for Impairment and Write-off of Dormant Receivables. Section 7.1 of MC No. 07 s. 2023 states that:

> *Allowance for impairment shall be computed based on the collectability of the receivable accounts and other criteria such as the aging of accounts, collection and expected loss experiences as follows:*

Age of Account	Rate of AFI
Accounts without disputes	
Current – Not Yet Due	1 %
1-180 days	5%
181 – 365 days	10%
1 – 2 years	20%
3 – 5 years	40%
6 – 10 years	60%
Dormant Account	100%
Account with Promissory Note	5%
Accounts with disputes (With and Without Court Case)	
1 year	10%
2 years	40%
3 – 10 years	60%
Over 10 years	90%

2.7. The Management effected the matrix in CY 2022 by recognizing additional AFI totaling P42.778 million. Thus, as of December 31, 2022, MIAA reported its AR, net of AFI, amounting to P1.905 billion, with details shown in Table 5:

Table 5 – Breakdown of AR, net as of December 31, 2022

Age of Account	Amount (in Php)	Percentage of AFI	AFI (in Php)	Amortized Cost (in Php)
Undisputed Accounts				
Current/Not Due	894,246,575	1%	8,942,466	885,304,109
1-180 days	209,912,333	5%	10,495,617	199,416,716
181-365 days	76,470,202	10%	7,647,020	68,823,182
over 365 days				
1-2 years	189,391,993	20%	37,878,399	151,513,594
3-5 years	0	40%	0	0
6-10 years	21,846,901	60%	13,108,141	8,738,760
Dormant with Nil Chance	616,018,302	100%	616,018,302	0
Accounts with Promissory Note				
1-365 days	220,457,780	5%	11,022,889	209,434,891
over 365 days	251,273,982	5%	12,563,699	238,710,283
Disputed Accounts With Court Case (Case: 1 year old)				
1-365 days	0	10%	0	0
1-2 years	83,619	10%	8,362	75,257
3-10 years	1,896,203	10%	189,620	1,706,583
10 years and more	9,242,504	10%	924,250	8,318,254

Age of Account	Amount (in Php)	Percentage of AFI	AFI (in Php)	Amortized Cost (in Php)
Disputed Accounts With Court Case				
(Case: over 10 years)				
1-365 days	34,538,099	90%	31,084,289	3,453,810
1-2 years	77,199,994	90%	69,479,995	7,719,999
3-10 years	225,137,960	90%	202,624,164	22,513,796
10 years and more	204,188,989	90%	183,770,090	20,418,899
Disputed Accounts Without Court Case				
1-365 days	4,775,600	10%	477,560	4,298,040
1-2 years	9,773,387	40%	3,909,355	5,864,032
3-10 years	127,736,610	60%	76,641,966	51,094,644
10 years and more	177,729,694	90%	159,956,725	17,772,969
	3,351,920,727		**1,446,742,909**	**1,905,177,818**

2.8. In our view, AFI should be more than what MIAA has recognized in its books of accounts. Management was not able to consider the following events that occurred which resulted in the insufficient provision of AFI, thereby indicating that proper assessment of the collectability of receivables at reporting date was not performed:

a. *Past due accounts*

Past due accounts of MIAA, excluding dormant accounts or those aged 10 years above, totalled to P1.842 billion with net amortized cost of P1.020 billion.

Based on the schedule provided by Management, past due accounts consist of receivables from several concessionaires/airlines who failed to pay on the prescribed period. The rate of 5 per cent to 90 per cent AFI on past due accounts may not be sufficient and Management have not considered that the *credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due.*

b. *Observable data which indicates a measurable decrease in estimated future cash flows*

We have noted that some disputed accounts consist of disputes as to the rates of rent imposed by MIAA for which a similar dispute was already decided by the court against MIAA. Some of these are disclosed in Note 40.i to the financial statements. The prior cases decided against MIAA are considered available data which may support or *indicate a measurable decrease in estimated future cash flows* pertaining to the disputed receivables.

2.9. The above-discussed observations are indications that assessment on the collectability of receivables was not properly performed by Management. Due to the high risk of non-collection, a higher percentage of AFI should have been provided by Management on past due accounts and those disputed accounts involving similar dispute that have been decided by the court or resolved against MIAA.

2.10. It must be emphasized that paragraph 5.5.17 of PFRS 9 requires that an 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.*

2.11. Thus, Management's assertion that the valuation of AR amounting to P1.905 billion (at amortized cost), could still not be relied upon. The amortized cost of AR amounting to P1.905 billion maybe more than its recoverable amount.

2.12. **We reiterated our previous years' recommendation that Management should revisit its established expected credit loss 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.**

2.13. Management commented that additional AFI will be provided in CY 2023.

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

3. Inter-Agency Receivable (IAR) – Department of Public Works and Highways (DPWH) amounting to P996.399 million, with amortized cost of P785.952 million, pertaining to the total consideration for the acquisition of properties of MIAA covered by Memoranda of Agreement (MOAs) between MIAA and DPWH, was not properly assessed to determine current/updated evidence of impairment as required under PFRS 9.

3.1. Note 8 to the financial statements disclosed that *Inter-Agency Receivables consists mainly of the sale of the 61,148 square meter (sq. m.) land to Department of Public Works and Highways (DPWH) for the C5 Road Extension Project (Note 12). In March 2019, MIAA collected P913.803 million or 50 per cent of the total receivable from DPWH. Second and final payment to be made (a) at the time of the transfer of 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 Memorandum of Agreement between MIAA and DPWH on the title equivalent to the remaining 50 per cent of the total price of the affected land.*

3.2. As of December 31, 2022, the Inter-Agency Receivables- Due from DPWH amounted to P996.399 million.

3.3. On March 27, 2023, MIAA sent a demand letter to DPWH requesting payment for MIAA's properties totaling P996.306 million, with details shown in Table 6:

Table 6 – Details of Demand Letter sent to DPWH (in Php)

Description	Amount
C5 South Luzon Expressway Project (SLEP)	968,387,500
C5 Extension Project	27,918,392
	996,305,892

3.4. Records showed that on December 31, 2018, MIAA recognized the amount of P1.847 billion as Due from National Government Agencies – DPWH pertaining to the transfer of properties to DPWH for the C5 SLEP. In March 2019, MIAA collected the amount of P913.803 million. For the years 2020 to 2022, MIAA did not receive any collection pertaining to the said receivable.

3.5. Receivable of P27.918 million pertaining to C5 Extension Project was recorded in the books as Other Receivables in CY 2017 and no collection of said receivable was made from CYs 2017 to 2022.

3.6. Based on DPWH's confirmation reply to the confirmation conducted by the Audit Team, DPWH has nil balance on its Due to MIAA account as of December 31, 2022.

3.7. In response to the recommendation of the Audit Team, Management had provided AFI on the Due from DPWH account as of December 31, 2022 totalling P210.447 million. Thus, amortized cost amounted to P785.952 million, with details shown in Table 7:

Table 7 – Due from DPWH as of December 31, 2022

Details	Amount (in Php)	AFI Rate	Amount of AFI (in Php)	Amortized Cost (in Php)
C5 SLEP	968,480,500	20%	193,696,100	774,784,400
C5 Extension Project	27,918,392	60%	16,751,035	11,167,357
	996,398,892		**210,447,135**	**785,951,757**

3.8. The 20 per cent provision on C5 SLEP portion is based on Management's assessment and on the condition mentioned in the MOA between MIAA and DPWH as disclosed in Note 8.

3.9. Additionally, the 60 per cent provision on impairment on C5 Extension Project is based on the rate mentioned in MIAA's MC No. 7 series of 2023 (Guidelines on the Recognition of Allowance for Impairment and Write-Off of Dormant Receivables) where it falls under account without disputes under the 6 to 10 years category.

3.10. However, it is the Audit Team's view that AFI provided on the account remained not adequate as MIAA must consider the risk or probability that a credit loss occurs. It is worthy to mention that DPWH, being a National Government Agency, based its budget on the approved General Appropriations Act (GAA). Hence, collectability of the receivable is dependent on the approved budget of DPWH per GAA.

3.11. **In view thereof, we recommended that Management conduct proper assessment on the IAR – DPWH to ensure that the valuation of IAR at amortized cost will not exceed the recoverable amount.**

4. The completeness of Concession Privilege Fee (CPF) income amounting to P336.288 million could not be validated due to lack of reliable source of data where CPF collections and accruals can be traced. The Tenant Sales Monitoring System (TSMS) of concessionaires' Point of Sales (POS) integrated in the Financial Management Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

4.1. This is a reiteration of prior years' audit observation with updated information.

4.2. On March 4, 2021, MIAA issued MC No. 06, series of 2021, to provide guidelines on the implementation of concessionaires' sale monitoring through the POS. The system requires that all sales transactions must always be punched into the POS machines which are connected to MIAA servers' TSMS, being handled by the Authority's Management Information System Division (MISD), to ensure that all sales are reported and collected.

4.3. In July 2021, the TSMS had been formally included in the FMIS, which pertains to the computerized system that integrates several MIAA functions particularly, billing function. Since then, the TSMS report or the POS Sales Summary Report showing all concessionaires' daily sales with computed amount of CPFs to be settled, has been accessible to selected users online through the FMIS.

4.4. Of the P2.505 billion Rent/Lease income as of December 31, 2022, P971.620 million represents Gross Sales (GS)-based CPFs, with details shown in Table 8:

Table 8 – GS-based CPFs as of December 31, 2022 (in Php)

Concession Privilege	Actual Collection	Accrual[5]	Total
Retail, services and food and beverages*	283,107,619	53,180,052	336,287,671
Others	568,660,363	66,671,560	635,331,923
	851,767,982	**119,851,612**	**971,619,594**

**based on POS*

4.5. For the GS-based CPF based on POS amounting to P336.288 million, the Audit Team performed a testing of CPF transactions by extracting POS Summary Report from FMIS for the months October 2022 to December 2022[6] and compared it against the Schedule of CPF Remittances per records of AD. Of the selected 25 retail, services, and food and beverage concessionaires with the highest amount of CPF payment recorded by AD, hereunder are the observations noted:

a. There were instances when AD had no records of collection from the concessionaires, however, the POS Summary Report showed computed CPF subject for collection.

Table 9 – AD had no records of collection but POS Summary Report showed computed CPF subject for collection

Concessionaire	Period Covered	CPF per POS Sales Report in FMIS (in Php)
Concessionaire 1	October, December	957,441
Concessionaire 2	December	70,014
Concessionaire 3	December	609,455
Concessionaire 4	October	487,766

b. There were instances when AD had records of collection from the concessionaires, however, the POS Summary Report showed no computed CPF subject for collection.

[5] Based on actual amount collected in January 2023

[6] October 2022 to December 2022 recorded income comprise of 39% of the total Rent/Lease Income-GS-based CPF account as of December 31, 2022

Table 10 – AD had records of collection but POS Summary Report showed no computed CPF subject for collection

Concessionaire	Period Covered	CPF recorded by AD (in Php)
Concessionaire 5	October, November, December	4,503,345
Concessionaire 6	October, November, December	6,361,353

c. There were some discrepancies in the amount of CPF recorded by AD and POS Summary Report, which in most cases, the amount recorded by AD is higher than the amount shown in POS Summary Report.

4.6. Based on the examination of the POS Summary Report extracted from FMIS, the discrepancy totaling P75.352 million is caused by incomplete/no daily sales data per POS Summary Report resulting in unreliable CPF computation.

4.7. Inquiry from MISD personnel revealed that a monthly report is being generated to determine the concessionaires which have incomplete/no sales data for the month. The report is being forwarded to the Corporate Management Services Department who distributes to concerned departments, including the Business Development and Concession Management Department (BDCMD). Then, BDCMD notifies the concessionaires to comply with the POS system and reminds that non-compliance may be a ground for contract suspension.

4.8. This control, however, does not address the discrepancy noted by the Audit Team as it only reports concessionaires' incomplete sales data. Comparison of amounts of CPF being collected from concessionaires against CPF generated from the system, is not being conducted.

4.9. Furthermore, due to unreliable data, it was disclosed that both AD and Collection Division still do not use the Report from FMIS as basis for recording of accrual and collection of GS-based CPF.

4.10. These recurring observations still indicate that the POS system integrated in FMIS is still not working effectively and cannot be used as reliable source of data in validating the completeness of concessionaires' GS-based CPF payment. MIAA solely relies in the Sworn Statements submitted by the concessionaires upon payment of GS-based CPF. Thus, the P336.288 million portion of Rent/Lease income may not be faithfully represented in the financial statements.

4.11. **In view of the foregoing, we reiterated our prior years' 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 the amount collected per AD; and**

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

4.12. **In addition, we recommended that Management submit to the Audit Team the documents on the result of conduct of MIAA Audit Procedure per Paragraph 14 of MC No. 06, series of 2021.**

4.13. Management commented that they came up with the following courses of action:

a. Amendment of MC No. 06, series of 2021 to include enforcement of penalty/sanction for non-complying tenants;

b. MISD to conduct training/orientation on the FMIS module and other necessary tools with the concerned offices;

c. MISD to make the necessary updating in the system to ensure its reliability and functionality;

d. Incorporating into the lease agreement the provision of nonrenewal of contracts for concessionaires who fail to comply with MC. No. 06; and

e. BDCMD to issue memorandum to tenants to reiterate their compliance to POS System.

4.14. Management also informed the Audit Team that all of the four concessionaires subjected to audit were collected of the CPF and accrual of income was recognized in the books of accounts as of December 31, 2022.

4.15. The Audit Team will monitor the results of Management's action plan on the recommendations.

5. The Withholding Tax at Source account amounting to P68.968 million may not be faithfully represented in the financial statements due to the variance of P5.882 million between the balance per books of accounts and the total unutilized creditable withholding taxes as of December 31, 2022 amounting to P63.086 million.

5.1. Paragraph 15 of PAS 1 states that *"Financial statements shall present fairly the financial position and financial performance and cash flows of an entity. <u>Fair presentation requires the faithful representation of the effects of transactions, other events and conditions</u> in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework)."* (emphasis supplied)

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

5.3. Under the Conceptual Framework for Financial Reporting (Framework), an asset is defined as a resource controlled by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.

5.4. Pursuant to the Updated Revised Chart of Accounts (RCA) for Government Corporations, Withholding Tax at Source account is classified as Asset under the Prepayments and is described as:

> *"This account is debited to recognize the amount of creditable withholding tax deducted by an entity, which is designated by the BIR as authorized agent, from rental, interest income from loans, service fees on deposit of notes, supervisory and other bank fees, income from payments and settlements transactions or other services to be credited by BIR upon receipt from the entity of proof of remittance to the BIR together with BIR Form No. 2307."*

5.5. The Withholding Tax at Source account of MIAA consists of unutilized creditable withholding taxes.

5.6. As of December 31, 2022, the Withholding Tax at Source account balance amounted to P68.968 million, which should be equivalent to withholding taxes supported by the Bureau of Internal Revenue (BIR) Form No. 2307 that are not yet applied as tax credits in the related returns required to be filed by MIAA.

5.7. Examination of the Withholding Tax at Source account disclosed a variance of P5.882 million between the balance per books and "should be" balance of account, as computed in Table 11:

Table 11 – Variance between Books of Accounts and "should be" Balance[7]

Composition	Amount (in Php)
Tax Certificates received in CY 2022	
2021 Unused CWT[8]	40,303,192
2022 1st quarter	44,997,098
2022 2nd quarter	51,800,732
2022 3rd quarter	33,643,324
2022 4th quarter	45,089,750
Total	215,834,096
Tax Certificates applied as tax credits in CY 2022	
2021 4th quarter	49,746,365
2022 1st quarter	20,042,802
2022 2nd quarter	40,591,712
2022 3rd quarter	42,366,887
Total	152,747,766
"Should be" balance as of December 31, 2022	**63,086,330**
Book balance, December 31, 2022	68,968,249
Variance	**(5,881,919)**

[7]Based on available data to the Audit Team. Withholding Tax at Source *vis-a-vis* GL-Returns 2021-2022

[8]"Should be" balance as of December 31, 2021, as reported in CY 2021 AAR

5.8. The variance in the amount of P5.882 million between the amount recorded per books of accounts and should be balance as evidenced by unutilized creditable withholding taxes affects the fair presentation of the Withholding Tax at Source account in the financial statements.

5.9. **In view of the foregoing, we recommended that Management conduct reconciliation between the Withholding Tax at Source account and the should be balance as evidenced by unutilized creditable withholding, and prepare the necessary adjusting entries to reflect the correct account balances in the financial statements.**

5.10. Management committed to conduct reconciliation of the Withholding Tax at Source account and total unutilized creditable withholding taxes.

5.11. The Audit Team will monitor Management's reconciliation on the foregoing.

6. The Due to BIR account amounting to P58.626 million may not be a faithful representation of the claims of the BIR against MIAA because of the noted variance of P32.543 million between the balance per books of accounts and the amount remitted to the BIR per related returns it filed for the quarter or month ending December 31, 2022.

6.1. This is a reiteration of prior year's audit observation with updated information.

6.2. Paragraph 15 of PAS 1 states that "*Financial statements shall present fairly the financial position and financial performance and cash flows of an entity. <u>Fair presentation requires the faithful representation of the effects of transactions, other events and conditions</u> in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework)*." (emphasis supplied)

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

6.4. Pursuant to the Updated RCA for Government Corporations, Due to BIR account is described as:

> *"This account is credited to recognize taxes withheld from officers and employees and other entities other than Value-Added Tax Payables and Income Tax Payable. This account is debited upon remittance of taxes withheld to the BIR, and/or adjustments."*

6.5. MIAA disclosed in Note 19 to the financial statements that Due to BIR account as of December 31, 2022, amounted to P58.626 million which represents taxes withheld on salaries, goods and services.

6.6. Based on the above-quoted description of the Due to BIR account, the balance at year-end is supposed to be equivalent to the unremitted amount of taxes withheld as of December 31, 2022, which are due in January 2023, after clearing all items for adjustment, if any.

6.7. In the case of withholding tax on compensation, per BIR regulation, on 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 ensure that the tax due is equal to tax withheld. Hence, the balance of withholding tax on compensation account should be equal to the taxes withheld in December 2022, and for remittance in January 2023.

6.8. The Audit Team conducted a test of subsequent events to determine whether the balance of Due to BIR account represents MIAA's withholding taxes remitted to the BIR on due date or January 2023.

6.9. Based on the results of testing, there is a variance of P32.543 million between the total taxes withheld as of December 31, 2022 which was remitted in January 2023 and the General Ledger (GL) balance, as shown in Table 12:

Table 12 – Due to BIR GL balance as of December 31, 2022 and Remittances in January 2023

Tax Type	Amount (in Php)
a) Withholding Tax on Government Money Payment (GMP) (Form 1600)[9] remitted on January 2023 under Journal Entry Voucher (JEV) 2023-01-005	13,235,258
b) Expanded Withholding Tax (Form 1601EQ)10 remitted on January 2023 under JEV 2023-01-005	5,480,056
c) Withholding Tax on Compensation (Form 1601C)11 remitted on January 2023 under JEV 2023-01-005	7,367,119
Total taxes withheld as of December 31, 2022 and remitted in January 2023	**26,082,433**
Per GL balance as of December 31, 2022[12]	**58,625,642**
Variance	**32,543,209**

6.10. Thus, the Due to BIR account balance of P58.626 million may not be faithfully represented in the financial statements.

6.11. **In view of the foregoing, we reiterated our prior year's recommendations that Management:**

a. Determine the nature/details of the P32.543 million which were 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 BIR account is faithfully represented in the financial statements.

[9] 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 Governance 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.
[10] 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 Tax. This shall be filed and paid/remitted not later than the last day of the month following the close of the quarter during the withholding was made.
[11] 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.
[12] SL for details of taxes withheld as of Dec. 31, 2022 is not updated

6.12. **We further recommended that Management maintain subsidiary ledgers for the Due to BIR account for easy monitoring of each type of tax payable to BIR.**

6.13. Management commented that they adjusted the amount of P7.431 million, which represents tax withheld for transactions and remittances in 2023, while the balance of P25.110 million is still for reconciliation.

6.14. The Audit Team will continue to monitor the reconciliation being conducted by Management.

7. The non-submission of proof of Real Property Tax (RPT) payment of 130 lessees resulted in understatement of Rent/Lease Income and Taxes, Duties and Licenses accounts by undetermined amount, casting doubt on the fair presentation of the accounts in the financial statements contrary to PAS 1.

7.1. This is a reiteration of prior years' audit observation with updated information.

7.2. Paragraph 15 of PAS 1 states that *"Financial statements shall present fairly the financial position and financial performance and cash flows of an entity. <u>Fair presentation requires the faithful representation of the effects of transactions, other events and conditions</u> in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework)."* (emphasis supplied)

7.3. In the previous years, the Audit Team had noted in audit the non-submission to MIAA of proof of payment of RPTs by concessionaires which resulted in understatement in lease income and operating expenses. Hence, in CY 2021, MIAA issued a memorandum to all concessionaires in the General Aviation Area and Other Areas requesting submission of proof of payment of RPT as part of their requirement for lease renewal.

7.4. In a letter of MIAA to the City Assessor of Pasay dated May 20, 2022, the Authority stated that although MIAA is not categorically liable to the non-payment of RPT by the concessionaires, they are still committed to support the endeavor of the City, especially in the collection of correct and appropriate taxes.

7.5. Review of selected Contracts of Lease/Lease & Concession Contracts with concessionaires show that the Other Terms and Conditions provision provides that the lessee/concessionaire shall pay the real estate taxes corresponding to the leased premises for the duration of the contract. Moreover, it is stated that the lessee/concessionaire shall show proof of payment of taxes to MIAA during the duration of the contract.

7.6. Our review disclosed that 130 of 144[13] concessionaires still failed to submit proof of payment of RPT, as shown in Tables 13 and 14:

[13] Excluding RPT exempt and new leases

Table 13 – Number of Concessionaires without Proof of payment of 2022 RPT as of Dec. 31, 2022

Source Report/Particulars	Number of Concessionaires		
	General Aviation Area	Other Areas	Total
List of Concessionaires from BIDD[14]	79	82	161
Less: RPT Exempt/new leases	8	9	17
Number of "Should be" RPT Payors/concessionaires	**71**	**73**	**144**
Concessionaires with proof of RPT payment for CY 2022 RPT[15]	14	0	14
Concessionaires without Proof of RPT Payment	**57**	**73**	**130**

Table 14 – MIAA properties under lease without proof of RPT payment

	General Aviation Area	Other Areas	Total
Open Area/Land	37,997	582,635	620,632
Area of Buildings/Hangars	32,332	102,976	135,308
Total Open Area/Land and Buildings/Hangar	**70,329**	**685,611**	**755,940**

7.7. In the case MIAA vs. Court of Tax Appeals[16], the Supreme Court decided that the Airport Lands and Buildings of MIAA are exempt from RPT, except for the portions leased to private parties.

7.8. The RPT paid by concessionaires on behalf of MIAA forms part of MIAA's lease income and operating expenses as RPT payments are part of the consideration for the lease. These should be accounted for and recognized in the books of accounts accordingly.

7.9. Considering the non-submission of proof of RPT payment of 130 lessees per Table 13, in behalf of MIAA, the lease income and operating expenses related thereto were not recognized in the books of accounts, resulting in understatement of Rent/Lease Income and Taxes, Duties and Licenses accounts by undetermined amount. This casts doubt on the fair presentation of the accounts in the financial statements contrary to PAS 1.

7.10. **In view thereof, we reiterated our prior years' 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 and submission of proof of payment of RPT, among others;**

b. **Demand the settlement of unpaid RPTs due from lessees and/or submit to the Audit Team the List of Concessionaires with RPT payment obligations under their Contract, if any;**

[14] Business and Investment Development Division
[15] Only 9 submitted complete documents for CY 2022
[16] G.R. No. 155650, July 20, 2006

c. Account for the:

i. RPTs due from lessees, corresponding to the RPT assessment by the concerned Local Government Units (LGUs), 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; and

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

7.11. Management commented that MIAA has issued a Memorandum to all concessionaires at General Aviation Area and Other Areas requesting for the submission of proof of payment of RPTs. Likewise, Management has already sent a letter addressed to the City Treasurer and City Assessor of Pasay City to request for copies of Tax Declarations of MIAA's concessionaires, including the status of their payment to help them monitor their compliance with the requirement for lease renewal. The Authority cannot account the RPT due from the lessees as the LGU of Pasay cannot provide the corresponding tax assessment. A series of coordination with the LGU of Pasay has been made to request for such document but to no avail.

7.12. Nevertheless, as plan of action of Management, lessees which shall fail to submit proof of RPT payment shall be given demand letters for the immediate settlement of the same, otherwise they shall suffer the consequence of cancellation of contracts and suspension of access passes.

7.13. The Audit Team will continue to monitor the subsequent actions of Management to comply with the recommendations.

8. The reversal/derecognition of a portion of receivable from Philippine Airport and Ground Services (PAGS) amounting to P0.720 million per month or a total of P8.645 million for CY 2022 is without basis, resulting in understatement of Rent/Lease Income and Accounts Receivable (AR).

8.1. During our review of the accounts and transactions of MIAA for CY 2022, we have observed that a journal entry voucher (JEV) amounting to P0.720 million is being prepared on a monthly basis pertaining to the reversal/derecognition of a portion of Rent/Lease Income and AR from PAGS.

8.2. Upon monthly billing to PAGS, the Accounting Division (AD) records AR pertaining to the total amount of billing, including disputed account amounting to P0.720 million. However, at the end of each month, the AD reverses the AR in the amount of P0.720 with a description that it pertains to reversal of income from disputed account of a concessionaire with pending court case pertaining to leased spaces in Terminal 1. The dispute[17] was apparently due to the increase in rental rates that was implemented by MIAA.

[17] On Nov. 13, 2000 PAGSS filed a Civil Case No. 00-0363 against MIAA relative to the dispute in rental rates.

8.3. Inquiry from the concerned personnel in the AD revealed that the recording pertaining to the reversal of Rent/Lease Income and AR is being practiced ever since they assumed office in MIAA. We were also informed that AD has neither details nor breakdown of the amount being reversed monthly to determine the exact rates, leased spaces or occupied area disputed by the concessionaires.

8.4. In Note 40, Other Matters, to CY 2022 financial statements of MIAA, it was disclosed that:

> ***Receivable from Private Concessionaire with Pending Case***
>
> *Philippine Airport and Ground Services (PAGS) (Civil Case No.000363) – P174.114 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.*

8.5. Based on the Aging of AR as of December 31, 2022, the account of PAGS amounting to 48.172 million, exclusive of reversals made, has details as shown in Table 15:

Table 15 – Aging of AR from PAGS

Age	Amount	Percentage to Total
Current	4,369,088	9.07%
1 – 30 days past due	1,827,271	3.79%
31 – 60 days past due	1,470,268	3.05%
61 – 90 days past due	158,304	0.33%
91 – 180 days past due	74,028	0.16%
181 – 365 days past due	871,744	1.81%
Over 365 days past due	39,401,262	81.79%
Total	**48,171,965**	**100%**

8.6. The practice of reversing previously recorded receivable departs from the description of AR in the Revised Chart of Accounts for Government Corporations where it is stated that the account is used to recognize the amount due from customers arising from regular trade and business transactions. Credit this account upon collection, transfers or write-off, and/or adjustments of receivables.

8.7. Thus, the reversal of Rent Income and AR recorded in each monthly JEV from January to December 2022 totaling P8.645 million does not fall under those circumstances or conditions wherein credit to AR can be made. Likewise, the lack of supporting documents to substantiate the reversal of the accounts hindered the Audit Team to conduct further evaluation as to the correctness of the entries made and accuracy of the balance of the account.

8.8. It is also worthy to mention that write-off of receivables can only be made based on authority granted by the Commission on Audit (COA) upon filing of request in compliance with the requirements provided in COA Circular No. 2016-005 dated December 19, 2016, on the Guidelines and Procedures on the Write-Off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs).

8.9. **In view of the foregoing, we recommended that Management provide basis for the reversal of Rent/Lease Income and AR, otherwise, revert all the reversal entries made and stop the practice of reversing the related AR and Income accounts.**

8.10. Management commented that the reversal of receivables for the disputed rental charges at Terminal 1 leased areas is based on PAS 37, with reference to International Accounting Standards (IAS) 37 which prescribes the accounting and disclosure requirements for contingent assets, among others. The reversed receivables are disclosed as contingent assets and are not recognized in the books since they do not meet all the asset recognition criteria. These are possible assets that arise from past events and whose existence will be confirmed only by the occurrence of one or more uncertain future events not wholly within the control of the entity. The receivables are the subject of a pending case (Civil Case No. 00-0363) which has been dragging on for more than 20 years.

8.11. Further, Management stated that recognizing the disputed rental charges in the books will only inflate the receivables and income, which collectability may never be realized at all. This is not to mention the corresponding income tax and dividends due therefrom should it not be derecognized in the books. It is Management's position that the said disputed receivables will only be recorded until said case is resolved with finality in favor of MIAA. Likewise, it is worthy to note that on March 20, 2023, MIAA received a copy of the Order from Regional Trial Court of Pasay directing the (i) the revival of the case, and (ii) submission of both parties of the proper manifestation and motion and setting the case for clarificatory hearing.

8.12. As an audit rejoinder, PAS 37, paragraphs 31 to 35 states that, *Contingent assets should not be recognized – but should be disclosed where an inflow of economic benefits is probable. When the realization of income is virtually certain, then the related asset is not a contingent asset and its recognition is appropriate.*

8.13. If Management evaluated such receivable as a contingent asset, the recognition of the receivable from PAGS pertaining to the disputed account should not be made at the onset. Management's recognition of the account as AR signifies that MIAA is representing that it has right to collect said disputed account from PAGS. The subsequent derecognition is tantamount to write-off which should only be made in accordance with COA Circular No. 2016-005.

8.14. Nonetheless, the Audit Team will continue to monitor Management's compliance with the recommendations.

B. OTHER OBSERVATIONS

9. The policy requiring the remittance of Passenger Service Charge (PSC) on flown and expired tickets only pursuant to Sections 6.2 and 6.3 of MIAA 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 continued possession by Air Carriers (ACs) of PSC collections integrated in unflown and unexpired airline tickets.

9.1. This is a reiteration of prior years' audit observation.

9.2. Sections 6.2 and 6.3 of MIAA MC No. 18, series of 2019 states that:

> *"6.2 The due date of remittance for the PSC collections from passengers with departure date 1st to 15th day of the month shall be on or before the end of the current month. The PSC collections from passengers with departure date 16th day to end of the month shall be remitted on or before the 15th day of the succeeding month.*
>
> *6.3 Remittance of collected PSC on expired tickets shall be done quarterly, on or before the fifteenth (15th) day of the succeeding quarter."*

9.3. In CYs 2021 and 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 to the Memorandum of Agreement (MOA) between MIAA and ACs, despite the opinion of the OSG in its letter-reply, 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."***

9.4. 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.

9.5. Moreover, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) No. 34-2012 dated July 13, 2012, and RMC No. 122-2021 clarifying the tax implications of integrating the PSC at the point of sale of airline tickets. The

RMCs were issued to standardize the procedure for the invoicing, recording, and tax treatment of the integration of the PSC at the point of sale of airline tickets and the service fees received by airline companies.

9.6. In the illustrative entries under the RMCs, the share of 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. The cash collections by ACs pertaining to PSC should pass through their books only considering that they are collecting agents on behalf of MIAA.

9.7. Based on the Agency Action Plan and Status of Implementation (AAPSI) submitted to the Audit Team on August 22, 2022, Management stated that they did not find any inconsistency between MC No. 18 and the OSG opinion with regard to the remittance of PSC on flown and expired tickets. The 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 the payment made by the departing passengers are credited to MIAA's account once they depart from the terminal. As such, MIAA has developed a system for the accounting, reporting and monitoring of PSC collections from the ACs. Likewise, Management is religiously sending demand letters to ACs which failed to remit the PSCs on due dates.

9.8. Management also 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 the date of issuance, which is explicitly provided in the MOA between MIAA and ACs.

9.9. The Audit Team would like to emphasize that the OSG states in its opinion that MIAA is the payee and beneficiary of the terminal fees. It further stated that *"xxx the phrase 'based on flown passengers' should not be considered a suspensive condition that has to be satisfied before remittance should be made. Rather, such phrase only serves to fix the amount of collection."*

9.10. Based on the foregoing, it is clear that the OSG believes that PSC accrues to MIAA as they are the payee and beneficiary of the PSC, although still subject for refund. Therefore, Management can demand the remittance of PSC whether flown or unflown, based on tickets sold by ACs and not on departed passengers only, provided that they will establish a mechanism for it. Collection of PSC for expired and unflown tickets after 15 months of issuance will result to loss of potential interest income since Management may have invested it in the trust fund had they collected them earlier. Hence, we deem that the Sections 6.2 and 6.3 of MC No. 18, series of 2019 unfavorable to MIAA or the National Government.

9.11. **In view thereof, we reiterated our recommendation that Management should develop a policy for the accounting, reporting and monitoring of PSCs collected by the ACs and on behalf of MIAA, including those due from fixed-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 RMCs issued by the BIR.

9.12. Management commented that they will seek clarification from the OSG if its position on unflown and unexpired tickets runs counter to the opinion-earlier issued by the latter.

9.13. Also, on the observation that MIAA MC No.18 is not consistent with RMCs where the share of MIAA, OTS and BTr are required to be recognized by the ACs in their books of accounts whether flown or unflown, it is MIAA's view that the intention of the BIR is to cover the PSC on flown tickets only. PSC collections on unflown tickets are to be refunded in full to the passengers without deducting the government share. This is also the reason why the ACs are not authorized to impose service fee on PSC collections for unflown tickets as this will decrease the amount due for refund to passengers.

9.14. The Audit Team maintains its position that remittances from ACs for PSC accrues to MIAA as they are the payee and beneficiary of the PSC. Thus, a policy for the accounting, reporting and monitoring of PSCs collected by ACs and on behalf of MIAA should be developed.

10. Land assets with an area of 1,243,941 square meters (sq. m.) remained not titled in the name of MIAA, hence ownership was not appropriately proven or established.

10.1. This is a reiteration of prior year's audit observation with updated information.

10.2. Shown in Table 16 are MIAA's properties, among others, that are either untitled or still not in the name of MIAA:

Table 16 – Land Assets not titled in the name of MIAA

Description	Area (in sq. m.)	Value (in Php)
a. Still in the name of Nayong Pilipino Foundation (NPF)	309,727	8,794,598,600
b. Properties under Transfer Certificate of Title (TCT) No. 6735	395,003	395,002,760
c. Untitled lots	381,369	381,369,000
d. Other titled properties	157,862	157,862,000
	1,243,961	**9,728,832,360**

a. In 2002, Executive Order (EO) No. 111 was issued authorizing the transfer of 8.6 hectares of NPF property to MIAA. Subsequently, EO No. 58, series of 2011 was issued transferring the remaining property of NPF with an area of 22.3 hectares to MIAA. The EOs were issued in 2002 and 2011, however, as to date, the properties are not yet transferred in the name of MIAA. The book value of these properties from NPF make up 60.5 per cent[18] of the total land assets of MIAA.

[18] Book value of lots from NFP P8.795 million divided by total land assets P14.546 million (PE - P5.540 million; IP - P9.006 million)

b. Properties originating from TCT No. 6735 has already been subdivided into several lots but the TCTs under the name of MIAA, from the subdivided TCT No. 6735 is yet to be processed/issued.

c. MIAA's initially submitted Report on Physical Count on Property, Plant and Equipment (RPCPPE) for Property and Equipment (PE)-Land showed that the remaining properties identified/classified as untitled lots as of December 31, 2022 has a total area per physical count of 434,003 sq. m. and book value amounting to P398.731 million. It was stated in the AAPSI as of August 2022 that Management has been processing the 44 untitled MIAA lots/properties. The copy of the 20 Original Certificates of Title was provided to the Audit Team.

d. The certification of reconciliation dated March 13, 2023 shows that other titled properties under the name of private individuals/entities has an area totaling 157,861.52 sq. m.. Attached to the certification is the list of such properties with only Lot Nos. and Survey Nos.

   Included in the other titled properties are the lots purchased by MIAA in 2003 and 2004, with total area of 720 sq. m. from the heirs of Mr. Eladio Santiago and Titan Construction Corporation, with area of 180 sqm and 540 sq. m. valued at P2.160 million, equivalent to the compensation paid by MIAA. Copy of the Deed of Sale relative to the properties was requested from Management, however, none was submitted to the Audit Team.

   Further examination revealed that these fragments of two parcels were expropriated by MIAA for the purpose of installing runway approach lights. The properties are currently owned by the heirs of Eladio Santiago and Titan Construction Corporation, with area of 180 sq. m. and 540 sq. m., respectively. GR No. 193828 dated March 27, 2017 showed that MIAA failed to provide just compensation for the properties expropriated.

10.3. In CY 2021, the Audit Team requested for Deed of Sale/MOA/Writ of expropriation for the purchase, sale and expropriation of land assets, except for the transactions with NPF and Department of Public Works and Highways (DPWH), but none was submitted to date.

10.4. **In view of the foregoing, 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 status of the titling of land assets in the name of MIAA; and

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

10.5. Management commented the following:

a. The NPF is reluctant to surrender the Owner's Duplicate Copies of TCTs covering the 22.3-hectare property transferred to MIAA by EO No. 58 despite repeated requests and meetings at their office, the most recent of which was on December 6, 2022. NPF do not want to surrender the titles as they would like to be compensated for the 22.3-hectare transferred property;

b. The remaining subdivided lots that were left under TCT No. 6735 are mostly of no use to MIAA. These are road lots, and river lots occupied by informal settlers that cannot be used by MIAA for its operation or cannot be converted to commercial areas;

c. MIAA sent follow up letter to Regional Director, Department of Environment and Natural Resources- National Capital Region (DENR-NCR) dated May 20, 2023, requesting to expedite the processing of the remaining 24 untitled lots for Special Patent;

d. MIAA will facilitate the processing of the remaining compensation to be paid to the heirs of Eladio Santiago and Mr. Jerry Yao for their lots affected by the construction of runway approach lights upon receipt of confirmation from their legal counsel; and

e. MIAA have been peacefully occupying the entire 6,060,404.64 sq. m. property for more than 40 yrs. Proof of ownership for other titled properties under the name of private individuals/entities cannot be located anymore despite continuous effort of the Business and Real Estate Investment and Development Division to locate them. Research had been made at the Registry of Deeds, Land Management Bureau, Land Registration Authority, Bureau of Lands, DENR-NCR, National Archive of the Philippines and various courts, but unfortunately, to no avail.

10.6. As an audit rejoinder, MIAA should exhaust all possible options in order for the 22.3-hectare property be transferred under its name. Further, the Audit Team believes that the remaining subdivided lots under TCT No. 6735 should still be processed for titling despite having no benefit to MIAA to establish MIAA's rights over the properties.

10.7. The Audit Team will monitor Management's actions on the processing of the remaining 24 untitled lots for Special Patent. On titled assets not in the name of MIAA, Management should determine and take appropriate action on the titling of those properties in the name of MIAA, in order to establish MIAA's rights over the same.

11. Some MIAA Land assets are occupied by informal settler families (ISFs) and other parties who are not paying rent to MIAA resulting in forgone potential revenue and eventually putting these land assets at risk.

11.1. This is a reiteration of CY 2020 audit observation.

11.2. Section 2 of Presidential Decree No. 1445 provides that *"All resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view of ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned."*

11.3. In CY 2020, the Audit Team noted that there are properties occupied by ISFs or commercial establishments that are not paying any rental fee to MIAA.

11.4. Inquiry with concerned personnel disclosed the following:

a. *Properties occupied by ISFs*

Management confirmed that there are properties still occupied by ISFs as of date. They mentioned that they already appeared in the House of Representatives to resolve the matters. However, presence of land grabbers and ISF syndicates hindered Management in resolving the issue.

b. *Properties occupied by commercial establishments*

Management also confirmed that there are commercial establishments illegally occupying MIAA's properties. There are ongoing cases relative to those properties which are still for resolution.

11.5. Failure to assert MIAA's rights over properties occupied by other parties resulted in loss of opportunity and potential rental income for MIAA, and eventually, put the ownership of MIAA on these land assets at risk.

11.6. **We reiterated our recommendation that Management assert their right on the properties occupied and being used by other parties, such as demanding payment of rental dues for the use of properties and/or consider initiating legal action against those ISFs.**

11.7. Management commented that:

a. The ISFs were already occupying various MIAA properties since time immemorial. Management will seek the support of LGU Pasay and the National Government, if needed, to be able to repossess and reclaim these properties; and

b. As to MIAA properties occupied by commercial establishments, there were already cases filed against these professional squatters.

11.8. Management will also solicit legal opinion from Office of the Government Corporate Counsel or Office of the Solicitor General for possible filing of legal action against the ISFs and/or consider demanding rental payment for the use of MIAA properties.

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

12. The absence of comprehensive policy/guidelines on the collection of MIAA's revenue streams resulted in inability to monitor Accounts Receivable (AR) when they become due, thus, past due receivables amounting to P2.458 billion, inclusive of P1.029 billion dormant AR, remained uncollected.

12.1. Pursuant to MC No. 07, series of 2023, dated March 23, 2023, the Accounting Division (AD) submitted three separate Aging of Receivables (billed receivables, unbilled concession privilege fees and passenger service charge) as of December 31, 2022. The Audit Team consolidated those three reports and prepared analysis as shown in Table 17.

Table 17 – Aging of Receivables

Age	Amount (in Php)	Percentage to Total AR	Percentage of AFI
Current	*894,246,575*	27%	1%
Past Due			
1 to Less Than 10 Years	1,428,647,761	43%	5%, 10%, 20%, 40%, 60%, 90%
Over 10 Years	413,008,089	12%	10%, 90%
Non-Moving Accounts (more than 10 yrs)	616,018,302	18%	100%
Subtotal (Past Due)	*2,457,674,152*		
Total	**3,351,920,727**	**100%**	

12.2. As can be gleaned from Table 17, out of the total AR balance, P2.458 billion or 73 per cent are already overdue of which 42 per cent or P1.029 billion are outstanding for 10 years and above. The following were noted:

a. *Disputed Accounts*

Disputed accounts with Court Case amounting to P552.287 million comprised of 12 accounts which have disputes on rental rates increase/adjustments. Some of the court cases were disclosed in Note 40.i to financial statements and are still pending resolution.

The disputed accounts without Court Case amounting to P320.015 million consists of 37 accounts with concessionaires who refused to pay their rent due to rental space issue and dispute on rate increase/adjustment. According to the Collection Division (CD), some of these accounts with concessionaires were forwarded to Terminal Concession Division and Legal Office to take actions for non-compliance to Promissory Notes and final notice likewise for non-payment of arrears.

b. *Dormant Accounts and/or Undisputed Accounts*

COA Circular No. 2016-005, dated December 19, 2016, defines dormant receivable as *account balances which remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.*

Included in past due accounts are dormant and undisputed accounts amounting to P616.018 million. The amount consists of more than 700 non-moving accounts that are no longer in operation. The amount also includes P277.361 million that is carried over in the books of MIAA from the Bureau of Air Transportation (now Civil Aviation Authority of the Philippines or CAAP) with no supporting documents available, thus, probability of collection could no longer be ascertained.

According to the CD, undisputed past due accounts (excluding dormant accounts) amounting to P969.353 million are composed of several concessionaires and airlines that have issued post-dated checks for the principal and interest on the past due balance. Others were subject for issuance of Demand Letter, Final Notice or Notice to Vacate, while some have commitment to pay and to submit payment proposal.

12.3. The Audit Team believes that the material amount of long-overdue accounts signifies inability by the Authority to conduct regular monitoring and analysis of receivable accounts to ensure that these are collected when these become due and demandable as prescribed in Section 6.1 of COA Circular No. 2016-005, dated December 19, 2016.

12.4. Inquiry from CD revealed that MIAA has no comprehensive guidelines/policy on collection that is currently in-place. Based on the documents gathered by the Audit Team, the only existing comprehensive policy relative to collection was issued way back CY 1999[19]. This only includes receivables pertaining to fixed billing accounts, some aeronautical fees and utility charges. As a result, the Authority is exposed to risk of undue loss and deprivation of funds that could be used in its operations.

12.5. Furthermore, in CY 2022, the Audit Team sent confirmation letters to 30 concessionaires and airlines with highest outstanding balances due to MIAA on the use of airport facilities, services and utilities (billed charges). Out of the 30 debtors, only five confirmation replies were received, as shown in Table 18:

Table 18 – Results of confirmation

Particular	No. of debtors	Balance per GL As of December 31, 2022 (in Php)	Per Confirmation (in Php)	Variance (in Php)
With Confirmation	5	233,775,373	26,789,721	206,985,652
Without Confirmation	25	1,382,371,259	No response	1,382,371,259
		1,616,146,632	**26,789,721**	**1,589,356,911**

12.6. Details of the variance between the balance per books/GL and the confirmed balance is shown in Table 19:

Table 19 – Comparison of GL Balance and Confirmed Balance

Concessionaire/ Airlines	Balance per GL (in Php)	Per Confirmation	Variance (in Php)	Reason of Variance
Airlink International	96,081,004	0	96,081,004	P96.081 million is **Disputed with Court Case** past due account

[19] MC No. 09 series of 1999: Concession Contracts and Accounts Receivable Management System

Concessionaire/ Airlines	Balance per GL (in Php)	Per Confirmation	Variance (in Php)	Reason of Variance
Turkish Airlines	11,027,634	1,567,731	9,459,903	Cannot determine the cause of discrepancy no details provided by Turkish Airlines
Philippine Skylander Inc. (PSI)	65,988,018	0	65,988,018	P65.090 million is **Undisputed Past Due account**
Bureau of Customs	28,880,967	0	28,880,967	P28.856 million is **Disputed Without Court Case** past due account
Duty Free Philippines	31,797,750	25,221,990	6,575,760	Cannot determine the cause of discrepancy, no details provided by Duty Free
	233,775,373	**26,789,721**	**206,985,652**	

12.7. As shown above, the account of PSI shows a balance of P65.988 million which consist of P65.090 million undisputed balance. However, based on the confirmation reply, PSI's due to MIAA is zero. Further, confirmation reply of two debtors with disputed accounts, one with court case and one without, revealed that they have no payable to MIAA. The five concessionaires that have sent their confirmation replies mostly consists of past due accounts.

12.8. Similarly, included in the past due account is the receivable from Philippine Aerospace Development Corporation (PADC) amounting to P8.711 million[20], exclusive of value-added tax (VAT) and interest on non-payment. The balance is composed of P7.736 million and P0.975 million under *Undisputed Past Due* and *Disputed Without Court Case* respectively. 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 to P205.442 million. Net receivable per SOA with a notation "disputed accounts" amounted to P206.378 million.

12.9. PADC still claims that it should not be billed for the interest since there is no related unpaid principal. As of December 31, 2022, the outstanding balance has been reduced to P0.975 million.

12.10. **In view thereof, we recommended that Management:**

a. **Continue to assert MIAA's rights to the receivables by exerting all possible actions, including legal action, to collect the amounts due;**

b. **Evaluate/assess the existing collection policy/procedures to determine if these are still effective in order to minimize accumulation of overdue accounts and ensure collectability of past due receivables;**

c. **Study the necessity of filing request for authority to write-off dormant receivables provided that the requirements under COA Circular No. 2016-005 are complied with;**

[20] With discrepancy of P363,566 against the total principal shown in SOA as of December 31, 2022 amounting to P9,074,495

d. **Reconcile the accounts of those debtors who confirmed no liability to MIAA in order to establish MIAA's rights over the receivables; and**

e. **Pursue the determination of the correct amount of receivable from PADC, exclude in the SOA those invalid AR 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.**

12.11. Management commented that there were guidelines/policies issued on the collection of receivables after the 1999 MC on Concession Contracts and Accounts Receivable Management System. Hence, it is not the absence of the same that resulted to the inability to monitor the AR, rather, the strict compliance to the issued guidelines/policies.

12.12. Nevertheless, Management is bent into getting the AR updated. This is evidenced by the strict implementation of the enforcing units to require concessionaires to secure an account clearance prior to contract renewal and/or issuance of access passes. This collection strategy has resulted to a considerable decrease in the AR by P996 million from P3.026 billion in 2022 to P 2.030 billion in 2023.

12.13. The Audit Team requested for the guidelines/policies issued after the 1999 MC from the CD, to wit:

a. MC No. 23 s. 2003 on the Revised Payment Scheme for Concessionaires with Arrears which contains guidelines in approving payment scheme for concessionaires who intended to settle their arrears on installment basis;

b. MC No. 06 s. 2016 on the Policy Guidelines for Recording, Billing and Collection of Aeronautical Fees and Charges which sets forth the policy and prescribe standard procedures in flight data recording, preparation of billing and collection of aero fees and charges; and

c. MC No. 04 s. 2019 on the Fees and Charges for Disabled Aircraft Recovery and Airport Emergency and Non-Emergency Services.

12.14. These policies did not mention on monitoring of unpaid fees and past due AR. While the Audit Team appreciates the actions of the Management as regards collection of its AR and recognized that MIAA has procedures on collection of AR when they become due, however, the Audit Team believes that an updated comprehensive guidelines/policies must be established to incorporate Management's current practices and standardize such guidelines/policies to ensure timely and effective collection of receivables, which will include, among others, the timeframe on making demand for payment from concessionaires/airlines and escalating issues; and guidelines in handling disputes.

13. **The delay in the full implementation of the Financial Management Information System (FMIS), which is intended primarily to address the deficiencies of the existing manual operations/processes, particularly on MIAA's revenue related transactions, resulted in non-attainment of the Project's objectives.**

13.1. On July 2018, MIAA entered to a contract with Competitive I.T. Solutions Inc. which developed the FMIS. This computerization project, named as *MIAA Computerization Project - Phase One: Accounts Receivable with Front-End Solutions,* will allow MIAA to cope up with the increasing number of transactions in view of the increasing number of flights and passengers; and help to easily interface with its clients and business partners, who have been into computerized operations for a long time. For years, the Authority has been facing challenges brought about by its existing manual processes/operations and pocket type systems, oftentimes causing erroneous and/or delayed reports/information. This project consists of the following system output:

- Bills generation
- Recording and reconciliation of collection
- Planning and recording of aeronautical activities
- Recording of consumables – Light & Power and Water
- Usage of Authority's facilities and/or properties
- Concessionaire's Registry
- Other bills that are non-recurring or as needed

13.2. Several functionalities of the FMIS have been gradually rolled-out and went live since CY 2020. The result of the system is furnished to intended users in a web-based portal that is accessible to authorized users, in which the Audit Team has a read-only access in some modules.

13.3. In CY 2020 audit, it was noted that the FMIS *is not yet complete and fully operational, thus delaying or depriving the MIAA full benefits therefrom.* Partially completed modules include billing generation for aeronautical fees and some utility bills for concessionaires. The systems on unbilled Concession Privilege Fee (CPF) and passenger load are not functioning then.

13.4. In CY 2022, inquiry from the Accounting Division (AD) revealed that all aeronautical and utility fees billing are now currently working, including report generation for Gross Sales-based CPF. However, it was disclosed that due to unreliable data, both Accounting and Collection Divisions still do not use the Report from FMIS as basis for recording of accrual and collection of Gross Sales-based CPF.

13.5. Also included in those integrated in the system is the arrival and departure passenger registry, however, the Audit Team's validation of selected transactions from the report exported from FMIS for December 2022 showed lesser number of total passenger load compared to Passenger Statistic Report prepared by the Terminal Operations Group. Also, some airlines showed "no record" in the exported FMIS report from Terminal 3, indicating that the report from the system is unreliable.

13.6. Furthermore, inquiry from the AD revealed that module on SOA generation is temporarily halted due to the following:

a. *Issue on payment application*

According to AD, it was MIAA's practice to apply the payment of the past due accounts to principal first before applying to interest, which is contrary to Part II, Section 7 of AO No. 1 and Article 1253 of the Civil Code of the Philippines[21]. The reason for this conflict is due to some accounts in which the amount billed (principal) is under dispute, hence, the interest computed on that unpaid disputed amount are also disputed. As a result, payment is being applied first on the undisputed portion of the principal amount.

b. *On-going re-design and re-configuration of the collection module*

According to the CD, there is an ongoing re-design and re-configuration of the current collection module for easy viewing, validation and checking of its content, which will include posting of payments that are related to SOA generation. However, issuance of Official Receipts (OR) may be deferred since OR generation through FMIS needs to be integrated to a computerized accounting system, which requires acceptance by the Bureau of Internal Revenue.

13.7. The foregoing delay in the full implementation of FMIS resulted in not maximizing the capacity of the system for which it was intended and consequent delay in the attainment of the objectives of MIAA's Computerization Project.

13.8. **In view of the foregoing, we recommended Management to:**

a. Provide the Audit Team an updated status of the pending modules and a plan with specific timeline to implement or complete such modules;

b. Conduct a test to ensure that reports generated from the system provide accurate and reliable information/data; and

c. Facilitate the full implementation of the system in order for the Authority to achieve the objectives in procuring the system, including streamlining its processes to better serve its clientele.

13.9. Management commented that all modules are functioning and have been tested but some are disabled because of lapses in the encoding of data and process based on practice that will not run well with the system. Management shall endeavor to have the FMIS Project completed and fully operational.

13.10. The Audit Team will continue to monitor Management's compliance with the audit recommendations.

[21] If the debt produces interest, payment of the principal shall not be deemed to have been made until the interests have been covered

14. Interest on late payment of GS-based CPF by some concessionaires were not imposed and collected contrary to Section 6 of AO No. 1, series of 2000, resulting in loss of revenue which could have been used in MIAA's operations.

14.1. Part II, Section 5 on Rules of Payment of AO No. 1, series of 2000 states that:

> *"a. The fees and charges prescribed herein shall be due and demandable on the following dates:*
>
> *1) Xxx*
> *2) Based on percentage of gross revenues derived from operations at the Airport (CPF, Royalty Fee, etc) – On or before the fifteenth (15th) day of succeeding month."* (underscoring supplied)

14.2. Review of the Schedule of CPF Remittances for CY 2022 from AD revealed that 16 of the 25 selected concessionaires incurred late payment on GS-based CPF for their sales from October to December 2022, and no interest were imposed and collected from them.

14.3. Section 6 of AO No. 1 series of 2000 mentioned that:

> *"Unpaid account shall be subject to two percent (2%) interest per month computed daily and compounded monthly, reckoned from due date, until the amount is fully paid."* (underscoring supplied)

14.4. Inquiry from the CD revealed that there are no clear guidelines on monitoring of late payment on GS-based CPF. Hence, it shows that not all concessionaires with delayed payments are imposed with interest nor notified of the amount of interest due.

14.5. The Audit Team requested SOA of the selected 16 concessionaires with delayed GS-based CPF payments, however, according to CD, most concessionaires were not issued of SOAs for October to December 2022. It was also disclosed that though some concessionaires were issued SOAs, the interest pertaining to delayed payment of GS-based CPF was not included among those for collection.

14.6. The leniency on the imposition and collection of interest from delayed payment of GS-based CPF is not in accordance with Section 5 of AO No. 1, series of 2000, and resulted in loss of revenue that could have been used by the Authority in its operations.

14.7. **We recommended that Management:**

a. Determine those concessionaires with late payment and impose the corresponding interest, including those 16 concessionaires subjected to audit;

b. Establish a clear monitoring system for verification of concessionaires' timeliness on CPF payment; and

c. Require the CD to ensure compliance with Section 6 of AO No. 1, series of 2000, on the imposition of interest on delayed payment of GS-based CPF.

14.8. MIAA committed to undertake the following:

a. Regular reconciliation of CPF based on Point of Sales Summary Report *vis-a-vis* Actual Gross Sales per Sworn Statements submitted by Concessionaires. Any discrepancies found during reconciliation will be communicated to concessionaires to account for the difference, otherwise payment shall be demanded. Management have started sending letters to concessionaires for this purpose;

b. Imposition and collection of interest charge for delayed payment of GS-based CPF; and

c. Regular issuance of demand letters to concessionaires with unremitted or under remitted GS-based CPF.

14.9. Management added that some concessionaires, particularly those with prolonged delay in payment of GS-based CPF, were billed interest on late payment.

14.10. The Audit Team will monitor the results of the action plan of Management to address the audit recommendations.

15. The absence of control on timely communication and effective monitoring of MIAA's Property and Equipment (PE) resulted in delayed recognition of PE in the books of accounts.

15.1. Audit of the MIAA's PE account revealed that certain transactions affecting the said account were not recognized in the books of account in a timely manner. Below are some transactions affecting the PE accounts with delayed recognition in the books of accounts:

a. *PE transferred from Department of Transportation (DOTr)*

Items of PE with a book value of P1.134 billion were recognized in the books of accounts in CY 2022. The recognition pertains to the items of PE transferred by DOTr to MIAA way back 2018 and is being used in MIAA's operations. However, recognition in the books of accounts and property cards was only made in CY 2022. Adjustment in accumulated depreciation and depreciation expenses and/or retained earnings accounts, was also made in CY 2022.

b. *Donated PE*

We also noted that donated six Advance Imaging Technology Full Body Scanners from the United States amounting to P74.124 million were also recognized in the books of accounts in CY 2022. The CY 2021 Annual Report of MIAA states that the scanners were installed in NAIA Terminals 1, 2 and 3 in November 2021.

c. *Completed Projects*

Examination of JEV No. 2022-12-059 dated December 31, 2022 showed that two completed projects were only transferred to PE from Construction-in-Progress (CIP) in December 2022, with details shown in Table 20:

Table 20 – CIP transferred to PE in December 2022

Name of Project	Completion date	Cost
Supply and Installation of Stopbar Lights at Runway 06/24 and Rehabilitation of Primary Lines and Airfield Lighting system at Runway 13/31	November 20, 2021	P302,311,419
Replacement of Departure Baggage Handling System of NAIA Terminal 1	June 25, 2022	624,768,750

15.2. Moreover, review of initially submitted Report on the Physical Count of Property, Plant and Equipment (RPCPPE) revealed that these items were not initially included in the physical count, which initially caused the variance between the books of accounts and the RPCPPE.

15.3. One of the components of internal control is information and communication. Principles of Information and Communication requires Management to develop and maintain reliable and relevant financial and non-financial information. This entails that transactions and events must be recorded promptly when they occur, properly classified, and fully and clearly documented.

15.4. Considering the foregoing, it is clear that Management has no established control on timely communication and effective monitoring of MIAA’s PE to ensure that PE are properly accounted and recorded.

15.5. In addition, examination of records and JEV attachments revealed that Section 7.0 of COA Circular 2020-006, dated January 31, 2020, on the Disposition Procedures for Non-Existing/Missing PPEs was not properly conducted. We have noted that no supporting documents were provided to show that verification of non-existing/missing items was done, or to prove that demand letters were sent to concerned accountable officers/personnel. Also, there is no corresponding entry recognizing the accountability of the officers and employees for the loss of PE. This is not in accordance with Section 7.10 of COA Circular 2020-006, dated January 31, 2020, which states that:

> *“The Accounting Unit shall take up necessary accounting entries to recognize in the books of accounts the loss of PPE and to set up the corresponding receivables from concerned accountable officers/ personnel…”*

15.6. **In view of the foregoing, we recommended and Management agreed to:**

a. Establish control/s to ensure that both AD and Property Management Division are duly informed of any movements/ adjustments on the PE account to effect necessary adjustments in the books of accounts and property cards; and

b. **Ensure that disposition procedures for non-existing/missing PPEs are in accordance with COA Circular 2020-006.**

16. The updated Property Inventory Form (PIF) was not submitted to the Government Service Insurance System (GSIS) as basis for the renewal of MIAA's property insurance, which is not in accordance with Section 5.1 of Commission on Audit (COA) Circular No. 2018-002, dated May 31, 2018. Thus, it could not be established whether MIAA was able to secure adequate and reliable protection against damage(s) covering all its insurable assets, properties and interests.

16.1. This is a reiteration of prior year's audit observation with an update.

16.2. Section 5.1 of the COA Circular No. 2018-002 – *Guidelines prescribing the submission of Property Inventory Form as the basis for assessment of general insurance coverage over all insurable assets, properties and interests of the government with the General Insurance Fund of Government Service Insurance System* provides that:

> "*5.1 Heads of government 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 (Annex A);*
> *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;*
> *e. Submit the consolidated PIF to the Supervising Auditor/Audit Team Leader and the GIF, GSIS not later than April 30 of each year; xx"*
> (underscoring supplied)

16.3. Shown in Table 21 are MIAA's insurance premiums to GSIS for CY 2023 insurance coverage:

Table 21 – MIAA's Insurance premiums to GSIS for CY 2023

Insurance Coverage	Sum Insured (in Php)	Premiums Paid (inclusive of VAT)	Period Covered	Date of Payment
a. Airport Liability Insurance	16,000,000,000	784,350	July 1, 2022 to June 30, 2023	July 6, 2022
b. Directors and Officers Liability Insurance	100,000,000	1,867,500	Jan 1 to Dec 31, 2023	Dec. 9, 2022
c. Industrial All Risk Insurance (IARI) Airport Terminals	27,569,289,959	61,711,759	Jan 1 to Dec 31, 2023	Feb 3. 2023
d. Property Floater Insurance (39 units of various heavy equipment)	451,536,169	17,763,663	Jan 1 to Dec 31, 2023	Jan 27, 2023
e. Various policies coverage for MIAA vehicles[22]	Various	1,089,749	various	various dates

16.4. Relative to the renewal of MIAA's Industrial All Risk Insurance covering the period January 1 to December 31, 2023, GSIS sent a letter dated June 22, 2022, requesting an updated inventory list and values of insured properties, among others. In response to the letter, MIAA sent a Renewal Advice dated September 1, 2022, along with the Breakdown of Values for Policy Term 2022, among other required documents.

16.5. The Breakdown of Values for Policy Term 2022, prepared and submitted by MIAA to GSIS, showed that the declared value of MIAA's insurable assets amounted to P24.569 billion. This was used as GSIS' basis of the amount of sum insured[23] and for the computation of insurance premium. Inquiry with the personnel concerned revealed that the values and listing of the insurable assets included in the Breakdown of Values were derived from the 2017 appraisal report, the latest appraisal report available, while additions thereafter are based on subsequent acquisitions using the cost of properties as the declared value.

16.6. Instead of submitting an updated PIF, extracted from the latest RPCPPE with data as required in COA Circular No. 2018-002, a Breakdown of Values for Policy Term 2022 was submitted to GSIS. Thus, the Audit Team cannot ascertain whether the submitted list of insurable assets to GSIS is sufficient to protect MIAA's assets, properties and interests against potential loss or damages.

16.7. Moreover, the PIF for CY 2023 is still not submitted to the Audit Team and the GSIS. The due date for submission of the PIF should be not later than April 30 each year. However, according to personnel concerned, the RPCPPE is still for updating, thus, they cannot submit the PIF yet. Timely submission of PIF is essential for GSIS to properly assess the correct insurance coverage for MIAA's assets, properties and interests.

[22] Data based from payments made in CY 2022
[23] Sum insured of P27.569 billion includes P3 billion business interruption

16.8. **In view of the foregoing, we reiterated our previous year's recommendations that Management submit:**

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

b. **A report on the determination/assessment whether the insurance procured by MIAA covers all its insurable interests.**

16.9. Management commented that since the RPCPPE was only submitted to COA this May 2023, the preparation of an updated PIF is still ongoing. Management shall submit the same on the 2nd week of June 2023. Thereafter, Management commits to comply within the due date which should be not later than April 30 of each year.

16.10. On the required assessment report whether the insurance procured is sufficient, Management informed the Audit Team that the concern will be discussed with the concerned offices to come up with the list of properties that need to be adequately covered by property insurance.

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

17. Detailed Bid Evaluation on various procurement of goods/services and infrastructure projects, which is among the functions of the Bids and Awards Committee (BAC), was delegated to the end-user, contrary to Section 12.1 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 and the Generic Procurement Manual (GPM).

17.1. Section 12.1 of the RIRR of RA No. 9184 enumerates the functions of the BAC, which include, among others, the conduct of evaluation of bids.

17.2. Item 1 of the Methodology on the Evaluation of Bids, Step 5 of the GPM, Volumes 2 (for goods and services) and 3 (for infrastructure projects) 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 non-discretionary criteria, x x x" (emphasis supplied)*

17.3. Pursuant to the GPM, the BAC, with the assistance of the Technical Working Group (TWG), has the primary responsibility to conduct the evaluation of bids, not the end-users. End-users can only be involved in the bid evaluation if they are designated as member of TWG, as provided in Section 2, Item 4 of the GPM, Volume I:

> *"It is recommended that the TWG should have <u>as members</u>, a representative or representatives <u>of the end-user or implementing unit</u>, as may be appropriate, and experts in various disciplines who can handle the different aspects of the procurement at hand, namely, the technical, financial, legal and, in certain cases, the project management aspects. <u>The presence of the end-user or implementing unit representative and the</u>*

above-named experts will ensure that the bid documents properly reflect the requirements of the Procuring Entity, and the bids submitted will be rigorously evaluated." (underscoring supplied)

17.4. In CY 2021, the Audit Team reported that bid evaluation on procurement contracts were conducted by the end-user and recommended that Management require the BAC to perform its functions under Section 12.1 of the RIRR of RA No. 9184.

17.5. For CY 2022, review of the procurement contracts submitted to the Audit Team disclosed that bid evaluation was still conducted by the end-user, as evidenced by BAC Chairman's Memoranda to the end-user to perform technical evaluation and arithmetical evaluation.

17.6. **In view of the foregoing, we reiterated our recommendation that Management require the BAC to perform its mandated functions under Section 12.1 of the RIRR, particularly on the conduct of evaluation of bids.**

17.7. Management commented that the BAC or through the TWG, as provided in Item 1 of the Methodology on the Evaluation of Bids, Step 5 of the GPM (Volumes 2 and 3) will conduct the detailed bid evaluation of all bids rated "passed" forthwith.

17.8. The Audit Team will monitor Management's compliance with the recommendations in its succeeding procurements.

18. The copies of various perfected contracts entered into by MIAA were not submitted to the Office of the Auditor, contrary to COA Circular No. 2009-001 dated February 12, 2009, thus precluding their timely review and evaluation.

18.1. COA Circular No. 2009-001 dated February 12, 2009 reiterates the submission of copy of government contracts, purchase orders and their supporting documents to the COA. Particularly, Section 3.1.1 states that:

> ***"Within five (5) working days from the execution of a contract*** *by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. Xxx"* (emphasis supplied)

18.2. We have noted that in CY 2022, only Procurement Contracts and Purchase/Work Orders with supporting documents were regularly submitted to the Audit Team.

18.3. On the other hand, copies of the following contracts, among others, were not submitted to the Audit Team:

- Lease/concession contracts;
- Memorandum of Agreements/Understanding with government agencies for the use of MIAA properties and use of MIAA privileges; and
- Job Order Agreements.

18.4. As regards copy of the lease/concession contracts, Item VII.D.7 of MIAA Memorandum Circular No. 35 s. 1999 dated August 2, 1999[24], requires that the Concessions Management Division shall distribute the copies of the contracts to the different divisions of MIAA including the Commission on Audit.

18.5. The non-submission of the contracts precluded the Audit Team from conducting its prompt review and validation, which are necessary procedures in the audit of the Authority's accounts and transactions.

18.6. **We recommended that Management ensure timely submission of all contracts entered into by the Authority, including all necessary supporting documents, to the Office of the Auditor, pursuant to COA Circular No. 2009-001 dated February 12, 2009.**

18.7. Management commented that the Resident Auditor was not furnished a copy of certain Contracts/Agreements for the year 2022, especially for renewal contracts. Management already assigned the task to the MIAA Documentation Officer to ensure timely and proper distribution of documents which shall become part of the MIAA Integrated Management System.

18.8. Also, Management committed to provide the Audit Team with a complete set of the Concessions Contracts/Agreements entered into by the Authority for CY 2022 until May 31, 2023. Thereafter, all perfected contracts shall be forwarded to the Office of the Auditor religiously.

18.9. The Audit Team will monitor Management's actions on the recommendation.

19. Contracts/agreements entered into by MIAA were not submitted to the Office of the Government Corporate Counsel (OGCC) for review before they are signed, contrary to Section 4, Rule 6 of the OGCC Rules and Regulations.

19.1. The OGCC, as the principal law office of all Government-Owned or Controlled Corporation (GOCC), provides Litigation, Contract Review, Legal Opinion, and Mediation/Arbitration Services for all GOCCs , their subsidiaries and other corporate offspring and government acquired asset corporations, pursuant to Section 10, Chapter 3, Title III, Book IV of the Administrative Code of 1987[25].

19.2. Section 1 of the Letter of Instruction (LOI) No. 1096, s. 1980 dated December 16, 1980 provides that:

> *"1. xxx all contracts entered into by any ministry, bureau, office, agency or instrumentality of the National Government, or by any government-owned or controlled corporation including any subsidiary thereof, with any foreign or multinational corporation, partnership, firm, entity or association, involving Fifty Million Pesos (P50,000,000.00) and above, Philippine Currency or the equivalent thereof in foreign currency in the proper cases, where the contracting party is the Republic of the Philippines through a*

[24] Policies and Guidelines Governing Concessions Management
[25] Executive Order No. 292, s. 1987 dated July 25, 1987

ministry bureau, office, agency or instrumentality of the National Government, or Five Hundred Thousand Pesos (500,000.00) and above, Philippine Currency or the equivalent thereof in foreign currency in the proper cases, where the contracting party is a government-owned or controlled corporation or a subsidiary thereof, shall be submitted to the Government Corporation Counsel for review. Once reviewed, such contracts shall forthwith be transmitted by the Government Corporate Counsel to the Office of the President for consideration/approval."

19.3. Consistent with the aforementioned LOI, Section 4, Rule 6 of the Rules Governing the Exercise by the OGCC of its Authority, Duties and Powers as Principal Law Office of All GOCCs provides that:

> *"Section 4. Policy on Fait Accompli Contracts – All contracts or agreements of GOCCs shall be submitted to the OGCC for review before they are signed. A contract already executed shall not be acted upon except for justifiable reasons as may be determined by the Government Corporate Counsel."*

19.4. Further, Section 4.3 of the Governance Commission for GOCCs (GCG) Memorandum Circular No. 2018-02 dated January 3, 2018, provides that:

> *"4.3 GOCCs shall ensure that all agreements entered by them including, but not limited to, those involving Major Development Projects and Major Contracts shall not be grossly disadvantageous to the government. The required favorable legal opinion and/or contract review by the office of the Government corporate counsel (OGCC) shall be secured by the GOCC before entering into said agreements."*

19.5. We have noted that none of the contracts, particularly procurement contracts, submitted to the Audit Team in CY 2022 were subjected to the required review by the OGCC before its execution/signing.

19.6. As a consequence of non-submission of contracts for OGCC review, Section 2 of LOI No. 1096 states that:

> *"2. Contracts entered into without the review and/or approval required herein shall not be valid and binding, and the Commission on Audit and/or the Ministry of Budget shall disapprove or defer the release or disbursement of the necessary funds, unless and until the review and/or approval required herein shall have been secured."*

19.7. **We recommended that Management comply with the OGCC rules requiring that proposed contracts/agreements must be referred to OGCC for review before they are signed.**

19.8. Management commented that three procurement contracts which are awaiting signatures were already sent to the OGCC for review. Henceforth, Management will be sending contracts and documents to the said office for review to comply with their rules and regulations.

19.9. Nevertheless, MIAA sought clarification with OGCC as to the scope of the said review just like what other GOCCs under Department of Transportation did. With regard to concessions contracts and other agreements, Management is in the process of collating these documents with the end of referring them to OGCC for review.

19.10. The Audit Team will monitor subsequent Management's actions on the recommendation.

20. The Gender and Development (GAD) Agenda was not prepared in accordance with the guidelines set in Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018.

20.1. PCW MC No. 2018-04 dated September 19, 2018 provides for the guidelines and procedures in the formulation, implementation, monitoring, and evaluation of the GAD Agenda. Item 3 of said MC provides that:

> *3.1 The GAD Agenda is the agency's strategic framework and plan on gender mainstreaming, and achieving women's empowerment and gender equality. It shall:*
>
> *3.1.1 Serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes;*
>
> *3.1.2 Provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes that shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs; and*
>
> *3.1.3 Be formulated in a participatory, consultative and inclusive process. It shall consider the results from consultations with women target beneficiaries as well women's groups/ organizations working on the sector and other concerned stakeholders, and the identified gaps resulting from gender analysis.*

20.2. In CY 2022, a two-day workshop[26] for the Review and Finalization of the MIAA 6-Year GAD Agenda was attended by officers and members of the MIAA GAD Focal Point System (GFPS). The MIAA 6-Year GAD Agenda was prepared and signed by then Senior Assistant General Manager and concurrent GAD Focal Person on June 28, 2022. Copy of which was submitted to the Audit Team via email on July 12, 2022.

20.3. Review of MIAA GAD Agenda disclosed the following deficiencies:

a. *No gender analysis was conducted by the GFPS, thus, no GAD Strategic Framework (GADSF) was prepared contrary to Items 4 and 5.2 of PCW MC No. 2018-04.*

[26] Pursuant to MIAA Office Order No. 075 dated May 16, 2022

Pertinent provisions of the MC provide that:

> *"4. The GAD Agenda is a **two-part document** consisting of the GAD Strategic Framework (GADSF) and the GAD Strategic Plan (GADSP). **The GADSF outlines the agency's GAD Vision, Mission and Goals anchored on the mandate of the agency, while GADSP defines the strategic interventions, indicators, and targets to be pursued to achieve GAD goals over a period of time.***
>
> *5.2.1. The agency, led by the GFPS, shall conduct gender analysis based on the following:*
>
> *5.2.1.1. Results of the application of gender analysis tools such as the Gender Mainstreaming Evaluation Framework (GMEF), Harmonized Gender and Development Guidelines (HGDG), Participatory Gender Audit (PGA) and other gender analysis tools;*
>
> *5.2.1.2. Analysis of sex-disaggregated data and/or relevant information;*
>
> *5.2.1.3. Review of GAD-related mandates and policies (international and local);"* (emphasis supplied)

We noted that MIAA's GAD Agenda consists only of the 6-year GADSP. Inquiry with the GFPS disclosed that the GAD issues/mandates and goals in MIAA's GAD Agenda were all based on the GAD Agenda of the Department of Transportation, MIAA's mother agency.

The conduct of gender analysis is a crucial step in the formulation of GAD Agenda as the result of which will be the basis in identifying the gender issues or gender mandates. Formulation of GAD Goals is also based on the results of gender analysis.

The non-conduct of gender analysis, particularly the absence of sex-disaggregated data, as inputs for its GAD planning, programming and budgeting may result in gender issues that may not actually exist, and the planned programs, activities and projects (PAPs) may not fully address the existing gender issues and concerns which are specific to MIAA.

b. *The GAD Agenda was not approved by the MIAA General Manager and no policy was issued to ensure its implementation, contrary to Item 6 of PCW MC No. 2018-04.*

Item 6.1 of PCW MC No. 2018-04 on the operationalization of GAD Agenda provides that *the head of agency shall approve the GAD Agenda and issue a policy ensuring its implementation by the agency's sub-units.*

The Audit Team noted that the GAD Agenda was not signed/approved by the General Manager and was only signed by the head of GFPS Technical Working Group and the GAD Focal Person.

Review of records and inquiry with GFPS also disclosed that MIAA was unable to develop a policy for the implementation of the GAD Agenda.

20.4. **In view of the foregoing, we recommended that Management:**

a. **Require the GAD GFPS to review its 6-Year GAD Agenda and prepare it in accordance with the steps and requirements of PCW MC No. 2018-04; and**

b. **Issue a policy adopting its GAD Agenda for proper implementation of GAD PAPs and achieve the identified GAD Goals.**

20.5. According to Management, the following steps were followed in formulating the GAD Agenda:

a. Creation of the GAD Agenda Planning Team
b. Situation Assessment and Environment Scanning
c. Setting the MIAA GAD Vision, Mission and Goals
d. Development of the GAD Strategic Plan

20.6. Also, Management committed to craft a policy adopting the 6-year GAD Agenda for proper implementation of GAD PAPs and achieve the identified GAD Goals.

20.7. As an audit rejoinder, Management is requested to submit the duly approved GADSF, as well as the policy issued adopting the GAD Agenda once available. Advice on the progress of the committed action to be taken by Management will be appreciated.

21. MIAA has not yet established a Responsibility Center (RC) and assigned RC codes for GAD in CY 2022, contrary to COA Circular No. 2021-008 dated September 6, 2021, hence, monitoring and accounting of GAD-related transactions could not be easily facilitated.

21.1. This is a reiteration of prior year's audit observation with an update.

21.2. COA Circular No. 2021-008 dated September 6, 2021 requires all government agencies to create/assign a Responsibility Center for their 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.

21.3. In CY 2021, we noted that MIAA have not established its own responsibility accounting for GAD and recommended to strictly comply with the requirement of the aforementioned COA Circular. MIAA commented that concerned MIAA Offices shall be tasked to create RC for GAD-related financial transactions to facilitate the generation of reports on GAD-related expenses, monitor and properly account for the GAD funds.

21.4. However, review of records disclosed that for CY 2022, RC codes for MIAA's GAD-related reports and transactions were not yet established.

21.5. **We reiterated our recommendation that Management strictly comply with the requirement of COA Circular No. 2021-008 by establishing RCs and assigning RC Codes for GAD.**

21.6. RC No. C-10-G has already been assigned for GAD for CY 2023 Corporate Operating Budget and that the office of the GAD Focal Person is the office responsible to request, implement and monitor direct GAD PAPs.

21.7. As follows are actions to be taken by Management:

a. MIAA GFPS will propose the creation and establishment of a GAD Office as Responsibility Center attached to the Office of the GAD Focal Person to streamline and be responsible for the request, implementation and monitoring of direct and attributable GAD PAPs; and

b. GFPS to review all existing policies related to HGDG for proper recording of attributions and monitoring of its accomplishment through Project Implementation and Management and Monitoring and Evaluation (PIMME) forms.

21.8. The Audit Team acknowledged the comments of Management. However, validation disclosed that RC Code C-10-G is for the GAD Office only for accounting of expenses of the GFPS. RC Codes for other Responsibility Centers still has not been created. The GPFS is still in the process of crafting a policy to fully comply with COA Circular No. 2021-008.

22. Compliance with Tax Laws

22.1. Taxes withheld for CY 2022 were recognized and remitted within the prescribed period. December 2022 taxes withheld were remitted in January 2023.

23. Compliance with Rules on Government Mandatory Deductions and Remittances

23.1. Taxes withheld for CY 2022 were recognized and remitted within the prescribed period. December 2022 taxes withheld were remitted in January 2023.

24. Status of Audit Suspensions, Disallowances, and Charges

24.1. As of year-end, the Status of the Audit of Suspensions, Disallowances, and Charges issued and settled during the year are summarized in Table 22.

Table 22 – Status of Audit Suspensions, Disallowances, and Charges

Audit Action	Beginning Balance January 1, 2022	Issued	Settled/ Adjustment	Ending Balance December 31, 2022
Suspensions	P 0	0	P 0	P 0
Disallowances	58,698,030	0	57,266	58,640,764
Charges	0	0	0	0
Total	P 58,698,030	0	P 57,266	P 58,640,764

24.2. Of the P58.641 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 to enforce settlement.

24.3. Other Notices of Disallowance (NDs) issued in 2019 pertain 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 56 audit recommendations contained in the prior years' Annual Audit Reports, 31 were implemented/reconsidered and the remaining 25 which were not implemented by MIAA are reiterated in Part II of this Report. Details are presented below:

Reference	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 1, Page 60	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 9. As a result, the valuation of the TRs at amortized cost of P2.956 billion, net of P1.366 billion allowance for impairment, could be more than its recoverable amount.	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 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	All the recommendations were not implemented. The observation is reiterated in Part II, Nos. 2 and 12 of this report.

Reference	Observations	Recommendations	Status of Implementation
		accounts included in the SOA.	
AAR 2021 Observation No. 2, Page 64	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.	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.	All the recommendations were implemented.

Reference	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 3, Page 67	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.	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 Accounting Division in capturing PSC collections accurately and detect errors on the Remittance Reports submitted by Air Carriers (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	All the recommendations were not implemented. The observation is reiterated in Part II, No. 1 of this report.

Reference	Observations	Recommendations	Status of Implementation
		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.	
AAR 2021 Observation No. 4, Page 70	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.	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	All the recommendations were not implemented. The observation is reiterated in Part II, No. 4 of this report.

Reference	Observations	Recommendations	Status of Implementation
		under-remittance GS-based CPFs and collect any unremitted CPFs.	
AAR 2021 Observation No. 5, Page 74	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.	Determine the correct and valid or existing Withholding Tax at Source account as at reporting date, and prepare the adjusting entries, if warranted.	Not implemented The observation is reiterated in Part II, No. 5 of this report.
AAR 2021 Observation No. 6, Page 75	The total land area owned by MIAA per Subsidiary Ledger 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 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.	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 Civil Aviation Authority of the Philippines as represented in Note 12 to FS, subject to submission of complete documents relative to the transfer.	Both recommendations were implemented.
AAR 2021 Observation	Land covering an area of 475,579 sq. m. valued at	a. Apprise the Audit Team on the updated status	Both recommendations

Reference	Observations	Recommendations	Status of Implementation
No. 7, Page 77	P475.579 million, 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.	of all MIAA land assets covered by PPs, and the proper recognition of at least P19.508 million remittances from the National Housing Authority relative thereto; and b. Issue a policy guideline on the accounting, reporting and monitoring of land assets disposed/covered by PPs.	were reconsidered.
AAR 2021 Observation No. 8, Page 79	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 were not presented during the inventory, hence ownership was not appropriately proven or established.	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/Memorandum of Agreement/Writ of expropriation for purchase, sale and expropriation of land assets.	All the recommendations were not implemented. The observation is reiterated in Part II, No. 10 of this report.

Reference	Observations	Recommendations	Status of Implementation
AR 2021 Observation No. 9, Page 80	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.	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.	Both recommendations were not implemented. The observation is reiterated in Part II, No. 6 of this report.
AAR 2021 Observation No. 10, Page 82	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 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.	Present the land and buildings apportioned as Investment Property and PE.	Implemented
AAR 2021 Observation No. 11, Page 83	Proof of payment of real property taxes (RPTs) by 68 of 151 lessees was not submitted to MIAA, thus was not recognized as part of its operating expenses	a. Regularly monitor compliance of lessees with the terms and conditions of the contracts, specifically the payments of RPT on leased properties,	All the recommendations were not implemented. The observation is reiterated in Part II,

Reference	Observations	Recommendations	Status of Implementation
	and lease income resulting in the understatement of operating expenses and lease income by undetermined amount.	among others; b. Account for the: 1. RPTs due from lessees, corresponding to the RPT assessment by the concerned Local Government Units, 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 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 recording the Billing or Payment; 7. Unpaid RPT; 8. Names of Persons liable for the non-	No. 7 of this report.

Reference	Observations	Recommendations	Status of Implementation
		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.	
AAR 2021 Observation No. 12, Page 86	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.	Derecognize from the books of accounts the unserviceable and condemned properties pursuant to paragraph 67 of PAS 16.	Implemented
AAR 2021 Observation No. 13, Page 86	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.	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	Not implemented The observation is reiterated in Part II, No. 9 of this report.

Reference	Observations	Recommendations	Status of Implementation
		should be consistent with the Revenue Memorandum Circulars issued by the BIR.	
AAR 2021 Observation No. 14, Page 89	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.	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.	Recommendation (a) was implemented, while recommendations (b) and (c) were not implemented. The observation is reiterated in Part II, No. 16 of this report.
AAR 2021 Observation No. 15, Page 91	In the procurement of Operation and Maintenance (O&M) of Baggage Handling System (BHS) at Ninoy Aquino International Airport (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	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	All recommendations were reconsidered.

Reference	Observations	Recommendations	Status of Implementation
	contrary to Section 23 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184.	against employees or officials in this case where an act was possibly committed that defeated the purpose of the public bidding.	
AAR 2021 Observation No. 16, Page 93	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 RIRR of RA No. 9184.	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 (TWG) in accordance with the methodology under the	All recommendations were reconsidered.

Reference	Observations	Recommendations	Status of Implementation
		Generic Procurement Manual (GPM).	
AAR 2021 Observation No. 17, Page 99	The issuance of Notice to Proceed 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.	We recommended that Management strictly comply with the RIRR of RA No. 9184.	Reconsidered
AAR 2021 Observation No. 18, Page 100	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 Supply Support Agreement.	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.	Reconsidered
AAR 2021 Observation No. 19, Page 101	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.	We recommended that Management direct the BAC/TWG to be on "jury duty" type of assignment in order to complete the entire procurement processes within the timeline under Annex "C" of the RIRR of RA No. 9184.	Reconsidered

Reference	Observations	Recommendations	Status of Implementation
AAR 2021 Observation No. 20, Page 102	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.	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.	Both recommendations were reconsidered.
AAR 2021 Observation No. 21, Page 104	The Finance Section of MIAA was not represented in 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.	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.	Both recommendations were implemented.
AAR 2021 Observation No. 22, Page 105	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	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	Recommendation (b) was implemented while recommendation (a) was not implemented. The observation is reiterated in Part II,

Reference	Observations	Recommendations	Status of Implementation
	GAD-related financial transactions which is not in compliance with COA Circular No. 2021-008. 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.	Team the FY 2021 Philippine Commission on Women (PCW) Reviewed GAD AR together with the required supporting documents.	No. 20 of this report.
AAR 2020 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 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.	Account and reconcile the variance between GL and 2020 PE Lapsing Schedule, and effect adjustments in its books of accounts.	Implemented
AAR 2020 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	Require the Accounting Division to record the derecognition of disposed PE based on properly accomplished IIRUP.	Implemented

Reference	Observations	Recommendations	Status of Implementation
	P4.731 million, from the books are the same items actually disposed and sold.		
AAR 2020 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 foregone potential rental income and eventually, putting these land assets at risk.	Assert MIAA's right on the properties occupied and being used by other parties, like demanding payment of rental dues for the use of the properties and/or consider initiating legal action against those ISFs.	Not implemented The observation is reiterated in Part II, No. 11 of this report.
AAR 2020 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 propriety of the disposal was not performed.	Strictly comply with the guidelines prescribed under COA Circular No. 89-296 on the disposal of government properties.	Reconsidered
AAR 2020 Observation No. 20, Page 99	Gender and Development (GAD) Accomplishment Report (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	Strictly comply with the pertinent provisions set forth under Section 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	Implemented

Reference	Observations	Recommendations	Status of Implementation
	not properly supported thereby precluding the team from conducting a thorough audit of the GAD AR.	further verification.	
AAR 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.	Both recommendations were reconsidered.
AAR 2019 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.	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.	Reconsidered

Reference	Observations	Recommendations	Status of Implementation
	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.		