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, 2023 and 2022

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 (AGMs) 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 are chaired by the Secretary of the DOTr.

As of December 31, 2023, MIAA has 1,063 organic personnel and 5,512 contract of service (COS)/job order personnel, including those from institutionalized COS. It has an approved Corporate Operating Budget for calendar year 2023 amounting to P12.354 billion.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	(In Thousand Pesos)		
	2023	2022 (As restated)	Increase
Assets	56,201,236	52,073,180	4,128,056
Liabilities	5,419,472	4,875,168	544,304
Equity	50,781,764	47,198,012	3,583,752

[1] Formerly Manila International Airport

Comparative Results of Operation

	(In Thousand Pesos)		
	2023	2022 (As restated)	Increase
Income	15,234,959	10,414,318	4,820,641
Less: Expenses	8,311,667	6,950,435	1,361,232
Income Before Tax	6,923,292	3,463,883	3,459,409
Less: Income Tax Expenses	1,306,623	109,894	1,196,729
Income After Tax	5,616,669	3,353,989	2,262,680
Less: Subsidy to Other Funds	1,857,872	1,429,707	428,165
Net Income	3,758,797	1,924,282	1,834,515

SCOPE 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, 2023, 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, 2023, and 2022. 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

We rendered a qualified opinion on the fairness of the presentation of the financial statements of MIAA for the years 2023 and 2022 because of the following observations which have material effects on the financial statements:

1. The verifiability of the Passenger Service Charge (PSC) account could not be determined due to the lack of reliable data on aircraft and passenger movement. Consequently, the accuracy and completeness of the collected and accrued PSC, totaling P5.004 billion, could not be ascertained.

2. Accounts Receivable (AR) amounting to P2.883 billion were not properly assessed to determine current/updated evidence of impairment as required under the Philippine Financial Reporting Standard (PFRS) 9. Thus, the valuation of the AR at an amortized cost of P1.435 billion, net of P1.448 billion Allowance for Impairment (AFI), could be more than its recoverable amount.

3. The completeness of Concession Privilege Fee (CPF) income amounting to P695.776 million could not be validated due to a lack of reliable source of data where CPF collections and accruals can be traced, thus affecting the fair presentation of the account in the financial statements.

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 achieve reliable data on aircraft and passenger movement that is useful in generating financial data to assist the Accounting Division (AD) in accurately capturing PSC collections and detecting errors in the Remittance Reports submitted by Air Carriers, to include data on the following:

    i. Departing flights per Terminal and General Aviation Area;
    ii. Total passengers per flight with details as to paying and PSC-exempted passengers; and
    iii. Other information relevant to financial reporting.

b. Regularly monitor the effectiveness of such policy 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 pinpoint liable personnel in cases of under-collection and other instances of asset loss.

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 AFI to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount.

On CPF:

a. Ensure that the Point of Sales (POS) and Tenant Sales Monitoring System are working effectively by updating/correcting their functionalities so that the monthly sales summary report of concessionaires can be generated from the Financial Management Information System (FMIS) and used as the 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 the 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 results of the conduct of MIAA Audit Procedure per paragraph 14 of Memorandum Circular No. 06, series of 2021.

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

1. Receivable from the Department of Public Works and Highways (DPWH) amounting to P996.306 million remained uncollected, thereby depriving MIAA of additional funds that could be used in its operations or interest that could be realized had the funds been invested in high-yield money market placement.

   We recommended that Management coordinate closely with the DPWH to collect the amount due to MIAA amounting to P996.306 million and to facilitate the necessary processes for the transfer of the titles of the affected properties under the name of the Republic of the Philippines.

2. Procurement of goods and infrastructure projects with a total contract cost of P1.991 billion were not meticulously and judiciously planned by MIAA, contrary to Section 7 of Republic Act (RA) No. 9184, thus, it cannot be ascertained whether the most advantageous price for the government was obtained.

   We recommended that Management:

   a. Ensure that all procurements are meticulously and judiciously planned and undertaken in accordance with the approved Annual Procurement Plan (APP) as provided in Section 7 of RA No. 9184 and Sections 7.1 and 7.2 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184;

   b. Require the respective end-user to prepare a Project Procurement Management Plan (PPMP) and observe its timely submission to the Bids and Awards Committee Secretariat for consolidation of all programs/projects/activities in the PPMP into the APP to ensure that only projects with individual PPMPs are included in the indicative APP;

   c. Strictly monitor the procurement activities in the approved APP to ascertain that the same are carried out in accordance with the conditions and requirements provided in RA No. 9184 and its RIRR;

   d. Ensure that all changes to individual PPMPs and consolidated APP are with the required approval of the head of procuring entity and submitted to the Government Procurement Policy Board, in accordance with Sections 7.2 and 7.4 of the RIRR of RA No. 9184;

   e. Justify, for the evaluation of the Audit Team, as to the:

      i. procurement/implementation of projects not included in the APP; and
      ii. inclusion of various projects in the APP without corresponding PPMP and its subsequent procurement/implementation; and

   f. Apprise the Audit Team and submit documents relative to the:

      i. determination of Approved Budget for the Contract (ABC) of projects without corresponding PPMPs and those with ABC/contract amount which deviate from the APP/PPMP; and

ii. source of budget and its approval, for projects not included in the APP and those with ABC/contract amount that deviate from the APP/PPMP.

3. The NAIA Closed-Circuit Television Project with a contract cost of P407.383 million was not terminated by Management despite substantial delay in the implementation, contrary to Annex I of the 2016 RIRR of RA No. 9184, thus depriving MIAA of the prompt use or benefit that could have derived from its timely completion.

   We recommended that Management:

   a. Take all appropriate actions and remedies to ensure the completion of the project the soonest time possible;

   b. Provide the Audit Team the updated detailed status, including actions taken/to be taken by Management on the implementation of the project;

   c. Provide reason/s for not terminating the contract despite the Contractor's substantial delay in the completion of the project; and

   d. Submit to the Audit Team a copy of the contract documents relative to the project, pursuant to COA Circular No. 2009-001 dated February 12, 2009.

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, 2023, details of which are included in Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 46 audit recommendations contained in the prior year's Annual Audit Report, 21 were implemented/reconsidered and the remaining 25 were not implemented by MIAA and are reiterated in Part II of this Report.

TABLE OF CONTENTS

PART I

AUDITED FINANCIAL STATEMENTS

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 the Manila International Airport Authority (MIAA), which comprise the statements of financial position as at December 31, 2023, and 2022, 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, 2023, and 2022, 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 P5.004 billion, accrued/recognized as Transportation System Fee (MIAA's share), the Due to Bureau of the Treasury and the Due to National Government Agencies amounting to P854.741 million and P697.016 million, respectively, could not be 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 collection was based on the Remittance Reports (RRs) submitted by the Air Carriers (ACs), and the reconciliation made to determine the correctness of the declaration of the ACs was on the total number of passengers per RRs submitted by ACs and Report on Passenger Load Data of MIAA.

MIAA's Accounts Receivable (AR) totaling P2.883 billion were not properly assessed to determine current/updated evidence of impairment as required under PFRS 9. MIAA'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 were not adequately provided with ECL. The prior cases decided against MIAA are considered available reasonable and supportable information that is indicative of a significant increase in credit risk since the initial recognition of the disputed receivables. Thus, the amortized cost of AR amounting to P1.435 billion could be more than its recoverable amount.

The completeness of the Concession Privilege Fee (CPF) income amounting to P695.776 million could not be validated because of the lack of a reliable source of data where the CPF collections and accruals can be traced. The Tenant Sales Monitoring System of concessionaires' Point of Sales integrated into the Financial Management Information System is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

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 Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

Management is responsible for the preparation and fair presentation of 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 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 but to do so.

Those charged with governance are responsible for overseeing the 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 the 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 the 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 the MIAA to cease to continue as a going concern; and

- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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 required under Revenue Regulation No. 15-2010 in Note 40 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 the management of the MIAA 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

Atty. KIMBERLY R. CAALAM
Acting Supervising Auditor

June 5, 2024

MIA Road, NAIA Complex
Pasay City, Philippines 1300

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

MNL | MANILA INTERNATIONAL AIRPORT AUTHORITY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Manila International Airport Authority (MIAA) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2023 and 2022, 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

ERIC JOSE C. INES
General Manager, MIAA

ALICE R. NATIVIDAD
Manager, Accounting Division

Signed this 5th day of June 2024.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
December 31, 2023 and 2022
(in Philippine Peso)

	Note	**2023**	2022 (As restated)	January 1, 2022 (As restated)
ASSETS				
Current Assets				
Cash and Cash Equivalents	6	**17,431,678,113**	7,147,527,098	703,387,686
Financial Assets	7	**0**	2,657,633,741	4,636,448,495
Receivables, net	8	**1,920,879,535**	3,233,330,726	4,447,227,378
Inventories	9	**165,096,189**	167,481,091	151,067,117
Other Current Assets	10	**1,859,731,908**	2,402,961,871	2,378,205,584
Total Current Assets		**21,377,385,745**	15,608,934,527	12,316,336,260
Non-Current Assets				
Investment Property, net	11	**9,039,864,372**	9,039,864,372	9,039,864,372
Property and Equipment, net	12	**25,188,486,021**	26,609,548,494	27,991,537,190
Right-of-Use Assets, net	13	**0**	99,245,599	257,697,800
Intangible Assets, net	14	**14,120,690**	18,680,913	23,241,136
Deferred Tax Assets	15	**580,724,828**	696,251,458	573,839,483
Other Non-Current Assets	16	**655,000**	655,000	655,000
Total Non-Current Assets		**34,823,850,911**	36,464,245,836	37,886,834,981
TOTAL ASSETS		**56,201,236,656**	52,073,180,363	50,203,171,241
LIABILITIES				
Current Liabilities				
Financial Liabilities	17	**1,133,044,323**	1,106,849,407	1,594,902,429
Lease Payable	18	**0**	112,948,043	157,876,030
Inter-Agency Payables	19	**947,624,033**	684,579,644	358,471,574
Trust Liabilities	20	**2,079,361,572**	1,679,877,799	1,442,022,576
Deferred Credits/Unearned Income	21	**638,557,690**	634,052,414	550,938,114
Provisions	22	**211,679,889**	214,122,224	180,142,653
Other Payables	23	**409,204,892**	442,739,077	604,688,091
Total Current Liabilities		**5,419,472,399**	4,875,168,608	4,889,041,467
Non-Current Liabilities				
Financial Liabilities	17	**0**	0	389,383,731
Lease Payable	18	**0**	0	112,948,043
Total Non-Current Liabilities		**0**	0	502,331,774
Total Liabilities		**5,419,472,399**	4,875,168,608	5,391,373,241
EQUITY				
Government Equity	24	**18,010,052,336**	18,010,052,336	18,010,052,336
Retained Earnings	25	**32,771,711,921**	29,187,959,419	26,801,745,664
Total Equity		**50,781,764,257**	47,198,011,755	44,811,798,000
TOTAL LIABILITIES AND EQUITY		**56,201,236,656**	52,073,180,363	50,203,171,241

The notes on pages 10 to 56 form part of this financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(in Philippine Peso)

	Note	**2023**	2022 (As restated)
INCOME			
Business and Service Income	26	**15,129,476,504**	10,235,731,993
Shares, Donations and Grants	27	**2,158,000**	56,466,600
Gains	28	**39,906,658**	92,404,540
Other Non-Operating Income	29	**63,417,737**	29,714,985
		15,234,958,899	10,414,318,118
EXPENSES			
Personnel Services	30	**1,116,096,403**	1,108,339,386
Maintenance and Other Operating Expenses	31	**4,390,347,950**	3,562,438,403
Financial Expenses	32	**15,199,394**	45,663,610
Non-Cash Expenses	33	**2,790,023,189**	2,233,993,830
		8,311,666,936	6,950,435,229
INCOME BEFORE TAX		**6,923,291,963**	3,463,882,889
Income Tax Expenses	34	**1,306,623,408**	109,893,801
INCOME AFTER TAX		**5,616,668,555**	3,353,989,088
Subsidy to Other Funds	35	**(1,857,871,713)**	(1,429,706,937)
NET INCOME		**3,758,796,842**	1,924,282,151

The notes on pages 10 to 56 form part of this financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(in Philippine Peso)

	Note	**Government Equity**	**Contributed Capital (Note 24)**	**Retained Earnings (Note 25)**	**Total**
Balances, January 1, 2022, as reported		**10,000,000,000**	**8,010,052,336**	**26,825,950,925**	**44,836,003,261**
Adjustments/Correction of Errors	38			(24,205,261)	(24,205,261)
Balances, January 1, 2022, as restated		**10,000,000,000**	**8,010,052,336**	**26,801,745,664**	**44,811,798,000**
Changes in Equity for 2022					
Net income for the year				1,924,282,151	1,924,282,151
Adjustments/Correction of Errors	38			469,597,031	469,597,031
Reversal of prior year FOREX revaluation				(7,665,427)	(7,665,427)
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, as restated		**10,000,000,000**	**8,010,052,336**	**29,187,959,419**	**47,198,011,755**
Changes in Equity for 2023					
Net income for the year				3,758,796,842	3,758,796,842
Dividends declared for CY 2022				(153,601,798)	(153,601,798)
Reversal of prior year FOREX revaluation				(24,258,662)	(24,258,662)
Accrual of expenses for unliquidated cash advances to NGAs:					
Reversal of unliquidated balance, beginning of the year				2,816,120	2,816,120
Balances, December 31, 2023		**10,000,000,000**	**8,010,052,336**	**32,771,711,921**	**50,781,764,257**

The notes on pages 10 to 56 form part of this financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(in Philippine Peso)

	Note	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of Income/Revenue		**15,344,810,339**	10,922,135,915
Receipt of Inter-Agency Fund Transfers		**2,721,928,421**	1,606,361,606
Trust Receipts		**195,532,270**	280,079,958
Collection of Receivables		**1,651,011**	528,112
Total Cash Inflows		**18,263,922,041**	12,809,105,591
Cash Outflows			
Payment of Expenses		**5,142,117,945**	4,846,444,815
Release of Inter-Agency Fund Transfers		**2,104,839,006**	897,826,509
Grant of Financial Assistance/Subsidy/Contribution		**1,892,889,058**	1,115,989,206
Payment of Corporate Income Tax		**220,304,809**	0
Remittance of Personnel Benefit Contributions and Mandatory Deductions		**131,708,390**	126,901,196
Grant of Cash Advances		**18,142**	218,908
Other Disbursements		**220,069,721**	157,814,115
Total Cash Outflows		**9,711,947,071**	7,145,194,749
Net Cash Provided by Operating Activities		**8,551,974,970**	5,663,910,842
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflow			
Proceeds from Matured Investments		**2,679,367,279**	4,669,156,259
Total Cash Inflows		**2,679,367,279**	4,669,156,259
Cash Outflows			
Purchase/Construction of Property and Equipment		**416,274,522**	619,851,619
Purchase/Acquisition of Investments		**0**	2,657,633,741
Total Cash Outflows		**416,274,522**	3,277,485,360
Net Cash Provided by Investing Activities		**2,263,092,757**	1,391,670,899
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Outflows			
Payment of Long-Term Liabilities		**358,686,396**	624,793,538
Payment of Cash Dividends		**153,601,798**	0
Payment of Interest on Loans and Other Financial Charges		**13,895,418**	36,901,809
Total Cash Outflows		**526,183,612**	661,695,347
Net Cash Used in Financing Activities		**526,183,612**	661,695,347
Effects of exchange rate changes on cash and cash equivalents		**(4,733,100)**	50,253,018
NET INCREASE IN CASH AND CASH EQUIVALENTS		**10,288,884,115**	6,393,886,394
CASH AT BEGINNING OF THE YEAR		**7,147,527,098**	703,387,686
CASH AT END OF THE YEAR	6	**17,431,678,113**	7,147,527,098

The notes on pages 10 to 56 form part of this financial statements.

MANILA INTERNATIONAL AIRPORT AUTHORITY
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

The Manila International Airport Authority (MIAA), an attached agency of the Department of Transportation (DOTr), was created by virtue of Executive Order (EO) No. 778 which was approved on March 4, 1982. The Charter of MIAA 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 MIAA's Board of Directors to afford better coordination; (b) increased the capital contribution of the National Government; (c) reduced the contribution of 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 MIAA.

The MIAA'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.

MIAA'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 2023:

- Repair and Upgrading of Taxiway Hotel-1, Charlie-1, Charlie-2 (C2), Charlie-3, Charlie-4 and Charlie-5 (C5);
- Milling and Paving of Taxiway C2, C5, Echo-5 (E5) and Golf-9 (G9), including Construction of Taxiway E5 and G9 fillet;
- Replacement of 12 Deteriorated Battery Banks at Ninoy Aquino International Airport (NAIA) Terminals 1, 2, and 3, International Cargo Terminal (ICT) and Balagbag Substation;
- Replacement of Defective Medium Voltage Power Cables and Vacuum Circuit Breaker at NAIA Terminal 3 Substation Roadway 2 and Substation South Concourse;
- Replacement of Joint Sealant at NAIA Terminal 2 Apron;
- Replacement of polyvinyl chloride (PVC) Fills of Cooling Towers 1, 2, 3, 4 and 5 at NAIA Terminal 1;
- Replacement of Vacuum Circuit Breaker at NAIA Terminal 3

The MIAA has successfully maintained both its International Organization for Standardization (ISO) 9001:2015 Quality Management System and ISO 14001:2015 Environment Management System (EMS) certifications after passing the external audit conducted by Certification Partner Global (CPG) in CY 2022. MIAA's adoption of the EMS has led to the establishment of MIAA's Quality Environmental Management System known simply as the 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 MIAA 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 MIAA were prepared on a 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, MIAA 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 Levels 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 MIAA operates. All amounts are rounded to the nearest peso, except when otherwise indicated.

3. ADOPTION OF NEW AND AMENDED PFRS

a. Effective in 2023 that are relevant to MIAA

The accounting policies adopted are consistent with those of the previous financial year except for the adoption of the following amendments that are relevant to MIAA effective 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 12 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 liability, and (iii) settlement refers to the transfer to the counterparty of cash, equity instruments, and other assets or services.

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

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

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

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

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

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

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

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

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

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

- Several small amendments regarding minor application issues.

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

- Amendments to PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors,* Definition of Accounting Estimates – The amendments introduced a definition of accounting estimates which 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.

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

b. *Effective in 2023 that are not relevant to MIAA*

- 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.

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

The new and amended PFRS which are not yet effective for the year ended December 31, 2023, and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2024:

- Amendment to PFRS 16 *Leases*, Lease Liability in a Sale and Leaseback – The amendment requires a seller-lessee to subsequently measure lease liabilities arising from a leaseback in a way that it does not recognize any amount of the gain or loss that relates to the right of use it retains. The new requirements do not prevent a seller-lessee from recognizing in profit or loss any gain or loss relating to the partial or full termination of a lease.

- Amendment to PAS 1 *Presentation of Financial Statements*, Non-Current Liabilities with Covenants – The amendment modifies the requirements introduced by Classification of Liabilities as Current or Non-current on how an entity classifies debt and other financial liabilities as current or non-current in particular circumstances: Only covenants with which an entity is required to comply on or before the reporting date affect the classification of a liability as current or non-current. In addition, an entity has to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within 12 months.

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

- Amendments to PAS 21 *The Effects of Changes in Foreign Exchange Rates*, Lack of Exchangeability – The amendments are to:

    - Specify when a currency is exchangeable into another currency and when it is not — a currency is exchangeable when an entity is able to exchange that currency for the other currency through markets or exchange mechanisms that create enforceable rights and obligations without undue delay at the measurement date and for a specified purpose; a currency is not exchangeable into the other currency if an entity can only obtain an insignificant amount of the other currency.

    - Specify how an entity determines the exchange rate to apply when a currency is not exchangeable — when a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate as the rate that would have applied to an orderly transaction between market participants at the measurement date and that would faithfully reflect the economic conditions prevailing.

    - Require the disclosure of additional information when a currency is not exchangeable — when a currency is not exchangeable an entity discloses information that would enable users of its financial statements to evaluate how a currency's lack of exchangeability affects or is expected to affect, its financial performance, financial position and cash flows.

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 MIAA.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Recognition, Measurement, and Classification of Financial Assets and Financial Liabilities

MIAA 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 the observable market, MIAA 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 the 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, MIAA determines the appropriate method of recognizing the 'Day 1' difference amount.

Financial Assets

MIAA 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 MIAA 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 MIAA 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.

MIAA'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 expenses or income. Distributions to holders of financial instruments classified as equity are charged directly to equity, net of any related income tax benefits.

MIAA has no financial assets classified as financial assets at FVOCI and at FVPL as at December 31, 2023, and 2022.

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 the 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 the inception of a contract; recognition of a credit loss should no longer wait for there to be objective evidence of impairment.

Financial Liabilities

MIAA classifies its financial liabilities, at initial recognition, in the following categories: financial liabilities at FVPL and other financial liabilities. MIAA 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 the 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 the amortization process.

This accounting policy applies primarily to financial liabilities (other than statutory liabilities), long-term debt, and other noncurrent liabilities.

Impairment of Financial Assets at Amortized Cost and FVOCI

MIAA 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 MIAA expects to receive. The difference is then discounted at an approximation to the asset’s original effective interest rate.

For trade receivables, MIAA has applied the simplified approach and has calculated ECLs based on the lifetime expected credit losses. MIAA 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, MIAA compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

Derecognition of Financial Assets and Liabilities

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

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

- MIAA 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

- MIAA 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 MIAA 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 MIAA’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 MIAA could be required to repay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, canceled, 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 MIAA could raise debt with similar terms and conditions in the market. The difference between the carrying value of the original liability and the 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 cases, 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 an 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 as gross in the statements of financial position.

Classification of Financial Instrument between Liability and Equity

A financial instrument is classified as a 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 MIAA; 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 MIAA 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 MIAA are recognized at the proceeds received, net of direct issue costs.

Retained Earnings

Retained earnings represent accumulated profit attributable to equity holders of MIAA after deducting dividends declared. Retained earnings may also include the 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 MIAA, 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.

MIAA adopted the new accounting policy in the recognition of Property and Equipment (PE) due to the increase of capitalization threshold from P15,000 to P50,000 per 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.

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 the estimated recoverable amount is lower, the carrying amount is reduced to its 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 that are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or 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 MIAA 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 the 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 a violation has occurred and when the collectability of the amount is reasonably assured.

Subsidy Income

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

Leases

MIAA as Lessee

For any new contracts entered into on or after January 1, 2019, MIAA 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, MIAA assesses whether the contract meets three key evaluations which are:

- 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 MIAA;

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

- MIAA has the right to direct the use of the identified asset throughout the period of use. MIAA assesses 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 the lease commencement date, MIAA 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 MIAA, 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).

MIAA 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. MIAA also assesses the right-of-use asset for impairment when such indicators exist.

At the commencement date, MIAA 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 MIAA'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 the 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.

MIAA has elected to account for short-term leases and leases of low-value assets using 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 under non-current assets, and lease liabilities have been included under current liabilities for the current portion and non-current liabilities for the non-current portion.

MIAA as Lessor

MIAA's accounting policy under Philippine Financial Reporting Standards (PFRS)16 has not changed from the comparative period.

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

Leases wherein MIAA 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 MIAA's net investment in the lease. Finance income is recognized based on the pattern reflecting a constant periodic rate of return on MIAA's net investment outstanding in respect of the finance lease.

Leases that 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.

MIAA determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and whether 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 expenses 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 a 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 MIAA 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.

<u>Borrowing Costs</u>

Borrowing costs are interest and other costs that MIAA 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 MIAA 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 MIAA 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

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

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

MIAA 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, restate the opening balances of assets, liabilities, and equity for the earliest prior period presented.

Events after the 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 the period ends (non-adjusting events) are disclosed in the notes to the financial statements.

On March 18, 2024, a Concession Agreement was entered into by and between the Government of the Republic of the Philippines through the Department of Transportation (DOTr), Manila International Airport Authority (MIAA), and New NAIA Infrastructure Corporation (NNIC) for the NAIA Public-Private Partnership Project.

Under the Concession Agreement, the Concessionaire shall have an exclusive right to design, develop, and undertake the project and enjoy complete and uninterrupted possession of project land and airport assets for the purpose of implementing the project. The concession period shall commence on the signing date for an "Initial Period" of 180 days and an "Operation and Maintenance (O&M) Period" of 14 years and 185 days.

Simultaneous with the signing of the Concession Agreement, the Concessionaire deposited an upfront payment of P30 billion held in escrow in the blocked account and to be released to MIAA upon achievement of the O&M start date.

5. JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with PFRS requires MIAA 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

MIAA maintains an 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 the age of the receivables, length of MIAA'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/without Court Case):	
1 year	10%
2 years	40%
3 – 10 years	60%
Over 10 years	90%

At the end of 2023 and 2022, MIAA has recognized allowance for impairment of receivables in the amount of P1.448 billion and P1.394 billion, respectively.

Estimated useful lives of property and equipment

MIAA 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
Machinery	10	Other Equipment	5

6. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2023	2022
Cash on Hand	**60,632,015**	22,486,015
Cash in Bank - Local Currency	**16,447,666,892**	6,433,046,144
Cash in Bank - Foreign Currency	**923,379,206**	691,994,939
	17,431,678,113	7,147,527,098

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

Foreign currency deposits are translated into Philippine Peso using the Bangko Sentral ng Pilipinas closing rates of P55.37 and P55.755 for US$1.00 as of December 31, 2023, and 2022, respectively.

Total interest earned on cash deposits included in the Statements of Comprehensive Income amounted to P605.061 million and P69.841 million in 2023 and 2022, 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 in 2022.

Total interest earned on these short-term investments included in the Statements of Comprehensive Income amounted to P0.709 million and P40.251 million in 2023 and 2022, respectively (Note 26).

8. RECEIVABLES

This account consists of the following:

	2023	2022 (As restated)
Loans and Receivables		
Accounts Receivable		
Concessionaires/Lessees	**2,640,031,417**	3,049,849,809
Passenger Service Charge	**242,959,213**	314,358,225
	2,882,990,630	3,364,208,034
Allowance for Impairment	**(1,448,181,303)**	(1,393,855,864)
	1,434,809,327	1,970,352,170
Interests Receivable	**50,020,687**	36,399,424
	1,484,830,014	2,006,751,594
Inter-Agency Receivables		
National Government Agencies (NGAs)	**1,024,416,372**	1,008,620,675
Allowance for Impairment	**(997,706,163)**	(211,754,406)
	26,710,209	796,866,269
Other Receivables		
Expanded Value-Added Tax (E-VAT)	**339,487,893**	350,664,174
Receivables - Disallowances/Charges	**46,800,177**	47,438,936
Others	**23,051,242**	31,609,753
	409,339,312	429,712,863
	1,920,879,535	3,233,330,726

Accounts Receivable consists of receivables from airline companies (including unremitted collections of airline companies for terminal fees/Passenger Service Charge integrated into 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 of Accounts Receivable at the beginning and end of 2023 and 2022 is shown below.

	2023	2022 (As restated)
Balance, January 1	**1,393,855,864**	1,393,433,819
Provision for the year	**54,325,439**	69,669,841
Write-off	**0**	(16,360,751)
Adjustments	**0**	(52,887,045)
Balance, December 31	**1,448,181,303**	1,393,855,864

MIAA's request for authority to write-off the receivables from the Civil Aviation Authority of the Philippines covering CYs 2008 to 2014 was granted per COA-Corporate Government Audit Sector Decision No. 2022-013 dated December 19, 2022.

Interests Receivable 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 the 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. The second and final payment is 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, MIAA reversed the P149.052 million disallowances upon receipt of the Notice of Resolution on General Register (G.R.) No. 218388 dated September 1, 2020.

9. INVENTORIES

This account consists of the following:

	2023	2022
Electrical Supplies and Materials Inventory	**90,982,413**	88,613,761
Construction Materials Inventory	**41,457,093**	45,949,195
Office Supplies Inventory	**6,292,374**	4,938,804
Fuel, Oil, and Lubricants Inventory	**2,466,921**	1,718,741
Medical, Dental and Laboratory Supplies	**1,483,341**	93,490
Drugs and Medicines Inventory	**1,092,680**	1,161,572
Military, Police, and Traffic Supplies	**0**	1,287,975
Other Supplies and Materials Inventory	**21,321,367**	23,717,553
	165,096,189	167,481,091

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:

	2023	2022 (As restated)
Restricted Fund	**1,514,134,514**	1,124,523,351
Prepayments	**258,324,036**	1,191,183,304
Guaranty Deposits	**87,255,216**	87,255,216
Advances	**18,142**	0
	1,859,731,908	2,402,961,871

Restricted Fund represents the fund transfer from the Department of Transportation dated November 15, 2023, of the 1st Tranche (80 per cent) for the Rehabilitation and Upgrading of Sewage Treatment Plants 1 and 2 Project (Note 19), and remittances from airline companies of unrefunded Passenger Service Charge from unflown/unused/cancelled airline tickets (Note 20).

The breakdown of *Prepayments* is as follows:

	2023	2022 (As restated)
Input Tax	**136,975,318**	168,895,620
Creditable Input Tax	**45,974,881**	486,676,713
Prepaid Insurance	**26,483,338**	1,815,000
Withholding Tax at Source	**24,364,036**	63,086,617
Deferred Input Tax	**20,504,251**	15,364,784
Advances to Contractors	**4,022,212**	0
Other Prepayments	**0**	455,344,570
	258,324,036	1,191,183,304

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

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

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

- *Withholding Tax at Source* is the amount of creditable withholding tax deducted by MIAA'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.

- *Deferred Input Tax* represents VAT from accruals for contracted services which are not creditable/offset against output tax until actual payment to contractors.

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

- *Other Prepayments* pertains to excess tax credit per Annual Income Tax Return for taxable year 2022.

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:

	LAND	BUILDINGS	TOTAL
2023			
Cost	9,006,453,270	334,111,026	9,340,564,296
Accumulated Depreciation	0	(300,699,924)	(300,699,924)
Carrying Amount, December 31	**9,006,453,270**	**33,411,102**	**9,039,864,372**
2022			
Cost	9,006,453,270	334,111,026	9,340,564,296
Accumulated Depreciation	0	(300,699,924)	(300,699,924)
Carrying Amount, December 31	**9,006,453,270**	**33,411,102**	**9,039,864,372**

This account pertains to the 1,945,885 sq. m. of land, 60 buildings, and other structures owned by MIAA which are being leased to private and government entities. The total Rent/Lease Income from MIAA's Investment Property (General Aviation Area) amounted to P243.077 million and P218.240 million in 2023 and 2022, respectively (Note 37).

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

12. PROPERTY AND EQUIPMENT

This account consists of the following:

	LAND & LAND IMPROVEMENTS	AIRPORT SYSTEMS	BUILDINGS	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
2023						
COST						
Balance, January 1	10,598,712,310	26,969,618,002	441,798,753	10,730,291,533	606,803,002	49,347,223,600
Additions	0	267,750,039	736,607	11,679,858	418,418,954	698,585,458
Reclassifications	0	259,042,047	(15,122,914)	0	(516,914,676)	(272,995,543)
Disposals	0	0	0	(139,332,192)	0	(139,332,192)
Balance, December 31	**10,598,712,310**	**27,496,410,088**	**427,412,446**	**10,602,639,199**	**508,307,280**	**49,633,481,323**

	LAND & LAND IMPROVEMENTS	AIRPORT SYSTEMS	BUILDINGS	MACHINERY & EQUIPMENT	CONSTRUCTION IN PROGRESS	TOTAL
ACCUMULATED DEPRECIATION						
Balance, January 1	3,969,785,036	11,140,539,261	337,501,439	7,289,849,370	0	22,737,675,106
Depreciation	80,141,917	1,134,781,267	4,853,635	619,415,978	0	1,839,192,797
Reclassifications	0	2,152,483	(2,152,483)	0	0	0
Disposals	0	0	0	(131,872,601)	0	(131,872,601)
Balance, December 31	**4,049,926,953**	**12,277,473,011**	**340,202,591**	**7,777,392,747**	**0**	**24,444,995,302**
Carrying Amount, December 31	**6,548,785,357**	**15,218,937,077**	**87,209,855**	**2,825,246,452**	**508,307,280**	**25,188,486,021**
2022 (As restated)						
COST						
Balance, January 1	10,003,501,808	27,253,489,883	440,887,001	10,098,497,033	1,442,952,904	49,239,328,629
Additions	1,835,967	0	911,752	741,694,062	235,332,723	979,774,504
Reclassifications	593,374,535	0	0	0	(1,071,482,625)	(478,108,090)
Disposals	0	(283,871,881)	0	(109,899,562)	0	(393,771,443)
Balance, December 31	**10,598,712,310**	**26,969,618,002**	**441,798,753**	**10,730,291,533**	**606,803,002**	**49,347,223,600**
ACCUMULATED DEPRECIATION						
Balance, January 1	3,916,218,465	10,220,597,281	331,996,701	6,778,978,992	0	21,247,791,439
Depreciation	53,566,571	1,125,130,085	5,504,738	590,101,767	0	1,774,303,161
Disposals	0	(205,188,105)	0	(79,231,389)	0	(284,419,494)
Balance, December 31	**3,969,785,036**	**11,140,539,261**	**337,501,439**	**7,289,849,370**	**0**	**22,737,675,106**
Carrying Amount, December 31	**6,628,927,274**	**15,829,078,741**	**104,297,314**	**3,440,442,163**	**606,803,002**	**26,609,548,494**

Land owned by MIAA was recorded in 1987 at the appraised value of P1,000 per sq. m. It covers an adjusted area of 6,060,405 sq. m. as of December 31, 2023. In 1991, MIAA 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 MIAA which consists of 22.3 hectares, more or less, located in Pasay City. The owner's duplicate copies of the Transfer Certificates of Title (TCTs) are still under the custody of the NPF and have not been transferred to MIAA. This was recorded in the books of MIAA 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 of a part of said MIAA property (Lot 3270-B-3-A-2-A-2 under TCT No. 141810) in the total amount of P540.060 million or at the zonal value of P10,000 per sq. m. Subject property was used by DPWH for the construction of the Circumference Road 5 (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 (MOA) 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. (Segment 3A-1: 18,959 sq. m.; Segment 3A-2:

39,996 sq. m.; and TCT No. 6735: 2,193 sq. m.) total affected land area. DPWH agreed to buy the said land area for a total just compensation of P1.847 billion.

As of December 31, 2023, the total land area owned by MIAA 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 119,391 sq. m. sold to DPWH, 61,417 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 and NCWP
Total	**430,258**	**72,603**	**357,655**	

Likewise, there were encumbrances annotated on TCT No. S-141810 with an adjusted area of 2,701,680 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

This account consists of the following:

	2023	2022
Right-of-Use Assets, Land	**733,054,402**	733,054,402
Accumulated Impairment Losses	**(733,054,402)**	(633,808,803)
Carrying Amount	**0**	99,245,599

This account represents the cost of the remaining lease terms of the MIAA with Bases Conversion and Development Authority (BCDA) based on the 25-year contract effective August 17, 1998, for the rental of Ninoy Aquino International Airport (NAIA) Terminal 3 site (Note 18).

14. INTANGIBLE ASSETS

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

	2023	2022 (As restated)
Cost	**24,001,173**	24,001,173
Accumulated Amortization	**(9,880,483)**	(5,320,260)
Carrying Amount	**14,120,690**	18,680,913

15. DEFERRED TAX ASSETS

Deferred Tax Assets represent 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.

An analysis of Deferred Tax is as follows:

	2023	2022
Allowance for Impairment of Receivables	**362,045,326**	329,652,287
Unrealized Gain on Foreign Revaluation	**165,759,530**	164,581,165
Leave Benefits Payable	**52,919,972**	53,530,556
Net Operating Loss Carry-Over	**0**	144,376,717
Impact on Equity of Transition to PFRS 16 for the Right-of-Use of Asset	**0**	4,110,733
Deferred Tax Assets	**580,724,828**	696,251,458

16. OTHER NON-CURRENT ASSETS

This account pertains to MIAA's P0.655 million investment in stocks of Aviation Security and Training Inc. (ASTI), a wholly-owned, non-operational subsidiary of MIAA 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:

	2023	2022 (As restated)
Payables	**1,133,044,323**	737,938,806
Bills/Bonds/Loans Payable (Current)	**0**	368,910,601
	1,133,044,323	1,106,849,407

The breakdown of *Payables* account is as follows:

	2023	2022 (As restated)
Accounts Payable	**1,133,044,323**	731,193,594
Interest Payable	**0**	6,745,212
	1,133,044,323	737,938,806

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 MIAA.

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

Bills/Bonds/Loans Payable pertains to outstanding foreign loans secured by MIAA for the construction of NAIA Terminal 2. The loan from Japan Bank for International Cooperation (JBIC), formerly Overseas Economic Cooperation Fund, now Japan International Cooperation Agency (JICA), is payable in 41 semi-annual installments commencing on August 10, 2003, and ending on August 10, 2023, with five per cent interest per annum including two per cent share of the National Government (NG).

18. LEASE PAYABLE

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

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

The present value of the remaining rental payments to BCDA is discounted at the incremental borrowing rate of 7.037 per cent as of January 1, 2019 (Note 13).

	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 to 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 to Aug. 16, 2023	112,948,043	120,896,197	7,948,154	112,948,043	0

Given the expiration of the lease contract with BCDA in August 2023 for the NAIA Terminal 3 site, the MIAA Board instructed to explore the possibility of acquiring the property instead of renewing the lease agreement. Accordingly, BCDA submitted its proposed Memorandum of Agreement, which shows the following terms of sale:

Lot Area	610,503 sq. m.
Rate (Zonal Valuation)	P80,000 per sq. m.
Market Value	P48.84 billion
Down Payment	P10 billion*
Interest Rate	5.00%
Balance Payable in:	
5 years	P8.786 billion
10 years	P4.926 billion
15 years	P3.665 billion

In the event the acquisition of property will not push through as scheduled, the lease rate of P1,000 per sq. m. shall be deducted from the P10 billion downpayment.

The MIAA Board was informed, that due to MIAA's current constrained financial position, the purchase of BCDA property is not feasible at this time and that it has to wait for the actual flow of revenues to be remitted by the Concessionaire on the Public – Private Partnership (PPP) Project before deciding whether to acquire the property. Results of the appraisal of real estate property of MIAA conducted by CALFIL show the monthly rental rate per sq. m., as follows:

	General Aviation	Terminal Areas	Landside/Other Areas
Open Areas (Lot)	P350	P800	P250

Because of the complexity of the BCDA negotiation, the MIAA Board granted authority to the General Manager to engage in discussions with BCDA to finalize the terms of the lease agreement. On May 3, 2024, a meeting was held between the MIAA Negotiating Panel and the BCDA Team to discuss the proposed terms of sale of the leased property. MIAA requested a maximum period of three years within which to submit its concrete proposal and to maintain the existing lease rate of P363 per sq. m. As a gesture of goodwill, MIAA also offered to pay the lease based on the existing rate subject to any adjustment that may arise as a result of the agreed rate. BCDA commented that MIAA's formal request shall be elevated to their Board of Directors for approval.

19. INTER-AGENCY PAYABLES

This account consists of the following:

	2023	2022 (As restated)
Due to Bureau of the Treasury (BTr)	**530,557,724**	585,859,746
Income Tax Payable	**257,082,944**	0
Due to National Government Agencies (NGAs)	**90,578,756**	36,597,414
Due to Bureau of Internal Revenue (BIR)	**45,465,405**	41,353,318
Due to Government Service Insurance System	**18,130,455**	14,920,962
Due to PhilHealth	**3,898,216**	3,919,749
Due to Pag-IBIG	**1,910,533**	1,928,455
	947,624,033	684,579,644

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

	2023	2022
20 per cent share on MIAA income	**451,010,930**	486,028,274
International Passenger Service Charge (IPSC)	**57,636,237**	60,994,022
OTS share on PSC Domestic	**21,910,557**	38,837,450
	530,557,724	585,859,746

Income Tax Payable represents the corporate income tax due to the BIR reduced by creditable withholding taxes.

Due to NGAs represents the unremitted share of the OTS on international terminal fees, the unliquidated portion of the fund transfer from the Department of Transportation (DOTr) dated November 15, 2023, of the 1st Tranche (80 per cent) for the Rehabilitation and Upgrading of Sewage Treatment Plants 1 and 2 Project (Note 10), and interest earned from the NAIA Terminal 2 Rehabilitation Project.

	2023	2022
OTS share on IPSC	**56,693,981**	36,596,413
Sewage Treatment Plants 1 and 2 Rehabilitation Project	**33,884,775**	0
Interest earned from subsidy	**0**	1,001
	90,578,756	36,597,414

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 the International Civil Aviation Organization (ICAO) Convention on National Security.

Letter of Instruction (LOI) No. 414 A, dated June 17, 1976, directs the collection of security fees 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 fees 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 fees 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 35).

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

Due to Government Service Insurance System, PhilHealth and Pag-IBIG 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:

	2023	2022
Trust Liabilities	**1,480,188,736**	1,124,522,350
Customer's Deposits Payable	**426,046,410**	406,245,546
Guaranty/Security Deposits Payable	**173,126,426**	149,109,903
	2,079,361,572	1,679,877,799

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 the performance of contracts.

21. DEFERRED CREDITS/UNEARNED INCOME

This account consists of the following:

	2023	2022
Deferred Output Tax	**339,487,893**	350,664,174
Output Tax	**166,535,092**	156,981,998
Unearned Revenue/Income	**132,534,705**	126,406,242
	638,557,690	634,052,414

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

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

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

22. PROVISIONS

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

	2023	2022
Balance, January 1	**214,122,224**	180,142,653
Add: Accumulated Leave Credits	**54,779,666**	85,384,269
Less: Payment of Terminal Leave		
Benefit during the year	**(57,222,001)**	(51,404,698)
Leave Benefits Payable, December 31	**211,679,889**	214,122,224

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

23. OTHER PAYABLES

This account consists of the following:

	2023	2022 (As restated)
Due to Officers and Employees	**117,947,007**	31,170,707
Undistributed Collections	**0**	24,013,002
Other Payables	**291,257,885**	387,555,368
	409,204,892	442,739,077

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

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

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

	2023	2022 (As restated)
Retention Payable	**124,766,163**	210,797,180
Contra Account – Deferred Input Tax (Note 10)	**20,504,251**	15,364,784
Tax Refund Payable	**11,735,980**	11,640,639
Others	**134,251,491**	149,752,765
	291,257,885	387,555,368

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:

	2023	2022
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 MIAA 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 MIAA from 1983 to 1986 that was converted to NG equity in accordance with EO No. 298. The increase in the account of P2.808 billion represents part of the value of the 22.3 hectares property of the Nayong Pilipino Foundation (NPF) that was transferred to MIAA 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 P5.219 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 funds transferred to MIAA for the NAIA Terminal 2 Rehabilitation and Rapid Exit Taxiways Project in March 2018 and December 2016, respectively:

	2023	2022
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 MIAA 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:

	2023	2022 (As restated)
Business Income	**14,426,432,692**	9,743,412,290
Service Income	**703,043,812**	492,319,703
	15,129,476,504	10,235,731,993

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:

	2023	2022 (As restated)
Landing and Parking Fees	**5,006,722,253**	3,689,674,005
Transportation System Fees	**5,004,396,518**	2,970,028,795
Rent/Lease Income	**3,616,626,284**	2,547,231,106
Interest Income	**605,769,367**	110,091,687
Royalty Fees	**102,101,823**	90,457,662
Fines and Penalties - Business Income	**90,816,447**	335,929,035
	14,426,432,692	9,743,412,290

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

	2023	2022 (As restated)
Parking Fees	**462,092,918**	311,505,215
Utilities/GCF/Others	**229,445,492**	174,160,952
Visitors Stick-on Pass	**11,505,402**	6,653,536
	703,043,812	492,319,703

27. SHARES, DONATIONS AND GRANTS

This account pertains to the donation received from US21, Inc. of six full body scanners in 2022, and the donation received from DOTr of medical supplies in 2023.

28. GAINS

This account consists of the following:

	2023	2022
Gain on Foreign Exchange	**34,600,094**	17,082,897
Gain on Sale of Property and Equipment (PE)	**5,306,564**	0
Gain on Foreign Revaluation	**0**	75,321,643
	39,906,658	92,404,540

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

Gain on Sale of PE represents actual gain realized in the sale or disposal of PE.

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

29. OTHER NON-OPERATING INCOME

This account pertains to miscellaneous income earned which is not classified under specific income accounts which includes the 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:

	2023	2022 (As restated)
Salaries and Wages	**569,085,769**	543,140,787
Other Compensation		
Overtime and Night Pay	**98,696,454**	103,054,252
Year-End Bonus	**50,403,003**	46,630,786
Personal Economic Relief Allowance	**29,461,816**	31,451,453
Hazard Pay	**14,380,690**	10,353,785
Representation Allowance	**8,620,770**	8,638,420
Clothing/Uniform Allowance	**7,392,000**	7,782,000
Cash Gift	**6,258,000**	6,812,750
Laundry Allowance	**200,420**	276,803
Other Bonuses and Allowances	**152,222,332**	161,179,619
Personnel Benefits Contributions		
Retirement and Life Insurance Premiums	**73,889,245**	68,335,664
Provident/Welfare Fund Contributions	**52,278,132**	33,060,571
PhilHealth Contributions	**10,014,729**	9,749,337
Pag-IBIG Contributions	**1,496,800**	1,585,600
Employees Compensation Insurance Premiums	**1,494,600**	1,579,900

	2023	2022 (As restated)
Other Personnel Benefits		
Terminal Leave Benefits	**40,201,643**	71,079,035
Retirement Gratuity	**0**	3,628,624
	1,116,096,403	1,108,339,386

31. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2023	2022
Utility Expenses	**1,180,173,559**	952,635,072
General Services	**1,100,455,305**	1,055,724,792
Professional Services	**854,409,629**	709,658,628
Repairs and Maintenance	**708,326,912**	561,657,495
Taxes, Insurance Premiums and Fees	**143,167,253**	74,573,511
Supplies and Materials	**121,255,988**	66,566,948
Extraordinary and Miscellaneous Expenses	**30,154,207**	17,215,495
Communication Expenses	**16,182,655**	14,649,074
Training Expenses	**4,929,160**	2,725,605
Traveling Expenses	**1,686,246**	422,511
Other Maintenance and Operating Expenses	**229,607,036**	106,609,272
	4,390,347,950	3,562,438,403

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

	2023	2022
Service Fee on PSC Collections	**143,869,629**	88,007,833
Rent/Lease Expenses	**79,124,214**	11,616,553
Membership Dues to Organizations	**2,705,263**	2,692,563
Advertising Expenses	**1,499,947**	159,870
Representation Expenses	**1,318,803**	1,639,402
Subscription Expenses	**1,081,180**	1,122,895
Donations	**8,000**	1,370,156
	229,607,036	106,609,272

32. FINANCIAL EXPENSES

This account consists of the following:

	2023	2022
Interest Expenses	**15,098,360**	45,374,615
Bank Charges	**101,034**	50,494
Guarantee Fees	**0**	14,096
Other Financial Charges	**0**	224,405
	15,199,394	45,663,610

33. NON-CASH EXPENSES

This account consists of the following:

	2023	2022 (As restated)
Depreciation	**1,839,192,797**	1,774,303,161
Impairment Loss	**941,387,056**	447,107,332
Losses	**4,883,113**	8,023,114
Amortization	**4,560,223**	4,560,223
	2,790,023,189	2,233,993,830

Breakdown of *Depreciation* account is as follows:

	2023	2022 (As restated)
Infrastructure Assets	**1,134,781,267**	1,125,130,085
Machinery and Equipment	**603,707,032**	573,936,884
Land Improvements	**80,141,917**	53,566,571
Transportation Equipment	**11,253,479**	11,437,697
Buildings and Other Structures	**4,853,635**	5,504,738
Other Property and Equipment	**2,696,171**	2,922,989
Furniture, Fixtures, and Books	**1,759,296**	1,804,197
	1,839,192,797	1,774,303,161

Breakdown of *Impairment Loss* account is as follows:

	2023	2022
Loans and Receivables	**840,277,196**	228,537,201
Right-of-Use Assets	**99,245,599**	158,452,201
Property and Equipment	**1,864,261**	60,117,930
	941,387,056	447,107,332

Breakdown of *Losses* account is as follows:

	2023	2022
Loss on Foreign Revaluation	**4,713,462**	0
Loss on Foreign Exchange	**136,866**	2,670,397
Loss of Assets	**32,785**	5,352,717
	4,883,113	8,023,114

Amortization pertains to amortization expense on computer software (Note 14).

34. INCOME TAX

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

	2023	2022
Current	**1,335,473,495**	87,929,058
Deferred	**(28,850,087)**	21,964,743
	1,306,623,408	109,893,801

35. SUBSIDY TO OTHER FUNDS

This account represents the 20 per cent share of the National Government on MIAA'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:

	2023	2022
Landing and Parking Fees	**4,283,100,924**	3,557,674,136
Rentals	**2,610,099,860**	2,192,339,646
Concession Privilege Fee	**1,827,723,259**	974,511,223
Miscellaneous Revenues	**568,434,525**	424,009,682
	9,289,358,568	7,148,534,687
	20%	20%
National Government Share	**1,857,871,713**	1,429,706,937

36. NET OPERATING LOSS CARRY-OVER (NOLCO)

Pursuant to Section 4 of the Bayanihan II and as implemented under BIR Revenue Regulation 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 MIAA's NOLCO is as follows:

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

37. LEASES

MIAA as Lessor

MIAA rents some of its terminal facilities to various lessees. The lease term ranges from one month to 25 years, with monthly rentals ranging between P332.64 to P14.713 million. The escalation rate is two per cent per annum for concessionaires with a lease term of three years. Lease payments under operating leases recognized as income amounted to P1.811 billion in 2023 and P1.423 billion in 2022.

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

38. RESTATEMENT OF ACCOUNTS

The financial statements were restated to reflect the following adjustments:

	December 31, 2021 (As previously reported)	Restatement/ Adjustment	January 1, 2022 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**4,477,490,757**	**(30,263,379)**	**4,447,227,378**
Unbilled CPF for prior years		4,042,828	
Billing adjustments and credit memo for prior years		(34,306,207)	
Property and Equipment (PE), net	**28,001,991,361**	**(10,454,171)**	**27,991,537,190**
Donation to CAAP in CY 2018		(10,454,171)	
Intangible Assets, net	**24,001,172**	**(760,036)**	**23,241,136**
Reclassification of Development in Progress upon completion of project		(760,036)	
Financial Liabilities	**1,670,941,677**	**(76,039,248)**	**1,594,902,429**
Reclassification of Due from Officers and Employees		(76,039,248)	
Inter-Agency Payables	**375,743,899**	**(17,272,325)**	**358,471,574**
Basic tax deficiencies for CY 2017		(17,272,325)	
Other Payables	**528,648,843**	**76,039,248**	**604,688,091**
Reclassification of Due from Officers and Employees		76,039,248	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**26,825,950,925**	**(24,205,261)**	**26,801,745,664**
Unbilled CPF for prior years		4,042,828	
Basic tax deficiencies for CY 2017		17,272,325	
Reclassification of Development in Progress upon completion of project		(760,036)	
Donation to CAAP in CY 2018		(10,454,171)	
Billing adjustments and credit memo for prior years		(34,306,207)	

	December 31, 2022 (As previously reported)	Restatement/ Adjustment	December 31, 2022 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net	**3,168,156,374**	**65,174,352**	**3,233,330,726**
Unbilled CPF for prior years		22,276,160	
Adjustment of CY 2022 Allowance for Impairment of Receivables		52,887,046	
Billing adjustments and credit memo for prior years		(9,988,854)	
Other Current Assets	**1,953,498,933**	**449,462,938**	**2,402,961,871**
Expired/Unutilized Tax Certificates from TY 2022		(5,881,632)	
Excess Tax Credit from TY 2022		455,344,570	
Property and Equipment, net	**26,573,993,916**	**35,554,578**	**26,609,548,494**
Reclassification of Construction in Progress upon completion of project		47,352,814	
Donation to CAAP in CY 2018		(10,454,171)	
PE Prior Year Adjustments		(1,344,065)	
Intangible Assets, net	**24,001,172**	**(5,320,259)**	**18,680,913**
Reclassification of Development in Progress upon completion of project		(5,320,259)	
Financial Liabilities	**1,083,960,168**	**22,889,239**	**1,106,849,407**
Reclassification of Construction in Progress upon completion of project		75,538,105	
Payable to International Elevator and Equipment		1,828,393	
Reclassification of Due from Officers and Employees		(54,477,259)	
Inter-Agency Payables	**701,851,968**	**(17,272,324)**	**684,579,644**
Basic tax deficiencies for CY 2017		(17,272,324)	
Other Payables	**378,507,799**	**64,231,278**	**442,739,077**
10% employer share in provident fund for CY 2022		33,060,571	
Over Accrual of Overtime and Night Pay in December 2022		(23,306,552)	
Reclassification of Due from Officers and Employees		54,477,259	
STATEMENT OF CHANGES IN EQUITY			
Retained Earnings	**28,712,936,003**	**475,023,416**	**29,187,959,419**
Excess Tax Credit from TY 2022		455,344,570	
Adjustments to CY 2022 Net Income (Loss)		29,631,645	
Over Accrual of Overtime and Night Pay in December 2022		23,306,552	
Basic tax deficiencies for CY 2017		17,272,324	
Unbilled CPF for prior years		4,042,829	
Reclassification of Development in Progress upon completion of project		(760,036)	
PE Prior Year Adjustments		(1,344,065)	
Payable to International Elevator and Equipment		(1,828,393)	
Expired/Unutilized Tax Certificates from TY 2022		(5,881,632)	
Donation to CAAP in CY 2018		(10,454,171)	
Billing adjustments and credit memo for prior years		(34,306,207)	

	December 31, 2022 (As previously reported)	Restatement/ Adjustment	December 31, 2022 (As restated)
STATEMENT OF COMPREHENSIVE INCOME			
Net Income (Loss)	**1,894,650,506**	**29,631,645**	**1,924,282,151**
Unbilled CPF for prior years		18,233,331	
Reclassification of Construction/ Development in Progress upon completion of project		(32,745,513)	
10% employer share in provident fund for CY 2022		(33,060,571)	
Adjustment of CY 2022 Allowance for Impairment of Receivables		52,887,045	
Billing adjustments and credit memo for prior years		24,317,353	

MIAA presented a three-year statement of financial position in compliance with the requirement of Philippine Accounting Standards 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.

39. 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 COVID-19 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. Board Resolution No. 2019-046 dated September 26, 2019

Early Retirement Incentive Program (ERIP) in RE: Amended MIAA Organizational Restructuring Proposal

Relative to MIAA's Organizational Restructuring Proposal (ORP), MIAA was advised by the 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 a 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 aged 50 years old and above with a minimum of 15 years in service were also included in the computation, should they opt to avail of 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.

c. Receivable from Private Concessionaire with Pending Case

Philippine Airport and Ground Services (PAGS) (Civil Case No.000363) – P183.796 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 a Compromise Agreement in view of the prevailing doctrine in Airspan. MIAA had sent its intention to compromise but no response was received from PAGS.

d. Airspan Case: Rate Adjustments

The Philippine Airlines (PAL), Macroasia Airport Services Corporation, and Macroasia Catering Services have, likewise, filed separate claims with MIAA 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 P2.581 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 BR No. 2010-026). However, the MIAA BODs issued Resolution No. 2017-103 dated January 8, 2018, recalling and canceling MIAA BR No. 2010-026. Management sent letters to PAL and Macroasia to file money claims before COA. On December 26, 2018, PAL filed a money claim before COA against MIAA for the refund of rentals paid for the period June 1999 to October 2016 in the amount of P2.094 billion.

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

e. Samahang Manggagawa sa Paliparan ng Pilipinas (SMPP) vs. MIAA

Civil Case No. 05-1422-CFM
Regional Trial Court (RTC), Branch 119, Pasay City

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

Thereafter, respondent MIAA BOD was directed to issue the necessary BR: (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 the issuance of a Mandamus and issued a decision upholding the 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 required the parties to inform the court if there were developments to assist the court in the resolution of the case.

f. 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 a 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 in 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 the date of filing of the complaint until the 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 the collection of a 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 the 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 in attorney's fees. The case is pending before CA.

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

   This is a case for breach of contract. MIAA terminated the contract of Inter Asia for the lease and operation of Parking A of NAIA Terminal 1 for the 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. The plaintiffs are the registered owners of a parcel of land consisting of 9,867 sq. m., more or less, covered by Transfer Certificate Title 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 the date of the decision until fully paid; and, beginning January 2015 to pay a 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 the 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 the contract of lease and declaring the rental rate and interest null and void with the application for issuance of a preliminary injunction with prayer for TRO and/or Status Que Ante.

   ATII entered into a contract of lease with the defendant MIAA for a period of one 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) 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.

40. SUPPLEMENTARY INFORMATION ON TAXES

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

1. MIAA is a value-added tax (VAT) registered company with an output tax declaration of P1.243 billion for the year based on the amount reflected in the sales account of P10.356 billion.

   MIAA has zero-rated sales of services amounting to P4.043 billion pursuant to the provisions of RR No. 4-2007 Section 12.

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

a. Balance at the beginning of the year	168,895,621
b. Current year's purchases	
I. Goods for resale/manufacture or further processing	n/a
II. Goods other than for resale or manufacture	24,748,276
III. Capital goods subject to amortization	0
IV. Capital goods not subject to amortization	1,196,029
V. Services lodged under the cost of goods sold	n/a
VI. Services lodged under other accounts	474,178,722
	500,123,027
c. Claims for tax credit/refund and other adjustments	
I. Prior year's set-up/accruals	(18,194,297)
II. Current year's set-up/accruals	4,914,036
III. Cancelled checks/transactions and adjustments	(4,078,913)
IV. Available input tax and tax deferred for succeeding period	(514,684,156)
	(532,043,330)
d. Balance at the end of the year	136,975,318

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

I. Tax on compensation and benefits	52,599,935
II. Creditable withholding taxes	91,611,108
III. Final withholding taxes	382,426
IV. VAT and other percentage taxes withheld	214,117,865

4. Schedule of Other Taxes and Licenses

Real Property Tax (Pasay City Treasurer)	53,414,195
Compulsory Third Party Liability Insurance (GSIS)	12,399,486
Network/Radio station license and RLM certificate (NTC)	641,910
Airport Coordination Australia (annual administrative fee)	376,025
Documentary Stamp Tax and certification fee	389,516
Registration/Emission testing and inspection (LTO)	305,945
Community Tax (Pasay City Treasurer)	10,500
License to Operate elevators at Terminal 2 (Pasay City Treasurer)	8,620
Annual VAT Registration	500
	67,546,697

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The verifiability of the Passenger Service Charge (PSC) account could not be determined due to the lack of reliable data on aircraft and passenger movement. Consequently, the accuracy and completeness of the collected and accrued PSC, totaling P5.004 billion, could not be ascertained.

1.1. This is a reiteration of prior years' audit observations with updated information.

1.2. Paragraph 2.30 of the Conceptual Framework for Financial Reporting 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. Xxx"*

1.3. As of December 31, 2023, the PSC reported in the financial statements amounted to P5.004 billion. The collection of PSC by the Manila International Airport Authority (MIAA) covers those departing passengers from Ninoy Aquino International Airport (NAIA) Terminals 1, 2, 3, and 4, and via the General Aviation Area (GAA) for Non-Scheduled/Special Flights, not exempted from paying PSC.

1.4. As disclosed in Note 19 to the financial statements of MIAA, the revenue sharing structure of PSC collected from international and domestic passengers at rates of P550 and P200, respectively, is shown in Table 1:

Table 1 – Revenue sharing structure of PSC collected (in Php)

	International	Domestic
MIAA	390	185
National Government	100	0
National Action Committee on Anti-Hijacking and Anti-Terrorism	60	15
	550	**200**

1.5. Based on the records of the Accounting Division (AD), a total of 8,547,407 and 12,278,126 passengers paid their international and domestic PSC, respectively. The total PSC collected and accrued are reflected in the following accounts relative to the sharing of PSC, to wit:

Table 2 – Total PSC collected and accrued for Calendar Year (CY) 2023 (in Php)

Accounts	International	Domestic	Total
Transportation System Fee, net of VAT (MIAA's share)	2,976,329,223	2,028,083,663	5,004,412,886[1]
Due to the Treasurer of the Philippines	854,740,700	N/A	854,740,700
Due to National Government Agencies (NGAs)	512,844,420	184,171,890	697,016,310
			6,556,169,896

[1] With P16,368 variance against General Ledger balance

1.6. The Audit Team collated and compared available reports from different Divisions involved in collecting, recording, and gathering data relative to departing passengers in all NAIA Terminals to ascertain the completeness and accuracy of the PSC remittances by Air Carriers (ACs). We have compared the Subsidiary Ledgers provided by the AD, which reflect the amount of actual paying passengers[2] derived from the data in the Remittance Reports (RRs) submitted by ACs upon remittance of PSC to MIAA, and the Monthly Statistical Reports showing the breakdown of the total number of passengers and flights per AC for both arrivals and departures collated by the Terminal Operations Group (TOG).

1.7. In October 2023, a standard format for the TOG Report was implemented across all NAIA Terminals. However, our review of the TOG Report showed that data regarding the number of Locally-Recognized Exempted Passengers[3] remained not presented. Hence, a comparison of the TOG Report and RR concerning passengers' count for international flights cannot be made reliably.

1.8. Thus, the Audit Team conducted testing of selected transactions for ACs catering domestic flights in NAIA Terminals 2, 3, and 4. Our verification disclosed that there are discrepancies between the RRs and TOG Reports as to the number of paying passengers in all domestic ACs, with details shown in Table 3:

Table 3 – Variance on PSC per comparison of TOG Report and RR

	Air Carrier 1	Air Carrier 2	Air Carrier 3	Air Carrier 4	Air Carrier 5	Air Carrier 6	Air Carrier 7
October							
TOG Report	8,416	35,619	465,591	292,223	183,646	3,882	3,799
RR	8,236	35,610	465,289	291,099	183,504	3,847	4,115
Variance	**180**	**9**	**302**	**1,124**	**142**	**35**	**316**
November							
TOG Report	10,154	34,806	439,208	292,290	183,363	3,579	4,375
RR	10,056	34,718	438,913	291,231	184,207	3,563	4,694
Variance	**98**	**88**	**295**	**1,059**	**844**	**16**	**319**
December							
TOG Report	12,443	36,217	533,707	334,605	202,891	3,263	3,089
RR	12,474	38,621	533,471	333,178	206,329	3,259	4,694
Variance	**31**	**2,404**	**236**	**1,427**	**3,438**	**4**	**1,605**

variance presented at absolute amounts

1.9. For PSC collection on passengers departing in GAA, the Audit Team cannot validate the RR submitted by Fixed Based Operator Agent, Ground Handlers, and Operators, since the report from the General Aviation Operation Division (GAOD) relative to passenger statistics only presents the total number of passengers. The same observation was already reported in CYs 2021 and 2022 Annual Audit Reports of MIAA.

1.10. Based on the Agency Action Plan and Status of Implementation submitted to the Audit Team on December 12, 2023, MIAA is currently pending its finalization of the implementation of an online messaging solution for the Air Transport Industry and via

[2] Net of Total Passengers, excluding exempted passengers, as stated in paragraph 4.2. of MIAA Memorandum Circular (MC) No. 18 series of 2019.

[3] Define in paragraph 3.12. of MC No. 18 series of 2019 as exempted passengers from paying international PSC which includes Overseas Filipino Workers (OFW), Pilgrims, Philippine Sports Commission delegates or other authorized by law and the Office of the President

the use of email addresses for those ACs not using the online messaging solution. Furthermore, they stated that they are continuously validating the completeness and correctness of the RRs submitted by ACs through the reconciliation of variances with the TOG Reports.

1.11. Our evaluation of the reconciliation being conducted by Management showed that variances per TOG Report and RR as to the total passenger count for both domestic and international flights are either: a) on-going reconciliation; b) with letters sent to ACs requiring them to reconcile their records with the TOG or pay the corresponding amount on the difference; and c) for coordination with TOG. However, inquiries from personnel in the TOG at Terminal 3 disclosed that passenger movements shown in the TOG Report are based on the information provided by ACs in the flight checklist. <u>This indicates that the data on the documents being reconciled by Management as to passenger counts are both provided by ACs.</u>

1.12. The noted discrepancy by the Audit Team implies that the Transportation System Fee/PSC, Due to the Treasurer of the Philippines and Due to NGAs accounts amounting to P5.004 billion, P854.741 million, and P697.016 million, respectively, may not be faithfully represented in the financial statements.

1.13. Passenger movement is the basis of PSC collections/remittances. MIAA has no reliable data on aircraft and passenger movement that is useful for generating financial data to assist the AD in accurately capturing PSC collections and detecting errors on the RRs submitted by the ACs.

1.14. Due to the absence of reliable data on passenger movement, the verifiability of the PSC account could not be determined. Consequently, the accuracy and completeness of the collected and accrued PSC totaling P5.004 billion could not be ascertained.

1.15. **We reiterated our prior years' 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 achieve reliable data on aircraft and passenger movement that is useful in generating financial data to assist the AD in accurately capturing PSC collections and detecting errors in the RRs submitted by ACs, to include data on the following:**

   i. **Departing flights per Terminal and GAA;**

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

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

b. **Regularly monitor the effectiveness of such policy 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 pinpoint liable personnel in cases of under-collection and other instances of asset loss.**

1.16. Management commented that they are continuously improving their systems and procedures to gather reliable and complete data on passenger movement. Pending the implementation of the online messaging system, Management has undertaken the following measures:

a. Conduct regular reconciliation of RRs submitted by local and foreign ACs *vis-à-vis* TOG Reports. Effective May 15, 2024, the Collection Division has copy furnished the TOG a copy of RRs received from ACs which shall be done on a bi-monthly basis for timely reconciliations of PSC collections;

b. On January 18, 2024, and May 9, 2024, GAOD sent a Memorandum to all GAA concessionaires reiterating compliance to Memorandum Circular (MC) No. 07, series of 2019, on the submission of Civil Aviation Authority of the Philippines Approved Slot Application and Flight Plan, and General Declaration with passenger flight manifests after every flight;

c. Strict implementation of the requirement to secure Accounting Clearance prior to contract renewal, issuance of access pass, and approval of slot facility clearance; and

d. MC No. 05, series of 2024, dated March 12, 2024, was issued requiring the airline operators for domestic and international departure flights to submit a General Declaration Form before the flight schedule. Pending the implementation of the online messaging system, the TOG shall secure a copy of the countersigned form to validate the data against the flight checklist.

1.17. The Audit Team acknowledged the Management's efforts to gather reliable and complete data on passenger movement and reconcile discrepancies in passenger load between the TOG Reports and RRs. However, such reconciliation will not yield reliable data on aircraft and passenger movement that is useful in generating accurate financial data in capturing PSC collections, as the reconciliation by Management shows total passengers not paying passengers.

1.18. Nonetheless, the Audit Team will monitor further progress of the implementation of the online messaging system and several MCs issued relative to the collection and validation of PSC.

2. Accounts Receivable (AR) amounting to P2.883 billion were not properly assessed to determine current/updated evidence of impairment as required under the Philippine Financial Reporting Standard (PFRS) 9. Thus, the valuation of the AR at an amortized cost of P1.435 billion, net of P1.448 billion Allowance for Impairment (AFI), could be more than its recoverable amount.

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

2.2. Paragraphs 5.5.9 and 5.5.11 of PFRS 9 require that,

> *"5.5.9 At each reporting date, an entity shall assess whether the credit risk on a financial instrument has increased significantly since initial recognition. When making the assessment, an entity shall use the change in the risk of a default occurring over the expected life of the financial instrument instead of the change in the amount of expected credit losses. To make that assessment, an entity shall compare 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."*

> *"5.5.11 Xxx there is a rebuttable presumption that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due."* (underscoring supplied)

2.3. The AR account of MIAA is presented in Table 4:

Table 4 – AR as of December 31, 2023 and 2022 (in Php)

	2023	2022 (As restated)
Accounts Receivable		
Concessionaires/Lessees	**2,640,031,417**	3,049,849,809
Passenger Service Charges	**242,959,213**	314,358,225
	2,882,990,630	3,364,208,034
Allowance for Impairment	**(1,448,181,303)**	(1,393,855,864)
Accounts Receivable, net	**1,434,809,327**	1,970,352,170

2.4. In Note 8 to the financial statements, it was disclosed that AR consists of receivables from airline companies (including unremitted collections of airline companies for terminal fees/PSC integrated into 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.

2.5. A reconciliation of the AFI at the beginning and end of the year 2023 and 2022 is also shown in Note 8 to the financial statements, to wit:

Table 5 – Reconciliation of AFI at the beginning and end of the year (in Php)

	2023	2022 (As restated)
Balance, January 1	**1,393,855,864**	1,393,433,819
Provision for the year	**54,325,439**	69,669,841
Write-off	**0**	(16,360,751)
Adjustments	**0**	(52,887,045)
Balance, December 31	**1,448,181,303**	**1,393,855,864**

2.6. Records showed that the AFI as of December 31, 2023, amounting to P1.448 million was computed as follows:

Table 6 – AFI as of December 31, 2023

Age of Account	Amount (in Php)	Percentage of AFI	AFI (in Php)	Amortized Cost (in Php)
Current/Not Due	**898,099,676**	**1%**	**8,980,997**	**889,118,679**
Undisputed Past Due Accounts				
1-180 days	162,951,217	5%	8,147,561	154,803,656
181-365 days	14,744,421	10%	1,474,442	13,269,979
over 365 days				
1-2 years	30,312,251	20%	6,062,450	24,249,801
3-5 years	0	40%	0	0
6-10 years	34,721,325	60%	20,832,795	13,888,530
Dormant with Nil Chance	600,200,566	100%	600,200,566	0
Accounts with Promissory Note				
Current year	127,932	5%	6,397	121,535
Prior years	108,054,573	5%	5,402,729	102,651,844
	951,112,285		**642,126,940**	**308,985,345**
Disputed Accounts without Court Case				
1-365 days	37,649,273	10%	3,764,927	33,884,346
1-2 years	97,501,622	40%	39,000,649	58,500,973
3-10 years	170,297,882	60%	102,178,729	68,119,153
10 years and above	137,750,699	90%	123,975,629	13,775,070
	443,199,476		**268,919,934**	**174,279,542**
Disputed Accounts with Court Case				
1-365 days	35,501,239	90%	31,951,115	3,550,124
1-2 years	73,321,362	90%	65,989,226	7,332,136
3-10 years	247,825,442	90%	223,042,898	24,782,544
10 years and more	230,189,103	90%	207,170,193	23,018,910
	586,837,146		**528,153,432**	**58,683,714**
	2,879,248,583		**1,448,181,303**	**1,431,067,280**

2.7. As shown in Table 6, Management has provided an AFI amounting to P1.448 billion for its AR amounting to P2.879 billion while the reported balance of AR as of December 31, 2023 amounted to P2.883 billion.

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 and the current conditions of the accounts which resulted in insufficient provision of AFI, thereby indicating that proper assessment of the collectability of receivables at the reporting date was not performed:

a. Past due accounts

Past due accounts of MIAA, excluding dormant accounts or those aged 10 years above, amounted to P1.443 billion, with a net amortized cost of P603.545 million. These consist of receivables from several concessionaires/airlines who failed to pay their accounts within the prescribed period.

In our view, Management may not have considered that credit risk on a financial asset significantly increases since initial recognition when contractual payments are more than 30 days past due, when it provided five per cent to 60 per cent AFI to its past due accounts[4].

[4] Excluding dormant accounts

Furthermore, our review disclosed that various Undisputed Past Due Accounts totaling P119.348 million were transferred to the category of Disputed Accounts without Court Case, increasing the total Disputed Accounts without Court Case to a balance of P450.586 million as of December 31, 2023, from P331.238 million as of December 31, 2022. This only suggests that there is a risk that when an account becomes past due, payment of the same may be subsequently disputed by debtors, which was not considered by Management in providing AFI to past due accounts.

b. *Reasonable and supportable information that is indicative of significant increases in credit risk since initial recognition*

Our review disclosed that some disputed accounts consist of contested rental rates imposed by MIAA for which cases involving a similar dispute have already been decided by the court against MIAA. Some of these are disclosed in Note 39 to the financial statements. The prior cases decided against MIAA are considered available reasonable and supportable information that is indicative of significant increases in credit risk since the initial recognition of the disputed receivables.

Also, based on the AR Profile submitted by the Collection Division, we have noted that there are at least eight concessionaires that belong to the category Disputed Accounts without Court Case, with accounts totaling P186.051 million, that are no longer doing business in NAIA. Management was not able to consider the high risk of non-collectability of receivables from them. Thus, the provision of 10 per cent to 90 per cent AFI on disputed accounts may be insufficient.

2.9. Due to the foregoing, it is the Audit Team's view that Management did not assess to determine significant increases in credit risk with due consideration that to make an assessment, an entity shall compare the risk of a default occurring on the financial instrument as at reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition[5].

2.10. Management has not considered the criteria such as, but not limited to, age of the receivables, length of MIAA's relationship with the customer, customer's payment behavior, collection, and expected loss experiences[6] as of the reporting date. Also, it may include relevant information such as actual or expected significant adverse changes in business, financial or economic conditions, operating results, and in the regulatory, economic, or technological environment of the borrower that are expected or resulted in a significant change in the borrower's ability to meet its obligations.

2.11. Therefore, Management's assertion that the valuation of AR amounting to P1.435 billion (at amortized cost), could not be relied upon. The amortized cost of AR amounting to P1.435 billion could be more than its recoverable amount.

2.12. **We reiterated our previous years' recommendation that Management revisit its established Expected Credit Loss (ECL) provision matrix or conduct an assessment at the end of each reporting period to determine the sufficiency of**

[5] Portion of PFRS 9, paragraph 5.5.9
[6] Per CY 2023 MIAA's Note 5 to the financial statements

AFI to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount.

2.13. Management commented that they have reviewed their existing guidelines on the recognition of AFI and came up with a reasonable ECL matrix for Undisputed Past Due Accounts and Disputed Accounts without Court Case. Management shall be amending the current Memorandum Circular (MC) to reflect the revised percentage of AFI for the affected accounts. Likewise, they committed to conduct an assessment at the end of each reporting period to consider the current conditions/status of the accounts.

2.14. The Audit Team will monitor the amendment of MIAA's current established ECL provision matrix and assessment that will be conducted at each reporting period.

3. The completeness of Concession Privilege Fee (CPF) income amounting to P695.776 million could not be validated due to a lack of reliable source of data where CPF collections and accruals can be traced, thus affecting the fair presentation of the account in the financial statements.

3.1. This is a reiteration of prior years' audit observations with updated information.

3.2. Paragraph 15 of Philippine Accounting Standard (PAS) 1 states that,

> *"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions 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)."*

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

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

3.5. As of December 31, 2023, MIAA reported in its financial statements a total of P1.387 billion Gross Sales (GS)-based CPF, with details shown in Table 7:

Table 7 – GS-based CPF for CY 2023 (in Php)

GS-based CPF	Actual Collection	Accrual[7]	Total
Retail, services, and food and beverages	630,244,949	65,530,754	695,775,703
Others	647,728,969	43,198,575	690,927,544
	1,277,973,918	**108,729,329**	**1,386,703,247**

3.6. To determine the completeness of CPF income from retail, services, and food and beverages amounting to P695.776 million, the Audit Team performed a testing of transactions by extracting the POS Summary Report from FMIS and comparing it against the amounts recorded by the Accounting Division (AD) based on the Schedule of CPF Remittances.

3.7. We have selected 25 retail, services, and food and beverages concessionaires with the highest GS-based CPF payments for CY 2023. The transactions were analyzed to determine if the amounts recorded in the books of accounts are consistent with the amounts per POS Summary Report.

3.8. 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 8 – AD had no records of collection but the POS Summary Report showed computed CPF subject for collection

Name of Concessionaire	Period Covered	CPF per POS Sales Report in FMIS (in Php)
Concessionaire 1	October, December	141,810
Concessionaire 2	December	196,656
Concessionaire 3	October, November, December	1,271,264
Concessionaire 4	October, November, December	2,603,310

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.

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

Name of Concessionaire	Period Covered	CPF recorded by AD (in Php)
Concessionaire 5	October, November, December	2,605,584
Concessionaire 6	October, November, December	5,581,869
Concessionaire 7	October, November, December	4,259,523
Concessionaire 8	October, November, December	3,306,344
Concessionaire 9	December	481,006

[7] Based on actual amount collected in CY 2024

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.

   Based on the examination of the POS Summary Report extracted from the FMIS, the discrepancy totaling P107.866 million is caused by <u>incomplete/no daily sales data</u> per POS Sales Summary Report resulting in unreliable CPF computation.

3.9. Inquiry with personnel from MISD revealed that a monthly report is being generated to determine the concessionaires which have incomplete/no sales data for the month. The report is forwarded to the Terminal Concession Division and Concession Management Division (CMD). Then CMD notifies the concessionaires to comply with the POS system and reminds them that non-compliance may be a ground for contract suspension.

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

3.11. In MIAA's Agency Action Plan and Status of Implementation submitted to the Audit Team on December 12, 2023, Management stated that they conducted a reconciliation of various accounts of concessionaires and sent demand letters for unremitted CPF for CYs 2022 and 2023. Also, on May 29, 2023, a Memorandum was issued to all concessionaires requiring them to submit printed daily sales reports from their cash registers to designated Concessionaires' Relation Officers (CROs) in all Terminals.

3.12. Based on an inquiry from a CRO in Terminal 3, the concessionaires submitted a copy of their issued receipts in June 2023 in compliance with the Memorandum dated May 29, 2023. The receipts, however, are still in the custody of the CROs and are yet to be forwarded to any department for checking or validation.

3.13. These recurring observations indicate that the POS system integrated into the FMIS is still not working effectively and cannot be used as a reliable source of data in validating the completeness of concessionaires' GS-based CPF payments. MIAA solely relies on the Sworn Statements submitted by the concessionaires upon payment of GS-based CPF. The actual payment by the concessionaires is still AD's basis of recording. Thus, the P695.776 million portion of Rent/Lease Income may not be faithfully represented in the financial statements.

3.14. **We reiterated our prior years' recommendations that Management:**

a. **Ensure that the POS and TSMS are working effectively by updating/correcting their functionalities so that the monthly sales summary report of concessionaires can be generated from the FMIS and used as the 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 the POS summary report and the amount collected per AD;**

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

e. **Submit to the Audit Team the documents on the results of the conduct of MIAA Audit Procedure per paragraph 14 of MC No. 06, series of 2021.**

3.15. Management commented that the incomplete/no sales data extracted from the POS System has precluded the Collection Division from validating the completeness and accuracy of the CPF payment of concessionaires. Hence, the Monthly Sworn Statements submitted by the concessionaires are being used instead of the system-generated sales report.

3.16. In addition, Management informed the Audit Team that an MC will be issued which will cover the mandatory enrollment of concessionaires in the FMIS, as applicable, and the billing of GS-based CPF payment of concessionaires. It shall also include the imposition of penalties such as suspension of access passes and contract termination against non-complying concessionaires.

3.17. The Audit Team will monitor the action plan of Management to comply with the recommendations.

4. The balance of the Accounts Receivable (AR) account includes various reconciling items with negative/abnormal balances totaling P149.268 million, thus affecting the fair presentation of the account in the financial statements, contrary to PAS 1.

4.1. Paragraph 15 of PAS 1 states that,

> *"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions 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)."*

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

4.3. Based on the submitted Subsidiary Ledger (SL) and Aging of AR as of December 31, 2023, the balance of the AR account includes reconciling items with negative balances amounting to P149.268 million, with details shown in Table 10:

Table 10 – AR reconciling items with negative balances

Particulars	Amount (in Php)
Adjustment to Concession Privilege Fee (CPF), Journal Entry Voucher (JEV) No. 2023-12-021	4,911,274
For Reconciliation	4,536,528
Unverified Collections – Terminal Fee	382,947
Unverified Collections – Terminal Fee, JEV No. 2023-12-095	94,467,904
Unverified Collections – Trade, shown in AR-Terminal Fee	15,400,355
Unverified Collections – Trade, JEV No. 2023-12-095	28,958,443
Over/Under Accrual (Adjusted in CY 2024)	611,008
	149,268,459

4.4. The above-reconciling items pertain to accounts for which the identity of payors and/or nature/details of remittance are still to be determined, and with payments that require reconciliation.

4.5. The non-recording to their appropriate accounts, of the above-listed reconciling items with negative/abnormal balances, affects the fair presentation of the AR account in the financial statements.

4.6. **We recommended that Management analyze the reconciling items with negative/abnormal balances and prepare the necessary adjusting entries to ensure that the AR account is fairly presented in the financial statements.**

4.7. Management commented that the reconciling items are year-end adjustments to adjust various accounting entries affecting AR transactions which were temporarily parked to facilitate the closing of books of accounts. The details are as follows:

a. Accounts for reconciliation pertain to unaccounted difference between the General Ledger and SL which is being maintained at a minimum level.

b. Various unverified terminal fee collections pertain mostly to unverified collections that have been identified and recorded to their proper accounts per JEV No. 2024-04-063 dated April 30, 2024, since concessionaires have already provided details of their payments.

4.8. As an audit rejoinder, since the adjusting entry prepared by Management regarding various unverified terminal fee collections was recorded on April 30, 2024, and other items are still pending reconciliation, the existence of a negative/abnormal balance in the AR account amounting to P149.268 million persists as of December 31, 2023. This raises doubts about its fair presentation in the financial statements.

5. **The variance between the recorded Property and Equipment (PE) per books of accounts and Report on the Physical Count of Property, Plant, and Equipment (RPCPPE) pertaining to unaccounted or missing PEs costing P78.759 million casts doubt on the existence of these PEs.**

5.1. Paragraph 15 of PAS 1 states that,

"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the

faithful representation of the effects of transactions, other events and conditions 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)."

5.2. As of December 31, 2023, MIAA presented PE costing P49.125 billion[8], with a net carrying value of P24.680 billion.

5.3. Review of the submitted RPCPPE as of December 31, 2023, and its reconciliation with the books of accounts of MIAA, revealed a variance amounting to P78.759 million as detailed in Table 11:

Table 11 – Variance between RPCPPE and PE per books of accounts (in Php)

PE Classification	Per Accounting Records	Per Physical Count	Variance
Land	5,542,098,970	5,542,098,970	0
Other Land Improvements	4,934,231,468	4,934,231,468	0
Leased Assets Improvements, Buildings, and Other Structures	122,381,872	122,381,872	0
Airport Systems	27,496,410,088	27,496,410,088	0
Buildings	427,412,446	427,412,446	0
Office Equipment	12,284,453	12,138,999	145,454
Information and Communications Technology Equipment	573,748,457	569,281,017	4,467,440
Airport Equipment	5,469,567,926	5,469,567,926	0
Communications Equipment	425,780,643	424,645,041	1,135,602
Disaster Response and Rescue Equipment	528,587,808	527,151,969	1,435,839
Military, Police, and Security Equipment	79,805,200	79,805,200	0
Medical Equipment	15,174,889	15,174,889	0
Other Machinery and Equipment	2,866,915,726	2,814,533,010	52,382,716
Motor Vehicles	287,972,326	286,894,327	1,077,999
Furniture and Fixtures	250,973,120	250,973,120	0
Books	388,393	388,393	0
Work, Zoo, and/or Other Animals	797,105	797,105	0
Other Property, Plant, and Equipment	90,643,154	72,529,071	18,114,083
	49,125,174,044	**49,046,414,911**	**78,759,133**

5.4. The Inventory Committee reported that the variance amounting to P78.759 million are unaccounted/missing properties and will be derecognized in the books of accounts after verification and confirmation by the Property Management Division (PMD). It was also reported that a final demand letter will be prepared addressed to all concerned personnel to produce the PEs that are found to be missing/not presented during the inventory.

5.5. Due to the variance between the PE recorded per books of accounts and RPCPPE, pertaining to unaccounted or missing PEs, the existence of PEs costing P78.759 million could not be ascertained.

[8] Excluding Construction in Progress

5.6. **We recommended that Management:**

a. **Take appropriate action to verify and confirm the unaccounted or missing PEs and prepare the necessary adjusting entries; and**

b. **Identify the employees accountable for the missing PEs and consider charging them for the value of such equipment.**

5.7. Management commented that the PMD has conducted verification of the unaccounted/missing PEs by sending memorandum/demand letters to various offices for PEs without corresponding Property Acknowledgement Report (PAR) issued, and to accountable personnel, both active and separated from the service.

5.8. Management added that after verification, PMD will submit a list of those missing PEs to the AD for the necessary recording in the books of accounts.

5.9. The Audit Team will continue to monitor the actions to be taken by Management to reconcile the variance between the PE recorded per books of accounts and RPCPPE.

6. Unserviceable properties costing P59.637 million were not derecognized from the books of accounts contrary to paragraph 67 of PAS 16, resulting in an overstatement of the PE account.

6.1. Paragraph 67 of PAS 16 provides that, "*the carrying amount of an item of property, plant and equipment shall be derecognized: (a) on disposal; or (b) when no future economic benefits are expected from its use or disposal.*"

6.2. The RPCPPE as of December 31, 2023, showed the following items identified/tagged as unserviceable:

Table 12 – PE items identified as unserviceable in the RPCPPE

PE Classification	Amount (in Php)
Medical Equipment	2,399,398
Other Machinery and Equipment	52,641,917
Motor Vehicles	4,596,103
	59,637,418

6.3. Inquiry from the concerned personnel disclosed that the above PE items identified as unserviceable are for disposal.

6.4. Considering that the above items of PE were identified as unserviceable, there are no future economic benefits expected from such assets. Thus, these PEs should be derecognized in the books of accounts of MIAA and should be monitored until its disposal.

6.5. **We recommended that Management:**

a. **Prepare the necessary adjusting entries to derecognize the PEs identified as unserviceable to ensure compliance with PAS 16; and**

b. **Facilitate the disposal of the unserviceable properties to avoid further deterioration of PE.**

6.6. Management commented that the PEs identified as unserviceable remained outstanding in the PMD database because the end-users have yet to submit a Report of Unserviceable and Condemnable Supplies, Materials, and/or Equipment (RUCSME). Further, in June 2024, PMD will coordinate with concerned offices and accountable personnel to surrender the unserviceable PEs with corresponding RUCSME.

6.7. The Audit Team will monitor the actions to be taken by Management to comply with the recommendations. Management is also advised to facilitate the process of disposal of the unserviceable PEs to avoid further deterioration.

7. The non-submission of proof of Real Property Tax (RPT) payment of 107[9] lessees resulted in an understatement of Rent/Lease Income and Taxes, Duties, and Licenses accounts by an 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 observations with updated information.

7.2. Paragraph 15 of PAS 1 states that*,*

> *"Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions 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)."*

7.3. Review of selected Contracts of Lease/Lease and Concession Contracts of MIAA with concessionaires shows 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 provide proof of tax payment to MIAA during the contract period.

7.4. Based on MIAA's Agency Action Plan and Status of Implementation submitted to the Audit Team on December 12, 2023, the City Treasurer of Pasay provided MIAA with a list of Concessionaires with RPT obligations on May 30, 2023. Consequently, Management sent letters to the concerned concessionaires informing them of their delinquency in the payment of RPT. The concessionaires were also directed to furnish MIAA with a copy of proof of payment of RPT, otherwise, they shall suffer the consequence of cancellation of contracts and suspension of access passes.

7.5. Comparison of MIAA's list of concessionaires and Summary of Concessionaires' Payment of RPT disclosed that 107 concessionaires in the General Aviation Area

[9] Excluding RPT exempt and new leases

(GAA) and Other Areas (OA) failed to submit proof of payment of RPT for CY 2023. The details are shown in Table 13:

Table 13 – Number of Concessionaires without proof of 2023 RPT payment as of December 31, 2023

Source Report/Particulars	Number of Concessionaires		
	GAA	OA	Total
List of Concessionaires from BRIDD[10]	71	89	160
Less: RPT Exempt/new leases	4	0	4
Number of "Should be" RPT Payors/concessionaires	**67**	**89**	**156**
Concessionaires with proof of RPT payment for CY 2023 RPT	28	21	49
Concessionaires without Proof of RPT Payment	**39**	**68**	**107**

7.6. Based on the data in Table 13, only 49 of the 156 concessionaires in the GAA and OA, or 31.41 per cent, submitted proof of payment of RPT. Thus, 107 concessionaires did not comply with the directive to submit proof of payment of RPTs.

7.7. Our validation disclosed that leased properties by the 107 concessionaires who did not submit proof of payment of RPT have a total area of 279,713 square meters (sq. m.), as shown in Table 14:

Table 14 – MIAA properties under lease without proof of RPT Payment (in sq. m.)

	GAA	OA	Total
Open Area/Land	31,050	160,519	191,569
Area of Buildings/Hangars	50,614	37,530	88,144
Total Open Area/Land and Buildings/Hangar	**81,664**	**198,049**	**279,713**

7.8. Table 14 suggests that RPT pertaining to 279,713 sq. m. property owned by MIAA has not yet been recorded and accounted for.

7.9. Section 205 (d) of Republic Act No. 7160 or known as the Local Government Code of the Philippines states that,

> *"Real property owned by the Republic of the Philippines, its instrumentalities and political subdivisions, the beneficial use of which has been granted, for consideration or otherwise, to a taxable person, shall be listed, valued and assessed in the name of the possessor, grantee or of the public entity if such property has been acquired or held for resale or lease."* (underscoring supplied)

7.11 Moreover, the Supreme Court, in the case of MIAA vs. Court of Tax Appeals, City of Parañaque[11], decided that the Airport Lands and Buildings of MIAA are exempted from payment of RPT, except for the portions that MIAA has leased to private parties.

7.12 The RPT paid by concessionaires on behalf of MIAA constitutes a portion of MIAA's lease income and operating expenses since RPT payments are integrated into the lease agreement. Therefore, they should be appropriately accounted for and recognized in the books of accounts.

[10] Business and Real Estate Investment and Development Division
[11] G.R. No. 155650, July 20, 2006

7.13 Considering the non-submission of proof of RPT payment of 107 lessees, the lease income and operating expenses related thereto were not recognized in the books of accounts, resulting in an understatement of Rent/Lease Income and Taxes, Duties, and Licenses accounts by an undetermined amount. This casts doubt on the fair presentation of the accounts in the financial statements, contrary to PAS 1.

7.14 **We reiterated our prior years' recommendations that Management:**

a. **Regularly monitor compliance of lessees with the terms and conditions of the contracts, specifically the payment 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;**

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 corresponding lessee's payments as Taxes, Duties and Licenses, and Rent/Lease Income, and the unpaid RPT as Receivables and Rent/Lease Income.**

7.15 Management commented that based on the initial list submitted to the Audit Team, there are seven additional GAA concessionaires that paid their RPTs while none for the Other Areas. For Other Areas, not all concessionaires have been assessed by the LGU of Pasay City and may not be liable to pay the RPTs due to the nature of their businesses.

7.16 Also, to properly determine which concessionaires are exempted and not exempted from payments of RPTs, Management requested assistance from the Pasay City Treasurer's Office with the latter's tax assessments conducted with MIAA's concessionaires, including the updated list with RPT delinquencies, if any.

7.17 The Audit Team will monitor Management's subsequent actions to comply with the recommendations, as well as the accurate identification of concessionaires exempted and not exempted from RPT payments.

7.18 Further, the Audit Team requested documents for validation from Management regarding seven additional GAA concessionaires who paid their RPTs, and others exempted from RPT payments due to their business nature. However, Management has not yet submitted them.

B. OTHER OBSERVATIONS

8. Receivable from the Department of Public Works and Highways (DPWH) amounting to P996.306 million remained uncollected, thereby depriving MIAA of additional funds that could be used in its operations or interest that could be realized had the funds been invested in high-yield money market placement.

8.1. Section 2 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, mandates 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 to ensuring efficiency, economy and effectiveness in the operations of government.*

8.2. As of December 31, 2023, the Due from DPWH amounted to P996.306 million, as shown in Table 15:

Table 15 – Due from DPWH as of December 31, 2023

Particulars	Amount (in Php)
C5 South Link Expressway Project (SLEP)	968,387,500
C5 Extension Project	27,918,392
	996,305,892

8.3. The details of the accounts are as follows:

a. C5 SLEP. On January 23, 2019, MIAA and DPWH entered into a Memorandum of Agreement (MOA) for the sale of a lot owned by MIAA with a total area of 61,151 sq. m. which will be affected by the C5 SLEP Project. The total consideration or the amount of just compensation as stated in the MOA amounted to P1.847 billion. After the final alignment by DPWH on the affected property, the land area was increased from 61,151 sq. m. to 62,270 sq. m. Thus, the total consideration was increased to P1.882 billion.

Based on the MOA, DPWH paid 50 per cent of the total price of the affected land amounting to P913.803 million in March 2019 while the second and final payment shall be made at the time of the transfer of the title of the affected lot under the name of the Republic of the Philippines, in case the land is wholly affected, or at the time of the annotation of the MOA on the title.

Records showed that the remaining balance of the total consideration amounting to P968.388 million remained not collected by MIAA as of December 31, 2023.

b. C5 Extension Project. On January 15, 2012, MIAA and DPWH entered into a MOA for the transfer to DPWH of lot owned by MIAA with a total area of 56,966 sq. m. which will be affected by the C5 Extension Project. The total consideration amounted to P569.660 million.

The MOA stated that the consideration shall be paid on the following terms:

Table 16 – Terms of payment for the consideration of C5 Extension Project

Details of Payment	Date of Payment
1st payment (P113,932,000)	Upon signing of the MOA
2nd payment (P113,932,000)	July 2012
3rd payment (P113,932,000)	July 2013
4th payment (P113,932,000)	July 2014
Last payment (balance, depending on the result of the final survey)	July 2015

The MOA further stated that upon its signing, both parties shall simultaneously execute the necessary documents to implement the transfer of ownership of the affected MIAA lot to DPWH.

On July 8, 2014, an addendum to the MOA was executed authorizing DPWH to clear/demolish the existing structures on the affected portion of the property. It was also agreed that the expenses incurred in the amount of P9.418 million shall be deducted from the proceeds of the sale of the subject property.

After the final survey conducted by DPWH, it was determined that only 54,006 sq. m. was affected by the C5 Extension Project, thus, the consideration was adjusted to P540.060 million.

Our audit disclosed that the payment terms stated in the MOA were not followed. The books of accounts as of December 31, 2023, showed that P27.918 million is still due from DPWH for the C5 Extension Project, with details shown in Table 17, as stated in MIAA's demand letter to DPWH dated March 28, 2023:

Table 17 – Due from DPWH for the C5 Extension Project

Particulars	Date of Payment	Amount (in Php)	
Final Area per Deed of Absolute Sale (54,006 sq. m. @ P10,000/sq. m.)			540,060,000
Less: Payments			
1st and 2nd Tranche	Apr 24, 2013	227,864,000	
3rd Tranche	Mar 4, 2014	113,932,000	
4th Tranche	May 13, 2015	103,962,000	
5th Tranche (partial)	Dec 22, 2016	56,966,000	
Clearing and demolition expenses		9,417,608	512,141,608
			27,918,392

8.4. Inquiry with the concerned personnel disclosed that for both projects, MIAA is awaiting the subdivision plan from DPWH approved by the Department of Environment and Natural Resources (DENR) to proceed with the transfer of title.

8.5. Initial demand letter dated March 28, 2023, was sent by MIAA to DPWH stating the computation and details of the balance due to them amounting to P996.306 million. Follow-up letters dated June 21, 2023, August 29, 2023, and December 11, 2023, were also sent by MIAA. However, DPWH has not responded to the said correspondences yet.

8.6. Inquiries from the Business and Real Estate Investment and Development Division (BRIDD) disclosed that in January 2024, an employee from DPWH personally inquired about the letters sent by MIAA. BRIDD suggested that DPWH respond to MIAA's letters to formally document their queries.

8.7. It is worth mentioning that confirmation by the Audit Team with DPWH as regards the amount payable to MIAA as of December 31, 2022, disclosed a nil payable amount.

8.8. The non-collection of the receivable from DPWH amounting to P996.306 million deprived MIAA of additional funds that it could be used in its operations or interest that could be realized had the funds been invested in high-yield money market placement.

8.9. **We recommended that Management coordinate closely with the DPWH to collect the amount due to MIAA amounting to P996.306 million and to facilitate the necessary processes for the transfer of the titles of the affected properties under the name of the Republic of the Philippines.**

8.10. Management informed the Audit Team that the demand letters sent to DPWH, although all addressed to the DPWH Secretary, were farmed out to different offices and were not given much attention. Management added that a meeting will be set soon with DPWH to discuss the need to have a programmed allocation in the General Appropriations Act for them to be able to settle their unpaid obligation.

8.11. In addition, the Audit Team was furnished with a copy of MIAA's letter to DPWH dated May 27, 2024, requesting a meeting with the concerned offices of the DPWH.

8.12. The Audit Team acknowledged the efforts of Management to collect the receivables from DPWH. The Audit Team will continue to monitor Management's compliance with the recommendation.

9. Past due receivables, mainly comprising Undisputed Accounts and Disputed Accounts without Court Case totaling P1.456 billion[12], remained uncollected, thereby depriving MIAA of additional funds that could be used in its operations.

9.1. Section 2 of PD 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 to ensuring efficiency, economy and effectiveness in the operations of government.*

9.2. The Accounting Division submitted three separate Aging of Receivables, billed receivables, receivables from unbilled concession privilege fees, and receivables from passenger service charges, as of December 31, 2023. The Audit Team consolidated the three reports and prepared an analysis as shown in Table 18:

[12] Past due accounts of P2.043 billion less accounts with court cases of P586.837 million.

Table 18 – Consolidated Aging of Receivables as of December 31, 2023

Age	Amount (in Php)	Percentage to Total
Current	840,312,269	29.15%
Past Due		
One year or less	312,570,947	10.84%
More than one year to 10 years	762,034,456	26.43%
More than 10 years	968,140,369	33.58%
Subtotal (Past Due)	2,042,745,772	70.85%
	2,883,058,041	**100%**

**with variance against General Ledger balance of P67,411*

9.3. Further, shown in Table 19 is the Aging of Receivables based on the nature of the accounts:

Table 19 – Aging of Receivables based on the nature of the accounts

Accounts	Current	Past Due Accounts			Total
		One year or less	More than one year to 10 years	More than 10 years	
Undisputed	840,312,269	239,420,435	165,701,523	600,200,566	1,845,634,793
Disputed without Court Case	0	37,649,273	275,186,130	137,750,699	450,586,102
Disputed with Court Case	0	35,501,239	321,146,803	230,189,104	586,837,146
	840,312,269	**312,570,947**	**762,034,456**	**968,140,369**	**2,883,058,041**

9.4. Disputed Accounts without Court Case totaling P450.586 million are those with rental space issues and disputes on rate increase/adjustment but without cases filed with the courts. Meanwhile, Disputed Accounts with Court Case amounting to P586.837 million are accounts wherein increases or adjustments in rental rates are disputed and with pending court cases, thus collection is dependent on the resolution of the cases.

9.5. As can be gleaned in Table 18, of the total AR balance, P2.042 billion or 70.85 per cent is already overdue. Of the total past due accounts, the amount of P1.456 billion pertains to Undisputed Accounts and Disputed Accounts without Court Case, which are due for collection by Management.

9.6. Based on the AR Profile submitted by the Collection Division (CD), the status of the past due accounts are either: a) with approved payment scheme; b) with commitment to pay or to submit payment proposal; c) with pending reconciliation and for issuance of demand letter; d) with final demand letter/final notice and referred to Legal Office for action; e) with collection cases; f) without court cases; g) for write-off; h) with stop billing and for issuance of credit memorandum; i) with continuous billings but stores are closed; and j) for documentation of collection efforts.

9.7. Also, there are 23 concessionaires, with past due accounts totaling P191.292 million, who are no longer doing business at the NAIA. Records show that MIAA has not filed any case for collection of these receivables.

9.8. It is worth mentioning that for those accounts without pending cases and approved payment schemes, Management should actively pursue the collection of past due receivables and explore all available remedies to ensure their recovery. Collecting these receivables will entail additional funds which could be used by MIAA in its operations.

9.9. Similarly, included in past due accounts is the receivable from the Philippine Aerospace Development Corporation (PADC) amounting to P6.744 million[13], exclusive of value-added tax (VAT) and interest on non-payment, under Disputed Without Court Case. 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 as of December 21, 2023, VAT and interest totaled P251.488 million. Net receivable per SOA with a notation “disputed accounts” amounted to P258.444 million.

9.10. PADC still claims that it should not be billed for the interest since there is no related unpaid principal.

9.11. **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. **Study the necessity of filing a request for authority to write-off dormant receivables provided that the requirements under COA Circular No. 2023-008 dated August 17, 2023, are complied with; and**

c. **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 advise the latter on its claim that it already paid a portion of the accounts included in the SOA.**

9.12. Management commented that of the total receivables amounting to P2.883 billion, P1.129 billion was collected as of May 22, 2024, wherein the bulk of the collection represents current accounts. Further, Management stated that they are exerting all possible actions to collect the past due accounts by the issuance of final notices, final demand letters, and demand letters to active and inactive concessionaires for CYs 2023 and 2024, and referral to the Legal Office for filing of collection cases.

9.13. Management also stated that they are gathering the documentary requirements under COA Circular No. 2023-008 for dormant accounts.

9.14. For past due accounts of PADC, Management informed the Audit Team that the amount of P0.743 million was reconciled while disputed accounts amounting to P5.786 million were referred to the Office of the Government Corporate Counsel for resolution.

9.15. The Audit Team acknowledged the efforts and actions undertaken by Management in collecting past due accounts and will continue to monitor compliance by Management on the recommendations.

[13] With discrepancy of P0.212 million against the total principal shown in SOA as of December 21, 2023 amounting to P6.956 million

10. Delay in the preparation and service of billing statements for Landing and Parking Fees (LPF) charged against Air Carriers or Groundhandlers/Fix-Based Operators (AGFs), contrary to MIAA Memorandum Circular (MC) No. 06, series of 2016, resulted in the delay in collection of revenue which could be used by MIAA in its operations or invested in high-yielding money market placements.

10.1. LPF reported by MIAA for CY 2023 amounted to P5.007 billion or 33 per cent of the total Business and Service Income of P15.077 billion, with details shown below:

Landing and Take-off Fee, Aircraft Parking Fee, Lighting Fee and Tacking Fee	P3,986,102,961
Check-in Counter (CIC) Fee	1,020,619,292
	P5,006,722,253

10.2. On June 1, 2016, MIAA issued MC No. 06, series of 2016, which sets forth the policy and prescribed the standard procedures for in-flight data recording, preparation of billing, and collection of aeronautical fees (except CIC fee) for both scheduled and non-scheduled flights. Items 20 to 26 of the said MC discussed the billing cycle from the time the flight operations occurred until the charges were billed to AGFs. The workflow starts after each flight operations billing cut-off which is divided into four: 1st to 7th day; 8th to 15th day; 16th to 22nd day; and 23rd to the last day of the month. The activities are summarized in Table 20:

Table 20 – MIAA billing workflow per MC No. 06, series of 2016

Activity	Responsible Division	Timeframe
1. Billing Preparation	Terminal Administration/ General Aviation Operations Division/Airport Grounds Operations and Safety Division	Work Day (WD) 1 to 3
2. Computation of Fees and Charges	Accounting Division	WD 4 to 8
3. Serving of bills to (AGFs)	Collection Division	WD 9 to 10
4. Settlement	Collection Division	Day 11 to 25

10.3. In July 2018, MIAA entered into a contract with the developer/service provider of the Financial Management Information System (FMIS). This computerization system aimed to let MIAA cope 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 for a long time have been into computerized operations.

10.4. In CY 2020, the FMIS was rolled out and started aeronautical data recording and billing that includes landing and take-off, aircraft parking, and tacking. Since then, the billing for LPF has been generated through the FMIS.

10.5. Review of the billing statements for LPF for CY 2023 showed that the timeframe from billing preparation to service of bills totaling 10 days required under MIAA MC No. 06, series of 2016, was not observed. Based on the review of the selected Flight Operations Report and Bill of Charges of AGFs flying in NAIA Terminal 3, preparation to service of 24 billing statements with the total amount of P142.038 million were delayed ranging from eight to 35 days.

10.6. Based on our evaluation and walkthrough, the current practice of MIAA in billing preparation involves the following:

a. *Data recording*

The FMIS is the system that automates all the data relative to the AGFs' sequential movement of landing, take-off, and aircraft parking (blocks-on and blocks-off) from the Ramp Control Section and activities on tacking from the Passenger Boarding Bridge Section. However, according to the personnel from the Airport Integrated Command and Control Center (AICCC), there are instances when they cannot utilize the FMIS due to downtime or slow internet connection. Also, there are cases where some information in the sequential flight movement is not immediately available; hence data recording is being performed through MIAA's old billing system.

b. *Billing Preparation*

After the billing cut-off, the data gathered by the AICCC through MIAA's old billing system are forwarded to the Accounting Division (AD) and Management Information System Division (MISD). Afterward, MISD converts the data received to a spreadsheet format and sends it to the developer/service provider for them to load the data in the FMIS.

c. *Billing Generation*

Once the information is loaded into the FMIS, AD checks the information and validates the bill triggering billing generation and automatic interface to the AGFs portal in FMIS and sending through AGF's registered email address.

According to AICCC personnel, if the data gathered during the flight movement goes through the complete FMIS process, it will automatically proceed with billing generation upon AD's approval and validation.

10.7. From the foregoing, one of the objectives of MIAA's computerization program which is to reduce the amount of manual effort required to record, collate, process, and analyze information, may not be achieved as utilization of the old system is being resorted to and delays in the preparation of billing statements were noted.

10.8. It is worth mentioning that MIAA MC No. 06, series of 2016, was issued by MIAA in 2016 or before the utilization of the FMIS in data recording and billing. Thus, in our view, the preparation and service of billing statements should have been facilitated and streamlined using the FMIS.

10.9. We have also noted that due to the delay in the preparation and service of billing statements, the recording by the AD of revenue from LPF is not in accordance with its representation in Note 4 to the financial statements stating that revenue is recognized when the airlines are given access to runway facilities including lighting and aerobridge facilities. It has been the practice of AD to initially record LPF in the books of accounts based on estimates then an adjustment is subsequently being made on the following month to reflect the actual amount indicated in the billing statements.

10.10. The delay in the preparation and service of billing statements for LPF (Landing and Take-off Fee, Aircraft Parking Fee, Lighting Fee, and Tacking Fee) resulted in the delay in the collection of revenue which could be used by MIAA in its operations or invested in high-yielding money market placements.

10.11. **We recommended that Management:**

a. **Monitor the billing process for LPF charged against AGFs to ensure compliance by concerned Divisions of the timeframe stated in MIAA MC No. 06, series of 2016; and**

b. **Determine the reason for the delay in the preparation and service of billing statements for LPF charged against AGFs and address issues noted.**

10.12. Management commented that there are two factors affecting the delay in the service of billing statements, as follows:

a. <u>On the recording of data.</u> There are times when aircraft activities cannot be immediately recorded due to discrepancies in the flight data entries, which are deemed by Management as internal issues. Also, to address the FMIS downtime or sluggish performance of internet connectivity, Management introduced improvements which by some means solved the technical problems affecting the speed and efficiency of the system.

b. <u>Delay in the preparation of bills</u>. For migration of data to be uploaded in the FMIS, intervention of the MISD and personnel from the system developer is needed.

10.13. Nevertheless, Management committed to gather the concerned offices for a meeting and look into the issues affecting their areas of responsibility to finally resolve the observations.

10.14. The Audit Team will continue to monitor subsequent actions to be taken by Management to address the issues regarding delay in the preparation and service of billing statements.

10.15. Further, Management should identify the cause of discrepancies in flight data entries to streamline data recording and meet the timeframe for preparing and issuing billing statements.

11. The policy requiring the remittance of Passenger Service Charge (PSC) solely on flown and expired tickets pursuant to Sections 6.2 and 6.3 of MIAA MC No. 18, series of 2019, dated August 9, 2019, resulted in continued possession by Air Carriers (ACs) of PSC collections from unflown and unexpired airline tickets, thus, may be considered disadvantageous to the government/MIAA.

11.1. This is a reiteration of prior years' audit observations with updated information.

11.2. 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."*

11.3. Based on the above-mentioned provisions of MIAA MC No. 18, series of 2019, only PSC for flown and expired tickets shall be remitted to MIAA. In effect, ACs have continued possession of PSC from the time of purchase of tickets until the departure of passengers, in case of flown tickets; and from the time of purchase of tickets until expiration or after 15 months from the date of issuance[14], in case of expired tickets.

11.4. In our view, the continued possession by ACs of PSC collections from unflown and unexpired airline tickets may be considered disadvantageous to the government/MIAA.

11.5. The observation was already reported in CYs 2020 to 2022 Annual Audit Reports of MIAA. In support of the observation, the Audit Team cited the opinion of the Office of the Solicitor General (OSG) in its letter-reply, dated December 19, 2016, as follows:

> *First, <u>MIAA can demand the remittance of the terminal fees collected by the ACs even if it is not yet flown.</u> Article IV, Section 3 of both Memoranda categorically states that the <u>terminal fees collected by the ACs are to be regarded as monies held in trust on behalf of the MIAA.</u>*
>
> *However, considering that terminal fees can be assessed only against departing passengers, <u>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</u>, 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.*** (underscoring supplied)

11.6. 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."*

11.7. Thus, we then recommended that MIAA develop a policy for the accounting, reporting, and monitoring of PSCs collected by the ACs on behalf of MIAA.

11.8. Based on the Agency Action Plan and Status of Implementation submitted to the Audit Team on December 12, 2023, Management stands by its position that PSCs

[14] Section 3.15 of MIAA MC No. 18 series of 2019 defines expired tickets as a passenger ticket that remains unflown/unused/cancelled after its validity, but should not exceed 15 months from date of issuance.

can only be assessed against departing passengers for the use of terminal facilities. They added that to demand the remittance of PSCs at the point of sale of airline tickets will run counter to the provision of Administrative Order No.1, series of 2000. Even the OSG, in its reply to the query of MIAA on PSC for unflown/expired airline tickets, recognizes the administrative complexity of ensuring the timely and accurate remittance of PSC.

11.9. The Audit Team maintains its observation that continued possession by ACs of PSC collections from unflown and unexpired airline tickets may pose a disadvantage to the government/MIAA. Remittances from ACs for PSC accrue to MIAA as they are the payee and beneficiary of the PSC, although still subject to refund. Therefore, Management has the authority to demand the remittance of PSC regardless of whether the tickets have been flown, provided that they establish a suitable mechanism for this purpose.

11.10. Limiting the collection of PSC to flown and expired tickets alone could result in a loss of potential interest income since Management could have invested the collections had they demanded the remittance of the PSC even before the tickets were flown or expired. Hence, we deem that Sections 6.2 and 6.3 of MC No. 18, series of 2019 unfavorable to MIAA or the National Government.

11.11. It is worth mentioning that based on Section 2 of Presidential Decree No. 1445, *it is the declared policy of the State that <u>all resources of the government shall be managed</u>, expended or utilized in accordance with law and regulations, <u>and safeguard against loss or wastage</u> through illegal or <u>improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government</u>.* (underscoring supplied)

11.12. In addition, the Bureau of Internal Revenue (BIR) issued Revenue Memorandum Circular (RMC) Nos. 34-2012 dated July 13, 2012, and 122-2021 dated December 14, 2021, clarifying the tax implications of integrating the PSC at the point of sale of airline tickets. The Circulars 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.

11.13. In the illustrative entries under the RMCs, the share of the MIAA, Office for Transportation Security (OTS), and Bureau of the Treasury (BTr) are required to be recognized by the ACs in their books of accounts, indicating that whether flown or not, the PSC is allocated for the benefit of the MIAA, OTS, and BTr. The cash collections by ACs pertaining to PSC should pass through their books only considering that they are collecting agents on behalf of MIAA.

11.14. **We reiterated our prior years' recommendation that Management develop a policy governing the accounting, reporting, and monitoring of PSCs collected by the ACs on behalf of MIAA. This policy should include a mechanism to ensure that payments made by passengers for PSC are credited upon departure from the terminal, enabling the MIAA to demand the remittance of terminal fees collected by the ACs even on unflown tickets. Moreover, the policy should be consistent with the RMCs issued by the BIR.**

11.15. Management commented that under the Concession Agreement for the NAIA Public-Private Partnership (PPP) Project, on the operation and maintenance Start Date, the New NAIA Infra Corp. (NNIC) shall be entitled to collect and receive the Concessionaire Revenue which includes, among others, the PSC. For that matter, the NNIC shall enter into agreements with the respective ACs for the collection and remittance of PSC. As such, the accounting of PSC on flown tickets shall no longer be under the responsibility of MIAA as the collected amount shall be directly credited to the account of NNIC.

11.16. Management added that MIAA shall enter into separate agreements with ACs for the collection and remittance of PSC on unflown tickets, where Management will endeavor to include the mechanism for its accounting, reporting, and monitoring to comply with the recommendation. Management also stated that they will consult with ACs on the possibility of shortening the remittance period of PSC on unflown tickets as this will involve tweaking the current system.

11.17. Lastly, with regard to RMC Nos. 34-2012 and 122-2021 issued by the BIR, Management reiterated their position that the same is meant to cover the PSC on flown tickets only as PSC on unflown tickets is refunded in full to the passenger, thus, no allocated share for MIAA, OTS, and BTr.

11.18. As an audit rejoinder, the Audit Team maintains its position that MIAA can demand the remittance of PSC for both flown or unflown tickets, based on tickets sold by ACs rather than on departed passengers, provided that MIAA establishes a mechanism for this process. Further, the illustrative entries under the RMCs demonstrate that ACs are required to recognize the shares of MIAA, OTS, and BTr in their books of accounts, indicating that whether flown or not, the PSC is allocated for the benefit of the MIAA, OTS, and BTr.

11.19. Nonetheless, the actions to be taken by Management, including the developments on PSC for flown tickets which will be collected by NNIC on the operation and maintenance Start Date for the NAIA PPP Project, will be monitored by the Audit Team.

12. The payment of 10 per cent employer’s share in the MIAA’s Provident Fund (PF) amounting to P58.800 million without the approval of the President of the Philippines is contrary to Chapter VIII of the Compensation and Position Classification System (CPCS).

12.1. Executive Order (EO) No. 150, s. 2021, was issued on October 1, 2021, approving the CPCS and Index of Occupational Services, Position Titles, and Job Grades for Government-Owned and Controlled Corporations Framework. Section 6 of the said EO provides that *“The CPCS rates on the contributions to the Provident Fund shall apply to all GOCCs, subject to rationalization measures outlined in the CPCS.”*

12.2. Under Chapter VIII of the CPCS,

> *“VIII. Provident Fund. - The Provident Fund (PF) of all GOCCs shall be in accordance with the following:*

GOCC Category	*Rationalization of PF*
Category 1	• *PF shall be subjected to DBM Circular No. 2008-3, provided that the employer's share shall be limited to up to 10%.*
Categories 2 and 3	• *The employer's share shall be limited to up to 10%.* • *The employee's share shall be at a minimum rate of 3%. Any rate above 3% is subject to written approval of the concerned employee.*

The conditions on GOCCs with existing PF shall also be in accordance with the following rationalization measures:

- *GOCC's with current PF employer's share that is <u>lower than the maximum 10%</u> shall have to request from the President of the Philippines should they intend to increase such employer's share.*

- *GOCC's with current PF employer's share that is <u>higher than the maximum 10%</u> shall be limited to up to the allowable maximum rate. The GOCCs may choose to liquidate their existing PF and pay out its member employees if they are not amenable to the new PF rates.*

- *Those GOCCs that intend to set up a PF shall request for approval from the Office of the President provided that the new PF is subject to the rationalization of PF under the CPCS."*

12.3. On July 1, 1996, the MIAA Board of Directors (BOD) approved Board Resolution (BR) No. 93-71 approving the establishment of the MIAA PF per Administrative Order (AO) No. 279 s. 1992. The BR further stated that of the total accumulated service fee of MIAA as of December 1992 amounting to P68.630 million, only P23.630 million shall be directly distributed to the employees, and the balance of P40 million shall be reserved as seed capital for the PF.

12.4. The MIAA Provident Fund Association Inc., (MPFAI) was created in January 1995 by virtue of Section 41 of the General Provisions of Republic Act No. 7180[15] and implemented by AO No. 279 s. 1992. Its main function is to render financial loan assistance to its members and dependents, as the case may be.

12.5. Per MPFAI's By-Laws and MIAA BR No. 94-91, the source of funds of the PF shall come from contributions of both the members and MIAA at the rate of three per cent[16] and 10 per cent of the employee's basic salary, respectively.

12.6. However, in 1996, payment of the 10 per cent employer's share was discontinued due to insufficient legal basis. From 1996 to 2022, members – MIAA employees continued to contribute three per cent of their basic salary to the PF with no corresponding employer's share being paid into the fund.

[15] FY 1992 General Appropriations Act
[16] Increased from three per cent to six per cent effective March 31, 2023

12.7. In a letter dated February 3, 2023, MIAA, pursuant to the implementation[17] of the CPCS, sought the endorsement of the Governance Commission for GOCCs (GCG) to the Office of the President (OP) for the approval of payment of MIAA's employer share to the PF equivalent to 10 per cent of the employee's basic salary. The GCG, in its reply dated May 12, 2023, stated that the request for endorsement to the OP is no longer necessary and MIAA can start paying the 10 per cent employer's share starting May 18, 2022.

12.8. Thus, in CY 2023, MIAA remitted a total of P58.800 million employer's share to MPFAI, with details shown in Table 21:

Table 21 – Remittance to MPFAI for CY 2023

Date	Check No.	Particulars	Amount (in Php)	Remarks
July 31, 2023	0564968	Remittance to MPFAI re: 10% Employer Share for the months of January to June 2023	25,739,716	Sourced from Corporate Operating Budget (COB) for CY 2023
September 18, 2023	0565679	Remittance to MPFAI re: 10% Employer Share for the months of May 18, 2022 to December 31, 2022	33,060,571	Sourced from Retained Earnings
			58,800,287	

12.9. Based on our evaluation, the payment to MPFAI of 10 per cent employer's share covering May 18, 2022, to June 2023 totaling P58.800 million is not in accordance with the rationalization measures outlined in the CPCS. As stated in the CPCS, GOCC's with a current PF employer's share that is ***lower than the maximum 10% shall have to request from the President of the Philippines should they intend to increase such employer's share.***

12.10. MIAA had zero per cent employer's share before the rationalization of the PF under CPCS. While the MPFAI was established, it must be noted that the payment of 10 per cent employer's share was discontinued in 1996 due to lack of legal basis. Thus, considering the zero per cent to 10 per cent increase in the current employer's share in the PF, approval from the President of the Philippines should have been required before payments to MPFAI of MIAA employer's share were made.

12.11. Moreover, in the CPCS Frequently Asked Questions (FAQS) published by the GCG, it was further clarified that,

> *"65. We have a current PF in place.* ***The same was earlier approved by the President and/or by law****. What is the effect of the CPCS on our current PF?*
>
> *If the employer's share of the GOCC's PF is lower than the maximum 10% and the GOCC intends to adopt a higher rate (maximum of 10%), the GOCC must secure the approval of the President to allow the implementation of a higher employer's share."*

[17] MIAA was authorized to implement the CPCS under EO No. 150 s. 2021 per GCG letter dated February 9, 2022.

12.12. Since there is no evidence showing that the payments of the employer's share to MIAA PF have the required approval from the President of the Philippines, then the 10 per cent employer's share to the MIAA PF lacks legal basis.

12.13. It is also worth mentioning that the remittance to MPFAI representing 10 per cent employer share covering the period May 18, 2022, to December 31, 2022, was not included in the approved COB of MIAA for CY 2022 and was sourced from Retained Earnings.

12.14. **We recommended that Management provide a legal basis or proof of approval of the President of the Philippines allowing the implementation of the 10 per cent employer's share to the MIAA PF, in accordance with Chapter VIII of the CPCS.**

12.15. Management commented that when they sought the endorsement of the GCG to the OP on the 10 per cent employer's share to MPFAI, there was full disclosure of all relevant facts needed for the approval of its continued grant. It was specified that MIAA used to remit the 10 per cent employer's share until its discontinuation in August 1996 due to the observation of COA that required the approval of the Department of Budget and Management (DBM)/OP. In reply, the GCG said that the request for endorsement to OP was no longer necessary. Hence, based on this guidance and GCG, being the regulatory body that is mandated to oversee the operations of the GOCCs, MIAA assumed that it had solid ground when it resumed the grant of the 10 per cent employer's share.

12.16. Nevertheless, Management stated that they shall revert to GCG citing the recent development as well as look into the possible options that MIAA should take to address the observation. In the meantime, MIAA has suspended the grant of this benefit pending final resolution of the issue.

12.17. Further, Management informed that while there was no budget provision in the CY 2023 COB for the 10 per cent employer's share covering the period May 18, 2022, to December 31, 2022, its funding source was approved by the MIAA BOD through BR No. 2023-094 dated August 29, 2023.

12.18. As an audit rejoinder, the Audit Team maintains its position that the payment of 10 per cent employer's share in the MIAA's PF requires approval of the President of the Philippines in accordance with Chapter VIII of the CPCS.

12.19. The Audit Team will monitor the result of MIAA's referral of the matter to the GCG.

13. MIAA did not effectively enforce the recovery of P54.366 million COVID-19 Hazard Pay paid to Institutional Contract of Service (COS) workers without legal basis, resulting in the delay of settlement of the remaining P11.906 million.

13.1. In the conduct of the CY 2020 Compliance Audit, the Audit Team observed that MIAA paid a total of P54.366 million[18] to an Institutional COS contractor as COVID-19

[18] Inclusive of Input VAT amounting to P5.825 million

Hazard Pay to its Institutional COS workers during the period of implementation of Enhanced Community Quarantine relative to the COVID-19 Outbreak.

13.2. Said payments were established to be contrary to the provisions of AO No. 26 s. 2020 and DBM Budget Circular No. 2020-1, thus, the Audit Team recommended that Management recover the aforementioned payments from the contractor Corporation.

13.3. In a letter to the DBM dated March 12, 2021, the former MIAA General Manager, requested the inclusion of Institutional COS workers within the coverage of AO No. 26. However, it was denied in DBM's letter-reply dated March 25, 2021.

13.4. After various communications, MIAA required[19] the contractor to pay the amount of P54.366 million COVID-19 Hazard Pay, through the following payment scheme:

Table 22 – Payment Scheme for the Recovery of COVID-19 Hazard Pay

Contracted Manpower Service	Period	Amount to be remitted by the Contractor per month (in Php)	Total (in Php)
Administrative and Management Functions	19 months	1,149,680	21,843,920
Technical and Operations	21 months	1,548,667	32,522,000
			54,365,920

13.5. The payment scheme agreed upon by MIAA and the contractor was based on the period of contract of the latter for manpower services, which ended on February 28, 2023, and April 30, 2023, for Administrative and Management Functions, and Technical and Operations, respectively.

13.6. Records showed that as of December 31, 2023, the amount of P11.906 million remained not settled by the Institutional COS contractor**.** The contractor has made 23 payments to MIAA which started on September 22, 2021, totaling P42.460 million, as summarized below:

Total funds released to the contractor		**P54,365,920**
Less: Payments by the contractor		
CY 2021	P 6,831,397	
CY 2022	24,595,529	
CY 2023	11,033,390	(42,460,316)
Balance as of December 31, 2023		**P11,905,604**

13.7. The above payments were from the salaries of its personnel who received COVID-19 Hazard Pay deducted via payroll for active employees or withheld via last pay for resigned employees.

13.8. Considering that the agreed-upon payment scheme ended in CY 2023, the total amount of P54.366 million should have been fully paid during the year.

[19] Per MIAA letter to the contractor dated July 12, 2021

13.9. In its letter to MIAA dated July 10, 2023, the contractor stated that they may not be able to remit an amount of P4.711 million as said amount pertains to employees who received COVID-19 Hazard Pay but already resigned/separated with the contractor.

13.10. It must be emphasized that regardless of the employment status of those who received COVID-19 Hazard Pay, the contractor has the primary liability to MIAA for the said payments.

13.11. **We recommended that Management require the Institutional COS contractor to immediately settle the remaining balance of the COVID-19 Hazard Pay paid to Institutional COS workers without legal basis.**

13.12. Management commented that they have received a letter from the contractor dated April 26, 2024, stating that the amount of P42.615 million has been successfully returned/settled. The amount constitutes 87.79 per cent of the total amount disbursed to the employees as Hazard Pay during the pandemic.

13.13. As an audit rejoinder, the Audit Team maintains its position that Management should demand the COS contractor to immediately settle the remaining balance of COVID-19 Hazard Pay paid to Institutional COS workers, as it lacks legal basis. It is worth mentioning that the contracts for manpower services with the contractor were only extended up to September 11, 2024, which coincides with the anticipated operation and maintenance Start Date for the NAIA Public-Private Partnership Project.

14. Land assets with an area of 1,146,326 square meters (sq. m.) valued at P9.634 billion remained not titled in the name of MIAA, hence ownership was not appropriately proven or established.

14.1. This is a reiteration of prior years' audit observations with updated information.

14.2. Shown in Table 23 are MIAA's properties, among others, which are either untitled or where titles are still not in the name of MIAA:

Table 23 – Land Assets not titled in the Name of MIAA

Description	Area (in sq. m.)	Value (in Php)
a. Still in the name of NPF	309,727	8,794,598,600
b. Properties under TCT No. 6735	297,368	297,367,670
c. Untitled lots	381,369	381,369,000
d. Other titled properties	157,862	161,137,520
	1,146,326	**9,634,472,790**

a. In 2002, Executive Order (EO) No. 111 was issued authorizing the transfer of 8.6 hectares of Nayong Pilipino Foundation (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, the properties have not yet been transferred in the name of MIAA. The book value of these properties from NPF represents 60.45 per cent[20] of the total land assets of MIAA.

In the CY 2022 audit, Management stated that NPF does not want to surrender the titles of the property as they want to be compensated for the 22.3-hectare transferred property.

b. Properties originating from Transfer Certificate of Title (TCT) No. 6735 have already been subdivided into several lots but the TCTs under the name of MIAA, from the subdivided TCT No. 6735 are yet to be processed/issued.

   According to Management, these properties are mostly of no use to MIAA as they are mostly road lots and river lots occupied by Informal Settlers Families. These can neither be used by MIAA in operations nor be converted in commercial areas.

   In the Audit Team's view, the remaining subdivided lots under TCT No. 6735 should still be processed for titling despite Management's representation that it has no benefit to MIAA to establish MIAA's rights over the properties.

c. The Land Assets Inventory for CY 2023 shows that the remaining properties identified/classified as untitled lots as of December 31, 2023, have a total area of 381,369 sq. m. with book value amounting to P381.369 million. This refers to 24 lots that are still for issuance of Special Patents from the Department of Environment and Natural Resources (DENR).

   Per the letter of MIAA, dated September 6, 2023, to DENR requesting a certified true copy of the Approved Plans for the 24 lots, it was mentioned that MIAA was advised by DENR to secure an updated certification of the status of lots from the Land Registration Authority (LRA).

d. MIAA Land Assets Inventory for CY 2023 also shows that the other titled properties under the name of private individuals/entities have an area totaling 157,861.52 sq. m..

14.3. In the prior year's audit, Management commented that they have been peacefully occupying the entire 6,060,404.64 sq. m. property for more than 40 years. Despite continuous efforts by the Business and Real Estate Investment and Development Division, proof of ownership for other titled properties under the names of private individuals/entities cannot be located. Research had been conducted at various offices and courts, including the Registry of Deeds, Land Management Bureau, LRA, Bureau of Lands, DENR–National Capital Region (NCR), National Archive of the Philippines, and various courts, but unfortunately, without success.

14.4. In our view, Management should still undertake efforts to ascertain and address the titling of these properties in the name of MIAA, to assert its rights over them.

[20] Book value of lots from NPF P8.795 million divided by total land assets P14.549 million (PE - P5.542 million; IP - P9.007 million)

14.5. It is worth mentioning that it is a fundamental principle in land registration that the certificate of title is evidence of an indefeasible and incontrovertible title over the property in favor of whose name it is registered. The title serves as conclusive evidence of the ownership of the land described therein.[21]

14.6. In the previous years' audit, the Audit Team requested for Deed of Sale/Memorandum of Agreement (MOA)/Writ of expropriation for the purchase, sale, and expropriation of land assets, but none was submitted.

14.7. **We reiterated our prior years' recommendation that Management:**

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

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

14.8. Management informed that they have re-applied with the LRA for the issuance of Certification for Lot Status for the 20 MIAA untitled lots. The Certification for Lot Status for five lots was released by the LRA to MIAA and submitted to DENR–NCR for issuance of a Special Patent. For other untitled lots still with LRA, they are either for examination, plotting of lots by a cartographer, or referred to DENR for clarification on the plan and technical description of lots.

14.9. The Audit Team will continue to monitor the process being undertaken by Management as regards titling of the subject lands in the name of MIAA.

15. Some MIAA land assets are occupied by Informal Settlers 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.

15.1. This is a reiteration of prior years' audit observations with updated information.

15.2. 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."*

15.3. We have observed that some of the land assets of MIAA are occupied by ISFs and other parties:

a. <u>Properties occupied by ISFs</u>. Per the Agency Action Plan and Status of Implementation (AAPSI) submitted to the Audit Team on December 12, 2023, these ISFs have been occupying MIAA properties since time immemorial.

[21] G.R. No. 214540, July 28, 2021

Nonetheless, MIAA will seek support from the Local Government Unit of Pasay City and the National Government, if needed, to be able to repossess and reclaim these properties.

MIAA also mentioned in the AAPSI that they will solicit legal opinion from the Office of the Government Corporate Counsel (OGCC) or the Office of the Solicitor General (OSG) for possible filing of legal action against ISFs and/or consider demanding rental payment for the use of MIAA properties.

b. Properties occupied by commercial establishments. Management confirmed that there are commercial establishments illegally occupying MIAA's properties. There are ongoing cases filed against these professional squatters.

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

15.5. **We reiterated our prior years' recommendation that Management assert their rights over the properties occupied and being used by other parties, such as pursuing payment of rental dues for the use of properties and/or consider initiating legal action against those ISFs.**

15.6. **We further recommended that Management apprise the Audit Team of the actions taken or action plans, including legal actions initiated against, ISFs and other parties who are not paying rent to MIAA.**

15.7. Management commented that the Legal Office wrote a letter to the OGCC seeking guidance on how MIAA can move forward with regard to these lots occupied by ISFs and other parties. MIAA Legal Office is currently coordinating with the OGCC on available legal remedies against the ISFs.

15.8. The Audit Team will continue to monitor Management's actions to comply with the recommendations.

16. The delay in the full implementation/utilization of the Financial Management Information System (FMIS), which is intended primarily to address the deficiencies of the existing manual operations/processes of MIAA, due to issues encountered by end-users, and unreliable data and reports generated from the system, resulted in non-attainment of the Project's objectives.

16.1. This is a reiteration of prior years' audit observations with updated information.

16.2. In July 2018, MIAA entered into a contract with the developer/service provider of FMIS. The computerization project named MIAA Computerization Project - Phase One: Accounts Receivables with Front-End Solutions will allow MIAA to cope 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 for a long time have been into computerized operations.

16.3. Several functionalities of the FMIS have been gradually rolled out and went live since the year 2020.

16.4. We have observed that the full implementation of the FMIS is still pending due to issues encountered in its utilization, and generation of unreliable data and reports from the system, as enumerated below:

a. The report from FMIS has not been utilized as the basis for recording accrual and collection of Gross Sales-based Concession Privilege Fee. According to the Accounting Division (AD), the report is deemed unreliable. This unreliability stems from the incomplete nature of the report generated in the FMIS, attributed to inaccuracies in the sales data transmitted by concessionaires through the Point of Sales (POS) terminals.

b. On the arrival and departure passenger registry, the Audit Team noted that the reports generated from FMIS mostly show "No Record", indicating underutilization of the system.

   Per Annex to MIAA Memorandum Circular (MC) No. 19 dated August 13, 2021, the Departure Passenger Registry is assigned to the Passenger Boarding Bridge Operator. However, inquiry revealed that connectivity issues during passenger load encoding are frequently encountered.

   The passenger registry from FMIS should have been used by the Collection Division (CD) to validate passenger counts on the Passenger Service Charge Remittance Report submitted by Air Carriers (ACs). However, due to unreliable data regarding passenger loads from FMIS, the CD relies on the manually prepared Statistical Summary Report by the Terminal Operations Group.

c. The module for Statement of Account (SOA) generation remains inactive due to the following unresolved issues:

   - *Issue with payment application*

     According to AD, it was MIAA's practice to apply the payment of past due accounts to the principal first before applying to interest which is contrary to Part II, Section 7 of Administrative Order (AO) No. 1[22] and Article 1253 of the Civil Code of the Philippines[23]. The reason for this conflict is due to some accounts wherein the amount billed (principal) is under dispute, hence, the interest computed on that unpaid disputed amount is also disputed. As a result, payment is being applied first on the undisputed portion of the principal amount.

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

     According to CD, there is an on-going process of re-designing and re-configuring the current collection module for easy viewing, validation, and

[22] Payment received shall be applied first on the interests, thereafter on the principal account

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

content checking, which will include posting payments related to SOA generation. However, the issuance of Official Receipts (ORs) may be deferred, as OR generation through FMIS requires integration with a computerized accounting system, subject to approval by the Bureau of Internal Revenue.

The SOA generation feature in the FMIS remains inaccessible to concessionaires as the amounts displayed in the generated SOA are inaccurate due to issues with the payment application. Hence, the AD still cannot rely on the SOA generation feature of the FMIS.

d. During the walkthrough procedure performed by the Audit Team regarding data collection and billing of fees for landing, take-off, and aircraft parking, the following were noted:

- Users of FMIS from the Airport Integrated Command and Control Center (AICCC) face technical issues leading to disruptions in data encoding in the Ramp Control Section and Passenger Boarding Bridge Section rendering the system unreliable. Thus, AICCC resorts to utilizing the old manual system to prepare the Flight Operations Report and Bill of Charges (FORBC)[24].

- The FORBC is being forwarded to the AD and Management Information System Division (MISD). The MISD then converts the data from the FORBC into a spreadsheet format and sends it to the developer/service provider for uploading into FMIS. This indicates that MIAA still relies on the service provider's intervention to input data into FMIS to complete and use the bill generation feature.

In effect, the MIAA Computerization Project failed to streamline the process, and instead duplicated the work of the personnel involved in the Flight Operations Module process, as they continued to use the old system while simultaneously inputting data into FMIS.

16.5. In the AAPSI submitted to the Audit Team on December 12, 2023, Management commented that all modules are functioning and have been tested but some were disabled because of lapses in encoding of data and due to processes based on practice that will not run well with the system. They further stated that the issues are all internal and beyond the project scope which they will resolve for the pending modules to be activated.

16.6. The foregoing issues encountered in the utilization of the FMIS resulted in not maximizing the capacity of the system intended for its purpose, and consequently delay in the attainment of the objectives of the MIAA Computerization Project. The issues in the utilization of the FMIS may also be an indication that the design of the system is not tailored to the processes of MIAA and not properly rolled out to its users.

[24] FORBC is a summary of flight transactions showing the time of landing/parking, removal/take-off, among others, and the corresponding applicable fees for billing purposes.

16.7. It is worth mentioning that the project cost of procuring the FMIS amounted to P24.001 million. Also, in CY 2023, payment to the developer/service provider for software maintenance services for the months of November to December 2022, costs P1.072 million or P0.536 million per month[25]. The corresponding cost was incurred by MIAA on the use of FMIS; however, the intended objective for its implementation was not attained.

16.8. **We reiterated our prior year's recommendation that Management:**

a. **Facilitate the full implementation/utilization of the system for MIAA to achieve the objectives in procuring the system, including streamlining its processes to better serve its clientele; and**

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

16.9. **We further recommended that Management apprise the Audit Team of the actions to be taken to address/resolve the issues encountered in the utilization of the FMIS to be able for the system to function smoothly and reliably, and ultimately serve the objective for its implementation.**

16.10. Management commented that the following courses of action will be undertaken:

a. Revisit the existing policies and procedures for the recording, billing, and collection of aeronautical fees and charges to address the issues on data gathering;

b. Work on immediate approval of the amendments to the MC on the Guidelines on Concessionaires Sales Monitoring System to enforce the strict and immediate compliance of concessionaires to POS requirements;

c. Meet with the concerned offices in the full implementation of the FMIS to resolve the issues affecting their areas of responsibilities; and

d. Direct the service provider to address the issue of manual intervention to migrate the data from the source into the FMIS.

16.11. The Audit Team will continue to monitor subsequent actions to be taken by Management to address the issues regarding the implementation of the FMIS. Management should address these issues the soonest time possible to attain the objective of streamlining the manual processes of MIAA.

---

[25] Continuous service was provided in CY 2023, however no payment was made to the developer/service provider due to absence of renewal contract.

17. The updated Property Inventory Form (PIF) was not submitted to the Government Service Insurance System (GSIS) as the basis for the renewal of MIAA's property insurance, which is not in accordance with Section 5.1 of 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.

17.1. This is a reiteration of prior years' audit observations with an update.

17.2. Section 5.1 of the COA Circular No. 2018-002 on the *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 the 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 the Physical Count of Property, Plant and Equipment, as well as from the Report on the Physical Count of Inventories, prepared in accordance with the provisions of the Government Accounting Manual, the data for the PIF pertaining to the insurable assets and interest of the government (excluding impaired properties for disposal);</u>*
>
> *d. <u>Cause the appraisal of the insurable properties and other assets of their respective offices</u>. 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)

17.3. Inquiries with personnel from the General Services Division revealed that concerning the renewal of MIAA's Industrial All Risk Insurance covering the period January 1 to December 31, 2024, MIAA submitted the Breakdown of Values for Policy Term 2023. This Breakdown of Values comprises a list of insurable assets in NAIA terminals and other areas of MIAA as of December 31, 2022, with their corresponding acquisition costs. It showed that the declared value of MIAA's insurable assets amounted to

P24.569 billion, which is similar to the value declared for the insurance coverage in CY 2023.

17.4. The Breakdown of Values for Policy Term 2023 was used by GSIS as the basis of the amount of sum insured and for the computation of insurance premiums for 2024. Hence, any additional properties acquired by MIAA during 2023 were not factored into the insurance coverage.

17.5. Instead of submitting an updated PIF as required in COA Circular No. 2018-002, the contents thereof should have been extracted from the latest Report on the Physical Count of Property, Plant and Equipment (RPCPPE), a Breakdown of Values for Policy Term 2023 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.

17.6. Moreover, the PIF for CY 2023 was only furnished to COA and GSIS on May 9, 2024, which is beyond the April 30 due date for submission required under COA Circular No. 2018-002. Timely submission of PIF is essential for GSIS to accurately assess the correct insurance coverage for MIAA's assets, properties, and interests.

17.7. **We reiterated our previous years' 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 of whether the insurance procured by MIAA covers all its insurable interests.**

17.8. Management stated that timely submission of PIF was not observed because the due date of the payment for the insurance premium does not coincide with the submission of RPCPPE. Hence, the declared value was based on the CY 2022 inventory count.

17.9. In addition, Management commented that the bases of procurement for the latest insurance coverage of MIAA's assets with GSIS are the 2017 Appraisal Report on MIAA's assets done by independent appraisal and the yearly updated report on projects that are newly completed, turned-over and donated including procurement.

17.10. As an audit rejoinder, the Audit Team will monitor Management's future submission of PIF.

17.11. Furthermore, while the Audit Team acknowledges the comments of Management as regards the bases of procurement for the latest insurance coverage of MIAA's assets with GSIS, the Audit Team maintains its recommendation that Management provides a report on the determination/assessment of whether the insurance procured by MIAA adequately covers all its insurable interests. The said report should include a comparison of MIAA's complete insurable assets with the sum insured covered by GSIS insurance serving as proof that the insurance coverage is sufficient.

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

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

18.2. COA Circular No. 2018-003 dated November 21, 2018, prescribed the use of Internal Auditing Standards for the Philippine Public Sector and Internal Control Standards for the Philippine Public Sector (ICSPPS) by all government agencies.

18.3. Paragraph 12, Section D – Information and Communication, Part IV – Internal Control Components of the ICSPPS provides that:

> *"Principles of Information and Communication are the following:*
>
> *12. Management develops and maintains reliable and relevant financial and non-financial information.*
> *Xxx*
> *12.3 Transactions and events must be promptly recorded, properly classified, and fully and clearly documented. Xxx"*

18.4. In the audit of the CY 2023 transactions relative to the PE account, we have noted that some PE items remained not recognized in the books of accounts in a timely manner, as discussed below:

a. PE Donated to the Civil Aviation Authority of the Philippines (CAAP) in 2018

Journal Entry Voucher (JEV) No. 2023-09-059 dated September 30, 2023, showed that Airport Equipment costing P104.542 million, with a carrying value of P10.454 million was donated to CAAP on August 31, 2018. However, the said equipment was only derecognized in the books of accounts in CY 2023.

b. Completed Projects

JEV No. 2023-08-060 dated August 31, 2023, showed that one of the completed projects, civil works in repair and upgrading of taxiways Hotel-1 (H1), Charlie-1 (C1), C2, C3, C4, and C5 costing P593.375 million, was only reclassified as PE in August 2023 when it was completed on June 13, 2022.

c. PEs found at the station

The RPCPPE for CY 2023 showed that some items of PE were discovered at the station but were not recorded in the books of accounts. These items include five X-ray machines, one of which was donated by the Bureau of Corrections, and 25 walk-through metal detectors. Additionally, fabricated furniture and fixtures, transferred from other offices/agencies without proper turnover, were also included in these PEs.

18.5. Inquiries with the concerned personnel revealed that PE items described in "c" above are still for verification to ascertain ownership by MIAA, hence, recording in the books of accounts has not yet been carried out.

18.6. Given the aforementioned points, it appears that Management lacks established control over timely communication and effective monitoring of MIAA's PE resulting in a need to ensure that PEs are properly accounted for in a timely manner.

18.7. **We reiterated our previous year's recommendation that Management establish control/s to ensure that both the Accounting Division (AD) and Property Management Division (PMD) are duly informed of any movements/adjustments on the PE account to effect the necessary adjustments in the books of accounts and property cards.**

18.8. Management commented that the PMD issued a Memorandum to the Electronics and Communication Division to identify the PEs as to its existence and conditions. Once identified, a list of verified PEs found at the station will be submitted to AD for necessary recording in the books of accounts.

18.9. The Audit Team will monitor Management's efforts to comply with the recommendation. Further, we recommended that Management consider strengthening its internal audit function to address the issues surrounding internal control, particularly regarding the timely communication and effective monitoring of MIAA's PE.

19. Procurement of goods and infrastructure projects with a total contract cost of P1.991 billion were not meticulously and judiciously planned by MIAA, contrary to Section 7 of Republic Act (RA) No. 9184, thus, it cannot be ascertained whether the most advantageous price for the government was obtained.

19.1. Section 7 of RA No. 9184 provides that,

> *"All procurement should be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity concerned. Xxx*
>
> *No government Procurement shall be undertaken unless it is in accordance with the approved Annual Procurement Plan of the Procuring Entity. The Annual Procurement Plan shall be approved by the Head of the Procuring Entity and must be consistent with its duly approved yearly budget. The Annual Procurement Plan shall be formulated and revised only in accordance with the guidelines set forth in the IRR. Xxx"*

19.2. Section 7.1 of the Revised Implementing Rules and Regulations (RIRR) of RA No. 9184 provides that,

> *"All procurement shall be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity. Xxx.*
>
> *The APP shall include provisions for foreseeable emergencies based on historical records. In the case of Infrastructure Projects, the APP shall consider the appropriate timing/phasing of related project activities, xxx."*

19.3. In CY 2023, the Procurement Monitoring Report of MIAA showed a total amount of P3.898 billion for 65 procurement contracts.

19.4. We have audited selected procurement of goods, infrastructure, and consulting services of MIAA for CY 2023, and observed that some procurement of goods and infrastructure projects were not meticulously and judiciously planned.

19.5. We have noted the following:

a. Two projects procured/implemented in CY 2023 amounting to P9.090 million were not included in the Annual Procurement Plan (APP), contrary to Section 7.2 of the RIRR of RA No. 9184. Further, pre-procurement conferences for the subject contracts were not properly conducted contrary to Section 20.1(b) of the RIRR of RA No. 9184.

Section 7.2 of the RIRR of RA No. 9184 provides that:

"7.2 No procurement shall be undertaken unless it is in accordance with the approved APP, including approved changes thereto. The APP must be consistent with the duly approved yearly budget of the Procuring Entity and shall bear the approval of the HoPE or second-ranking official designated by the HoPE to act on his behalf." (underscoring supplied)

Our review disclosed that the following contracts were not included in the CY 2023 APP, contrary to the above-mentioned provision of the RIRR of RA No. 9184:

Table 24 – Projects not included in the CY 2023 APP

Project Name	Contract Amount (in Php)
Supply, Installation, Replacement, Testing and Commissioning of Twelve Deteriorated Battery Banks at MIAA ICT, NAIA 1,2,3 and Balagbag Substation	6,795,436
Purchase of Gold Ring for Loyalty and Retiree Award	2,294,750
	9,090,186

Also, records showed that the above projects do not have Project Procurement Management Plans (PPMPs).

Verification of available documents also revealed that the pre-procurement conference for the above contracts were not conducted properly. There were no deliberation/discussions about the projects that led to the confirmation of whether the procurements were in accordance with the PPMP and APP, contrary to Section 20.1(b) of the RIRR of RA No. 9184, which states that:

"20.1 Prior to the advertisement or the issuance of the Invitation to Bid/Request for Expression of Interest for each procurement undertaken through a competitive bidding, the BAC, through its Secretariat, shall call for a pre-procurement conference. Xxx. ***During this conference, the participants, led by the BAC, shall:***

Xxx

b) ***Ensure that the procurement is in accordance with the PPMP and APP;*** *Xxx”* (emphasis supplied)

Had the pre-procurement conference been conducted properly for the procurement of the subject projects, it would have been determined that the procurements were not in accordance with the APP.

The approved APP includes all planned procurement activities and serves as the basis for MIAA’s procurement. Thus, the procurement of the aforementioned projects should not have been undertaken as they were not included in the approved APP.

b. Nine contracts awarded in CY 2023 with a total contract amount of P635.774 million were included in the APP but have no corresponding PPMPs prepared by the end-user or implementing units, contrary to Section 7.3.2 of the RIRR of RA No. 9184.

The PPMP contains the initial list of projects/requirements of each end-user unit and the corresponding estimated budgetary requirement. These PPMPs are evaluated by the Budget Office for inclusion in the Procuring Entity’s Budget Proposal. The PPMPs are then consolidated into an APP, reflecting the entirety of the procurement activities that will be undertaken by the Procuring Entity within the calendar year.

Sections 7.3.2 and 7.3.4 of the RIRR of RA No. 9184 provide:

“7.3.2 In the preparation of the indicative APP, the end-user or implementing units of the Procuring Entity shall formulate their respective Project Procurement Management Plans (PPMPs) for their different programs, activities, and projects (PAPs). The PPMP shall include:

a) information on whether PAPs will be contracted out, implemented by administration in accordance with the guidelines issued by the GPPB, or consigned;
b) the type and objective of contract to be employed;
c) the extent/size of contract scopes/packages;
d) the procurement methods to be adopted, and indicating if the procurement tasks are to be outsourced as provided in Section 7.3.3 of this IRR;
e) the time schedule for each procurement activity and for the contract implementation; and
f) the estimated budget for the general components of the contract.

7.3.4 The PPMPs shall then be submitted to the Procuring Entity’s Budget Office for evaluation in order to ensure consistency with the Procuring Entity's budget proposal and compliance with existing budgeting rules. ***The PPMPs included in the budget proposal shall be forwarded to the BAC Secretariat for consolidation into***

***an indicative APP**, and to the BAC for final recommendation of the appropriate procurement modality.* (emphasis supplied)

Our verification revealed that the following contracts awarded in CY 2023, although included in the APP, did not have their corresponding PPMPs:

Table 25 – Projects included in the APP but do not have PPMPs

Project Name	Contract Amount (in Php)
Supply of Labor, Materials for the Replacement of Defective Medium Voltage Power Cable & Vacuum Circuit Breaker Located a Substation Roadway 2 (SS-R102) and Substation So. Concourse (SS-SC) at T3	22,899,998
Replacement & Relocation of New Feederline XLPE Power Cables from MIAA Powerhouse Power Room	25,799,889
Proposed Milling & Paving of Taxiway Charlie, Taxiway Echo 5 & Taxiway Golf 9 including Construction of Taxiway Echo 5 fillet Taxiway Golf 9	274,529,624
Supply of Labor and Materials for the Replacement of Roof of Two Units Water Storage Tank at NAIA T3	5,343,680
Supply of Labor & Materials for the replacement of Three UPS Battery Bank of EWS2, EWS 4 & PUS 4 at Substation 2 and 4, NAIA T2	2,280,768
Rehabilitation and Upgrading of Airfield Lightings and Taxiway November & Delta	275,988,888
Supply of Services for the Setting and Testing of Protection Relays of NAIA Terminal, Terminal 2, Terminal 3 Powerhouse and International Cargo	9,860,000
Replacement of PVC Fills of Cooling Towers No. 1,2,3,4 & 5 at NAIA T1	15,000,000
SITA Bag Massage Airport (BMA) at NAIA T1	4,071,485
	635,774,332

As stated in the above-mentioned provisions of the RIRR of RA No. 9184, the PPMP shall be the basis for the inclusion of all PAPs in the APP. It is also a planning tool containing the list of projects and/or requirements including corresponding estimated budgetary requirements of each end-user unit, and is used for resource and financial management.

In our view, due to the absence of PPMPs, the above-listed projects should not have been included in the APP, and therefore should not have been procured/ implemented. Also, the Audit Team finds the determination of the budget indicated in the APP for the subject procurements unclear, as the PPMP typically serves as the source of estimated budgetary requirements for all procurements.

c. **Contract cost and/or Approved Budget for the Contract (ABC) of some contracts awarded in CY 2023 with a total contract cost of P1.347 billion were not consistent with the estimated budgets indicated in the APP and PPMP, contrary to Section 7.5 of the RIRR of RA No. 9184.**

Section 7.5 of the RIRR provides that:

*"7.5 Except for procurement projects and renewal of contracts for regular and recurring services undertaken through early procurement activities (EPA), **the ABC as reflected in the approved APP shall be at all times consistent with the appropriations for the project authorized in** the*

*GAA, continuing, and automatic appropriations, **the corporate budget**, and the appropriations ordinance, as the case may be."* (emphasis supplied)

The Manual of Procedures for Procurement[26] also provides that *the ABC referred to in R.A. 9184 and its 2016 IRR basically refers to the proposed budget for the project approved by the Head of the Procuring Entity based on the APP as consolidated from various PPMPs*.

Review of selected contracts awarded in CY 2023 disclosed that the contract cost and/or ABC were inconsistent with the Estimated Budget indicated in the APP/PPMP, as shown in Table 26:

Table 26 – Projects with contract cost and/or ABC inconsistent with the estimated budget per APP/PPMP (in Php)

Project Name	Estimated Budget per APP/PPMP	ABC	Contract Amount
Purchase of Firetruck Tires for T-004 and T-005	3,577,685	4,583,000	4,577,500
Contracted Management Services (Administrative and Management Functions)	386,700,040	489,593,600	489,593,600
Contracted Management Services (Technical and Operation Functions)	437 852,280	601,012,999	601,012,925
Supply of Labor, Materials, Equipment and Supervision for the Housekeeping Service of T2	175,000,000	148,096,348	127,906,721
Operation and Maintenance of Baggage Handling System at NAIA Terminal 3 & Supply Support Agreement	84,000,000	73,259,987 SSA - 37,900,000	73,259,987 SSA - 37,900,000
Equipment Rental for degreasing of NAIA T1, T2. T3, T4, Ramps and Apron	11,000,000	12,487,304	12,360,192
			1,346,610,925

Thus, projects with contract amounts higher than the estimated budget per APP/PPMP may not be properly budgeted. Also, the determination of the ABC of the foregoing contracts, which deviate from the estimated budget indicated in the APP/PPMP, is not clear to the Audit Team.

This lack of clarity suggests that procurement planning for the above-mentioned projects was not meticulously and judiciously planned.

19.6. It is worth mentioning that Section 7.4 of the RIRR of RA No. 9184 *requires that changes to the individual PPMPs and the consolidated APP may be undertaken every 6 months or as often as may be required by the HoPE* [Head of Procuring Entity]*. The respective end-user or implementing units of the Procuring Entity shall be responsible for the changes to the PPMPs, while the BAC Secretariat shall be responsible for the consolidation of these PPMPs into an APP, which shall be subject to the approval of*

[26] Generic Procurement Manual (GPM) Volumes 2 (Goods), 3 (Infrastructure) and 4 (Consulting Services)

the HoPE. However, our review disclosed that the subject projects were not included in the amended CY 2023 APP of MIAA.

19.7. The disregard of the procurement planning procedures and the deviation from the requirements of the PPMPs/APPs undermines the governing principles of government procurement. This raises concerns about whether the contracts were procured at the most advantageous price for the government.

19.8. Section 7 of RA No. 9184 provides the importance of procurement planning and budgeting linkage wherein all procurement should be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity concerned.

19.9. **We recommended that Management:**

a. Ensure that all procurements are meticulously and judiciously planned and undertaken in accordance with the approved APP as provided in Section 7 of RA No. 9184 and Sections 7.1 and 7.2 of the RIRR of RA No. 9184;

b. Require the respective end-user to prepare a PPMP and observe its timely submission to the Bids and Awards Committee Secretariat for consolidation of all PAPs in the PPMP into the APP to ensure that only projects with individual PPMPs are included in the indicative APP;

c. Strictly monitor the procurement activities in the approved APP to ascertain that the same are carried out in accordance with the conditions and requirements provided in RA No. 9184 and its RIRR;

d. Ensure that all changes to individual PPMPs and consolidated APP are with the required approval of the HoPE and submitted to the Government Procurement Policy Board, in accordance with Sections 7.2 and 7.4 of the RIRR of RA No. 9184;

e. Justify, for the evaluation of the Audit Team, as to the:

i. procurement/implementation of projects not included in the APP; and

ii. inclusion of various projects in the APP without corresponding PPMP and its subsequent procurement/implementation; and

f. Apprise the Audit Team and submit documents relative to the:

i. determination of ABC of projects without corresponding PPMPs and those with ABC/contract amount which deviate from the APP/PPMP; and

ii. source of budget and its approval, for projects not included in the APP and those with ABC/contract amount that deviate from the APP/PPMP.

19.10. Hereunder are Management's comments:

a. On projects not included in the APP. The projects were funded from the CY 2022 Corporate Operating Budget (COB) but were inadvertently not included in the APP. However, the procurement did not happen in CY 2022 as it was planned in CY 2023. As such, the project on Battery Banks was covered by the standby fund of P25 million for spare parts/supplies of External Facilities, Terminal, Substations, etc., while the project on the purchase of Gold Ring was funded through the MIAA-wide budget of P22.800 million for Special Event.

b. On projects with no PPMPs. The budgetary requirements for the projects were not part of the originally approved COB as these were new PAPs that were proposed for funding during the year through realignment or supplemental budget. However, the corresponding amendments of the PPMPs were overlooked.

c. On projects with contract cost/ABC not consistent with the estimated budgets indicated in the APP and PPMP. MIAA adopts the Cash Budgeting System, hence, only the cash requirement of the PAPs for the fiscal year shall be considered in the COB.

19.11. As an audit rejoinder, Section 7.3.4 and Appendix 2 of the RIRR clearly indicate that each individual procurement project is presented in the APP to ensure clarity and accuracy in describing each procurement program/project. Thus, combining said contracts with other procurement projects is not in accordance with the RIRR of RA No. 9184. Moreover, our review disclosed that the MIAA Special Events in the CY 2023 APP and COB include a different procurement contract not for the Purchase of Gold Ring for Loyalty and Retiree Award amounting to P2.295 million. Hence, we uphold our observations and recommendations.

19.12. As regards projects with no PPMPs, the Audit Team acknowledged the comments of Management. The Audit Team will monitor MIAA's compliance with the recommendations in the CY 2024 audit.

19.13. On projects with contract cost/ABC not consistent with the estimated budgets indicated in the APP and PPMP, the Audit Team would like to emphasize that Section 7.5 of the RIRR clearly provides that *the ABC as reflected in the approved APP shall be **at all times** consistent with the appropriations for the project authorized in the corporate budget.*

20. The NAIA Closed-Circuit Television (CCTV) Project with a contract cost of P407.383 million was not terminated by Management despite substantial delay in the implementation, contrary to Annex I of the 2016 RIRR of RA No. 9184, thus depriving MIAA of the prompt use or benefit that could have derived from its timely completion.

20.1. The NAIA CCTV Project with an approved budget of P461.289 million was awarded to the Contractor through procurement from the Procurement Service of the Department of Budget and Management (PS-DBM) in the amount of P407.383 million. The contract period is 120 calendar days starting September 19, 2019, and ending January 16, 2020.

20.2. The project covers the supply, installation, and commissioning of security surveillance cameras that will cover Terminals 1, 2, 3, and 4, Terminal parking areas, vehicle checkpoints to Terminals, Airport Police Department Headquarters, control and monitoring vehicular traffic/movement, vital facilities and other areas which would require a total of 1,682 cameras which will include the establishment of the Central Command Center, where critical operation and data consolidation will be housed at Terminal 2 as the data storage facility.

20.3. The contract which was executed on September 3, 2019, and supporting documents relative to the project were not yet submitted to the Audit Team, contrary to the requirements of COA Circular No. 2009-001, thus precluding its timely review and evaluation.

20.4. Based on the Disbursement Vouchers and other documents available to the Audit Team, the Contractor was not able to complete the project on the original timeline, citing various reasons for the execution of the project, including the COVID-19 pandemic. The contract completion was adjusted, with the final completion date granted by MIAA until October 31, 2020. The extensions and suspension of the project are summarized in Table 27:

Table 27 – Summary of extensions and suspension of the NAIA CCTV Project

Date	Extension/Suspension
March 12, 2020	1st extension
March 13 to August 18, 2020	Suspension of work due to declaration of Enhanced Community Quarantine
August 19 to October 31, 2020	2nd extension

20.5. Despite the approved extensions, the Contractor was not able to complete the project. Thus, liquidated damages were imposed on the Contractor starting November 1, 2020, as provided under Clause 19 of the General Conditions of Contract.

20.6. Records show that MIAA paid a total of P306.260 million in six billings, representing 78.39 per cent completion of the contract, summarized in Table 28:

Table 28 – Payments to the Contractor for the NAIA CCTV Project (in Php)

Billing	Date	Gross Amount	5% VAT	2% EWT	1% Retention Money	Liquidated Damages	Net Amount
1st	Mar.18, 2020	82,135,782	3,666,776	1,466,710	821,358	0	76,180,938
2nd	Oct. 23, 2020	40,172,699	1,793,424	717,370	401,727	0	37,260,178
3rd	Jan. 13, 2021	132,610,862	5,920,128	2,368,051	1,326,109	4,376,158	118,620,416
4th	Mar. 30, 2021	18,808,902	839,683	335,873	188,089	1,504,712	15,940,544
5th	Jul. 6, 2021	20,275,266	905,146	362,058	202,753	2,716,886	16,088,424
6th	Nov. 24, 2021	12,256,226	547,153	218,861	122,562	3,897,480	7,470,170
		306,259,737					**271,560,670**

20.7. It was noted that in January 2021, the contract cost was revised from P407.383 million to P390.687 million, or a reduction of P16.696 million. This represents the cost of the Advanced Traffic Management System, which was scrapped/deleted in the project given the denial by the Metropolitan Manila Development Authority on the request of MIAA to transfer the control and/or management of the three signalized intersections at NAIA.

20.8. Based on the foregoing information, the contract with the Contractor should have been rescinded/terminated by MIAA for failure to complete the remaining 21.61 per cent of the project.

20.9. Clause No. 23.1(a) of the General Conditions of the Contract for the project provides that:

> *"23.1 The Procuring Entity shall terminate this Contract for default when any of the following conditions attends its implementation:*
>
> *(a) Outside of force majeure, the Supplier fails to deliver or perform any or all of the Goods within the period(s) specified in the contract, or within any extension thereof granted by the Procuring Entity pursuant to a request made by the Supplier prior to the delay, and such failure amounts to at least ten percent (10%) of the contract price;"*

20.10. This clause is anchored from Item III A.1 of Annex I[27] of the RIRR of RA No. 9184.

20.11. As of December 31, 2023, the project has been substantially delayed for three years and two months, and no information was provided as to the current status of the project.

20.12. Consequently, considering the importance of the project in airport security, the delayed implementation of the project deprived MIAA of the prompt use or benefit that could have been derived from its timely completion.

20.13. **We recommended that Management:**

   a. **Take all appropriate actions and remedies to ensure the completion of the project the soonest time possible;**

   b. **Provide the Audit Team the updated detailed status, including actions taken/to be taken by Management on the implementation of the project;**

   c. **Provide reason/s for not terminating the contract despite the Contractor's substantial delay in the completion of the project; and**

   d. **Submit to the Audit Team a copy of the contract documents relative to the project, pursuant to COA Circular No. 2009-001 dated February 12, 2009.**

20.14. Management informed that the issues affecting the completion of the NAIA CCTV Project were referred to their Legal Office for guidance which shall be their basis on whether or not to rescind/terminate the contract.

20.15. Management also provided the updated status of the project which includes the Project Accomplishment Report as of May 23, 2023.

[27] Guidelines on Termination of Contracts

20.16. The Audit Team will continue to monitor the actions to be taken by Management as regards the implementation of the project and compliance with the recommendations. Further, we reiterate the submission to the Audit Team of the contract documents pursuant to COA Circular No. 2009-001 as the untimely submission of the contract documents has precluded the Audit Team of its timely review and evaluation.

21. Only 13 or 46.43 per cent of the 28 Gender and Development (GAD) programs, activities, and projects (PAPs) reported and endorsed in the GAD Plan and Budget (GPB) were implemented, thereby affecting MIAA's efficiency in addressing gender-related issues.

21.1. Philippine Commission on Women (PCW), National Economic and Development Authority (NEDA), Department of Budget and Management (DBM) Joint Memorandum Circular (JMC) No. 2022-01 prescribed the revised guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation, including the accounting of results of agency annual GPB and Accomplishment Report (AR).

21.2. Section 3.3 of the JMC provides that:

> *"**Mainstreaming gender perspectives in agency PAPs to attain the desired outcomes for GAD shall be a priority in GAD planning and budgeting**. Using the GAD budget for gender mainstreaming is a way for agencies to influence the entire agency's programs, plans and budgets. Thus, the utilization and outcome of the GAD budget shall be annually monitored and evaluated in terms of its efforts in influencing the gender-responsive implementation of the entire agency program, plan and budget."*

21.3. Further, based on Section 3.5 of the JMC,

> *"The agency GAD Focal Point Systems (GFPS) shall take the lead in mainstreaming gender in the agency PAPs. As such, they shall coordinate the preparation of the agency GPB, monitor its implementation and report on the results through the GAD AR. They shall provide technical assistance on gender mainstreaming to offices or units within their agency"*

21.4. Executive Order (EO) No. 273 s. 1995, Approving and Adopting the Philippine Plan for Gender-Responsive Development, 1995-2025, provides that:

> *"1. All government agencies, departments, bureaus, offices, and instrumentalities, including government-owned and -controlled corporations, at the national, sub-national and local levels, are directed:*
>
> *1.1 **To take appropriate steps to ensure the full implementation of the policies/strategies and programs/projects outlined in the Plan**; xxx"*

21.5. For CY 2023, MIAA has allocated 7.97 per cent or P1.015 billion of its total Corporate Operating Budget (COB) of P12.735 billion in its GAD budget. The actual utilization amounted to P1.122 billion.

21.6. Review of the GPB and the GAD AR[28] disclosed the following:

Table 29 – Utilization of GAD Budget for CY 2023

Total Budget (COB) (in Php)	GAD Budget (in Php)	Percentage	Utilization (in Php)	Percentage
12,734,820,081	1,014,520,785	7.97%	1,121,655,854	110.56%

Table 30 – Utilization of GAD Budget per PAPs

Type of Activity	No. of PAPs	GAD Budget (in Php)	Utilization		Percentage of Utilization
			No. of PAPs Implemented	Actual Expenses (in Php)	
Client-focused	5	1,397,500	1	65,309	4.67%
Organization-focused	19	8,728,232	8	3,963,948	45.42%
Attributed PAPs	4	1,004,395,053	4	1,117,626,597	111.27%
	28	**1,014,520,785**	**13**	**1,121,655,854**	

21.7. It can be gleaned from Table 30 that of the 28 planned GAD PAPs for CY 2023, only 13, or 46.43 per cent were implemented while 15, or 53.57 per cent were not implemented.

21.8. Notably, the programs and activities related to capacity building, and learning and development activities for the GFPS and other stakeholders were not implemented. This included the supposed conduct of GAD training on Gender Analysis, Gender Mainstreaming, and the use of Harmonized Gender and Development Guidelines (HGDG) tools.

21.9. Inquiry with the GFPS revealed that the non-implementation of the 15 planned programs and activities was due to the lack of resource speakers for the said trainings.

21.10. The non-implementation of client- and organization-focused programs and activities contributed to the non-realization of its objectives, thus, affecting the MIAA's efficiency in addressing gender-related issues contrary to PCW-NEDA-DBM JMC No. 2022-01.

21.11. **We recommended that Management require the:**

a. **Responsible Units/Offices to ensure that all planned GAD programs and activities are implemented to attain the GAD objectives of addressing identified gender and development issues; and**

b. **GFPS to review its CY 2023 GAD AR and consider the inclusion of those not implemented programs and activities in succeeding GPBs of MIAA.**

21.12. Management commented that they will undertake the following actions:

a. As a corrective measure, all GAD-related PAPs that were not implemented in CY 2023 are now included and will be prioritized in 2024 GPB;

b. All GAD learning activities that were requested for implementation for CY 2023 to

[28] GAD AR is still under review by the PCW

the Human Resource and Development Division will be prioritized in CY 2024; and

c. The MIAA GFPS shall propose the creation of an In-house Subject Matter expert that may conduct GAD-related learning activities.

21.13. The Audit Team acknowledged the comments of Management and will monitor MIAA's compliance with the recommendations in the CY 2024 audit.

22. Compliance with Tax Laws

22.1. All taxes withheld for CY 2023 were recognized and remitted by MIAA to the Bureau of Internal Revenue.

23. Compliance with Rules on Government Mandatory Deductions and Remittances

23.1. Statutory deductions for Government Service Insurance System, PhilHealth, and Home Development Mutual Fund contributions of MIAA employees were withheld and remitted as of December 31, 2023, including government shares. The December 2023 statutory deductions were remitted in January 2024.

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 31:

Table 31 – Status of Audit Suspensions, Disallowances, and Charges (in Php)

Audit Action	Beginning Balance January 1, 2023	Issued	Settled/ Adjustment	Ending Balance December 31, 2023
Suspensions	0	0	0	0
Disallowances	58,640,764	0	0	58,640,764
Charges	0	0	0	0
Total	58,640,764	0	0	58,640,764

24.2. Of the P58.641 million disallowances, P42.869 million pertains to excess overtime 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 the 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.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 46 audit recommendations contained in the prior year's Annual Audit Report (AAR), 21 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 2022 Observation No. 1, page 59	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.	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 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 PSC-exempted passengers; and iii. Other information relevant to financial reporting.	Not implemented. The observation was first raised in Calendar Year (CY) 2019 and reiterated with modification/update in Part II, No. 1 of this AAR.
		b. Monitor the effectiveness of such policy regularly to ensure that the objective	Not implemented. The observation

Reference	Observations	Recommendations	Status of Implementation
		of the policy is met;	was first raised in CY 2019 and reiterated with modification/update in Part II, No. 1 of this AAR.
		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	Not implemented. The observation was first raised in CY 2019 and reiterated with modification/update in Part II, No. 1 of this AAR.
		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.	Implemented.
AAR 2022 Observation No. 2, page 63	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.	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.	Not implemented. The observation was first raised in CY 2020 and reiterated with modification/update in Part II, No. 2 of this AAR.
AAR 2022 Observation No. 3,	Inter-Agency Receivable (IAR) – Department of Public	Conduct proper assessment on the IAR – DPWH to ensure that the valuation of	Implemented.

Reference	Observations	Recommendations	Status of Implementation
page 66	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 between MIAA and DPWH, was not properly assessed to determine current/ updated evidence of impairment as required under PFRS 9.	IAR at amortized cost will not exceed the recoverable amount.	
AAR 2022 Observation No. 4, page 67	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.	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;	Not implemented.
		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;	Not implemented.
		c. Analyze the discrepancy between POS summary report and the amount collected per AD;	Not implemented.

Reference	Observations	Recommendations	Status of Implementation
		d. Determine and monitor the concessionaires with unremitted or under-remitted gross sales-based CPFs and collect unremitted CPF; and	Not implemented.
		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.	Not implemented. The observation was first raised in CY 2019 and reiterated with modification/update in Part II, No. 3 of this AAR.
AAR 2022 Observation No. 5, page 70	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.	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.	Implemented.
AAR 2022 Observation No. 6, page 72	The Due to Bureau of Internal Revenue (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	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; b. Ensure that the balance of the Due to BIR account is faithfully represented in the	Implemented. Implemented.

Reference	Observations	Recommendations	Status of Implementation
	related returns it filed for the quarter or month ending December 31, 2022.	financial statements; and c. Maintain subsidiary ledgers for the Due to BIR account for easy monitoring of each type of tax payable to BIR.	 Implemented.
AAR 2022 Observation No. 7, page 74	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.	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; c. Account for the: i. RPTs due from lessees, corresponding to the RPT assessment by the concerned Local Government Units, 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	Not implemented. Not implemented. Not implemented. Not implemented.

Reference	Observations	Recommendations	Status of Implementation
		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.	The observation was first raised in CY 2020 and reiterated with modification/update in Part II, No. 7 of this AAR.
AAR 2022 Observation No. 8, page 76	The reversal/ derecognition of a portion of receivable from Philippine Airport and Ground Services 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).	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.	Implemented.
AAR 2022 Observation No. 9, page 79	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 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 Air Carriers (ACs) of PSC collections integrated in unflown and unexpired airline tickets.	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 BIR.	Not implemented. The observation was first raised in CY 2020 and reiterated with modification/update in Part II, No. 11 of this AAR.

Reference	Observations	Recommendations	Status of Implementation
AAR 2022 Observation No. 10, page 81	Land assets with an area of 1,243,941 square meters remained not titled in the name of MIAA, 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;	Not implemented. The observation was first raised in CY 2021 and reiterated with modification/update in Part II, No. 14 of this AAR.
		b. Update the Audit Team on the status of the titling of land assets in the name of MIAA; and	Implemented.
		c. Submit the requested documents specifically Deed of Sale/ Memorandum of Agreement/Writ of expropriation for the purchase, sale and expropriation of land assets.	Not implemented. The observation was first raised in CY 2021 and reiterated with modification/update in Part II, No. 14 of this AAR.
AAR 2022 Observation No. 11, page 83	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.	Assert 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.	Not implemented. The observation was first raised in CY 2020 and reiterated with modification/update in Part II, No. 15 of this AAR.
AAR 2022 Observation No. 12, page 85	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	a. Continue to assert MIAA's rights to the receivables by exerting all possible actions, including legal action, to collect the amounts due;	Not implemented. The observation was first raised in CY 2022 and reiterated with modification/update in Part II, No. 9 of this AAR.
		b. Evaluate/assess the	Implemented.

Reference	Observations	Recommendations	Status of Implementation
	billion, inclusive of P1.029 billion dormant AR, remained uncollected.	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 Commission on Audit (COA) Circular No. 2016-005 are complied with;	Not implemented. The observation was first raised in CY 2022 and reiterated with modification/update in Part II, No. 9 of this AAR.
		d. Reconcile the accounts of those debtors who confirmed no liability to MIAA in order to establish MIAA's rights over the receivables; and	Implemented.
		e. Pursue the determination of the correct amount of receivable from Philippine Aerospace Development Corporation (PADC), exclude in the Statement of Account (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.	Not implemented. The observation was first raised in CY 2022 and reiterated with modification/update in Part II, No. 9 of this AAR.
AAR 2022 Observation No. 13, page 89	The delay in the full implementation of the Financial Management Information System (FMIS) which is intended primarily to address the	a. Provide the Audit Team an updated status of the pending modules and a plan with specific timeline to implement or complete such modules;	Reconsidered.

Reference	Observations	Recommendations	Status of Implementation
	deficiencies of the existing manual operations/processes, particularly on MIAA's revenue related transactions, resulted in non-attainment of the Project's objectives.	b. Conduct a test to ensure that reports generated from the system provide accurate and reliable information/data; and	Not implemented. The observation was first raised in CY 2019 and reiterated with modification/update in Part II, No. 16 of this AAR.
		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.	Not implemented. The observation was first raised in CY 2019 and reiterated with modification/update in Part II, No. 16 of this AAR.
AAR 2022 Observation No. 14, page 91	Interest on late payment of gross sales (GS)-based Concession Privilege Fee (CPF) by some concessionaires were not imposed and collected contrary to Section 6 of Administrative Order (AO) No. 1, series of 2000, resulting in loss of revenue which could have been used in MIAA's operations.	a. Determine those concessionaires with late payment and impose the corresponding interest, including those 16 concessionaires subjected to audit;	Implemented.
		b. Establish a clear monitoring system for verification of concessionaires' timeliness on CPF payment; and	Implemented.
		c. Require the Collection Division 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.	Implemented.
AAR 2022 Observation No. 15, page 92	The absence of control on timely communication and effective monitoring of	a. Establish control/s to ensure that both Accounting Division and Property Management	Not implemented. The observation was first raised in

Reference	Observations	Recommendations	Status of Implementation
	MIAA's Property and Equipment (PE) resulted in delayed recognition of PE in the books of accounts.	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 PEs are in accordance with COA Circular 2020-006.	CY 2022 and reiterated with modification/update in Part II, No. 18 of this AAR. Reconsidered.
AAR 2022 Observation No. 16, page 94	The updated Property Inventory Form (PIF) was not submitted to the Government Service Insurance System as basis for the renewal of MIAA's property insurance, which is not in accordance with Section 5.1 of 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.	a. Submit 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. Submit a report on the determination/ assessment whether the insurance procured by MIAA covers all its insurable interests.	Not implemented. Not implemented. The observation was first raised in CY 2021 and reiterated with modification/update in Part II, No. 17 of this AAR.
AAR 2022 Observation No. 17, page 96	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	Require the BAC to perform its mandated functions under Section 12.1 of the RIRR, particularly on the conduct of evaluation of bids.	Implemented.

Reference	Observations	Recommendations	Status of Implementation
	to the end-user, contrary to Section 12.1 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act No. 9184 and the Generic Procurement Manual.		
AAR 2022 Observation No. 18, page 97	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.	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.	Implemented.
AAR 2022 Observation No. 19, page 98	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.	Comply with the OGCC rules requiring that proposed contracts/ agreements must be referred to OGCC for review before they are signed.	Implemented.
AAR 2022 Observation No. 20, page 100	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.	a. Require the GAD Focal Point System 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 Programs,	Implemented. Implemented.

Reference	Observations	Recommendations	Status of Implementation
		Activities, and Projects and achieve the identified GAD Goals.	
AAR 2022 Observation No. 21, page 102	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.	Strictly comply with the requirement of COA Circular No. 2021-008 by establishing RCs and assigning RC Codes for GAD.	Implemented.