

COMMENTS AND OBSERVATIONS

1. Significant balances of accounts transferred from the abolished Air Transportation Office (ATO) carried in the CAAP books since 2008 remain doubtful as of December 31, 2012.

Republic Act No. 9497 or the Civil Aviation Authority Act of 2008 was issued creating the Civil Aviation Authority of the Philippines (CAAP) as an independent regulatory body with quasi-judicial and quasi-legislative powers and possessing corporate attributes. It is attached to the Department of Transportation and Communications (DOTC) for the purpose of policy coordination.

In the Transitory Provisions of RA 9497, the Air Transportation Office (ATO) was abolished. All the powers, duties and rights vested by law and exercised by the ATO were transferred to CAAP. All assets, real and personal property, funds and revenues owned by or vested in the different offices of the ATO, including all contracts, records and documents relating to the operations of the abolished agency and its offices and branches were, likewise, transferred to the Authority. Any real property owned by the national government or government-owned corporation or authority which is being used and utilized as office or facility by the ATO shall also be transferred and titled in favor of the CAAP.

As of December 31, 2012, most of the asset accounts presented in the Statement of Financial Position is still doubtful as existence, validity and correctness of the ATO-asset account balances carried into the CAAP books of accounts are still not substantiated due to inadequacy of accounting records as recommended in the Annual Audit Reports (AARs) since CY 2008. Accordingly, the asset and liability accounts with doubtful balances also affect the government equity recorded in the books. Details of the balances of the accounts follow:

Other Assets

ATO-transferred balances of various Current Assets, Property and Equipment, and Unserviceable and Fully Depreciated Assets which were temporarily lodged under the account "Other Assets" in CY 2008 pending verification remain unadjusted. As of December 31, 2012 account balance is P5.543 billion, P4.367 billion in the Head Office books while the remaining P1.176 billion in the Area Centers. This comprises 23.9% of the total assets of the Authority. Detail of the Other Assets account is shown in Note 9 of the Notes to Financial Statements.

Receivables

Out of the P10.603 billion presented as Receivables in the Statement of Financial Position, the validity and accuracy of the balances of the following accounts cannot be ascertained:

Accounts	Amount
Accounts Receivables (net)	P6.733 billion
Due from NGAs	.065 billion
Due from LGUs	.043 billion

Accounts	Amount
Receivable-Disallowances/Charges	.029 billion
Total	P6.870 billion

The validity and accuracy of the balances of *Accounts Receivable* in the total amount of P6.733 billion (net) cannot be ascertained due to: a) the significant differences of the balances of Accounts Receivable per general ledger, subsidiary ledger and the aging of accounts receivable; b) the differences between the recorded balances and the balances per confirmation from airline companies; c) the failure of the Authority to send demand letters and charge penalties for delinquent customers; d) the failure to file collection suits on the delinquent customers in defiance of the provisions of CAAP Administrative Circular No. 03-11, series of 2011; and e) the provision for doubtful accounts in the amount of P 345.101 million could not be ascertained due to incorrect beginning balance, erroneous adjustment and failure to provide for Prior Years' Allowances for Doubtful Accounts.

The reliability and accuracy of *Due from National Government Agencies (NGAs)* and *Due from Local Government Units (LGUs)* accounts could not be ascertained due the inadequacy of accounting records. Since the transfer of the account balances from ATO, no significant adjustments were made. As of December 31, 2012, the balances of the respective accounts are P65.19 million and P42.56 million, respectively.

Receivables - Disallowances /Charges account amounting to P29.13 million was also carried forward account from ATO. The persons liable for these disallowances were still not established/determined to date.

Deposit on Letters of Credit

The account balance of P18.332 million as of December 31, 2012 have long been outstanding and could not be substantiated

Property, Plant and Equipment

The existence and validity of the Authority's Property, Plant and Equipment (PPE) account in the total net amount of P2.64 billion cannot be ascertained due to non submission of the 2012 Report on the Physical Count of Property, Plant & Equipment since conduct of inventory was not completed and the accounting division's failure to maintain the equipment ledger cards. There are vehicles used by the Authority which were not recorded in the Motor Vehicle account and various vehicles included in the Schedule of Accumulated Depreciation which were not included in the submitted List of Vehicles of CAAP Central Office.

Since these assets comprised 65% of the total assets and the significant effect of these doubtful accounts on the reliability of CAAP's financial statements, we reiterated our recommendation as embodied in the Annual Audit Reports on CAAP

since CY 2008, that the Authority resolves the existence, validity and propriety of ATO-asset accounts. Furthermore, we are restating our recommendation last year that a Special Committee be created to focus on this task.

2. Accounts Payable totaling P114.943 million in the Head Office were certified as payables without the submission of supporting documents to warrant the recognition and recording of the obligation.

Paragraph 2 of Section 157 of Government Accounting and Auditing Manual (GAAM) Volume 1 states that:

“No obligation shall be certified to accounts payable unless the obligation is funded on a valid claim that is properly supported by sufficient evidence and unless there is a proper authority for its incurrence. Any certification for non-existent or fictitious obligation and /or creditor shall be considered void.”

In our verification of Journal Entry Voucher (JEV) No.F-12-12-110 dated December 31, 2012 on the set-up of Accounts Payable for CY 2012 in the total amount of P114,943,422.39, we noted that only the Budget Utilization Requests (BURs) without supporting documents were attached to the JEV. A total of P54,711,973.87 and P60,231,448.52 was recorded to Accounts Payable and Due to Officers and Employees accounts, respectively. Further verification revealed that various BURs in the total amount of P43,016,684.21 were not even attached to the JEV.

Supporting documents such as Contracts, Purchase Orders, Delivery Receipts, Progress Billings, Daily Time Records, etc. are very important documents to prove validity and existence of the obligated transactions.

Recording in the books without the proof of valid claims overstated various Expense accounts in the total amount of P112,983,284.79, the Asset Accounts by P1,960,137.60, Accounts Payable account by P54,711,973.87 and Due to Officers & Employees account by P60,231,448.52, thereby accounts are not fairly presented in the financial statements.

We have issued various Audit Observation Memoranda in the past years but our recommendations were not complied with, hence we will be constrained to issue Notice of Suspension (NS) for these transactions.

We further noted that subsidiary ledgers of suppliers/creditors were not maintained. In effect, the Authority has no mechanism to monitor and determine the details of the accounts payable and reconciliation of balances with the general ledger (GL) balance could not be made.

We recommended and that the Authority should instruct the Finance Department to record only those obligated transactions with complete supporting documents and ensure that obligations are recognized in the books only when goods or services have been delivered or rendered based on the valid supporting documents and prepare adjusting entries for undocumented claims. Also, they should maintain subsidiary ledgers (SL) for accounts payable.

3. Failure of the Authority to issue the assessment and billing statements for the operational charges on time resulted to non-collection of earned revenue for CY 2012 of P1.45 billion.

Sound accounting practice dictates that assessment and billing of revenues should be done within a month after they are earned. Moreover, basic accounting principle provides for the recognition of revenues in the period they are earned.

The Authority generates revenue from exercising its regulatory and licensing functions. The major resources of revenues are from domestic and foreign airlines companies for the use of the airports, air space and air navigation facilities maintained by the Authority. Bills are sent to the airline companies for operational charges for landing/take-off and over flight.

Our confirmation letters sent to the airline companies revealed that except for Philippine Airlines, most of them confirmed zero balance payable to the Authority since all invoices received were paid before December 31, 2012. We were further informed that as of December 31, 2012, the last billing statement that they received was for the month of May 2012. This is further confirmed by the information that we gathered from the Archives Division that as of December 31, 2012, the latest request of the Revenue Section for mailing of international billing statements was for the month of June 2012.

We were informed by the Accounting Division that the substantial delay of assessment and billing of revenue was due to the breakdown way back in 2011 of the Billing and Collection Information System (BACIS), a computerized system commissioned to attain efficient and accurate collection of revenues. As a result, the income from June to November 2012 could have been collected had the revenue section issued the billing statements on time. Per the recorded receivables, a total of P1,450,347,621.51 could have been collected had the issuance of billing statements were made on time.

We also noted in the billing statements that the terms of payments is not in accord with CAAP Circular No. 03-11 series of 2011, pertaining to the CAAP Schedule of Fees and Charges for Air Navigation Services which revokes DOTC Order No. 99E-002. The due date per Part VI of the CAAP Circular is within ten (10) working days upon receipt of the bill while the billing statement indicated that the due date of the bill is 30 calendar days upon receipt. Also, in Part VII it was stated that failure of any person, firm or corporation to pay the charges herein prescribed shall be a ground for collection suit, without prejudice to administrative action, however, the billing statement imposed a 1% interest per month or fraction thereof upon failure to settle on due date. Billing statements should be in accordance with the CAAP Circular No.

03-11 series of 2011 since the DOTC Order was already revoked by the CAAP Circular.

Also, CAAP Circular No. 03-11 series of 2011 does not include the billing guidelines fixing the dates of the monthly cut-off and the issuance of the monthly billings. Also, imposition of penalty could have been included in Part V of the Circular, "Effects of Non-payment". Imposition of penalty is one way of encouraging clients to pay their accounts on time. Accordingly, incentives for prompt payments may also be offered, to encourage early payment of the bills.

Considering that CAAP is a revenue generating agency of the government and the operating funds of the Authority is sourced from the revenues earned, assessment and billing and collections of earned revenues is critical and indispensable management activity in which late or non-performance thereof results to delayed and/or non-collection of income for government use.

We recommended that the Authority should immediately acquire a program or a system to hasten the assessment and preparation of billings to the airline companies so that the collections of earned revenues could be recorded on the period it was earned. Further, a committee should be created to study on the contents of CAAP Circular No. 03-11 series of 2011, to come up with a more comprehensive guideline to optimize the revenue collections of the Authority.

The Authority informed us that the pre-bid conference of the Integrated Collection System which includes the hardware, software and the training of personnel was already scheduled. Also, the construction of the CNS/ATM will now be continued by the DOTC.

- 4. Despite significant unexpended trust fund balances, the Authority has remitted to the International Civil Aviation Organization (ICAO) Trust Fund the full amount required for the particular year since 2009. Also, Annexes were not attached to the remittances which should have been the basis of the amount to be remitted at a given period per Management Services Agreement (MSA).**

Sound cash management practice dictates that the funds must be utilized first before remitting additional funds for efficient and effective utilization of funds.

We have observed that despite significant unexpended balances of the Trust Fund to the Authority since 2009, the Authority has remitted the yearly fund requirements, even if the fund has not been fully utilized or should have deducted the unutilized trust fund balance to the current remittances. As of December 31, 2012 the fund balance stands at \$2,236,012 or P92,105,806.30.

Further, we noted that the balance of the Trust Fund as recorded in the books as of December 31, 2012 is P120,453,406.34, hence a difference of P28,347,600.04.

Likewise, the annexes for the years 2008 to 2010, which should have been the basis for the yearly fund requirement per Agreement was not attached to the remittances

made by the Authority. We cannot be assured that the remitted amount in the total amount of \$5,841,365 was in accord with the annexes.

The funds remitted to ICAO which has remained unutilized to date could have been used to fund priority projects of the Authority which include among others the improvement of the airport facilities.

Also, as recommended in our previous AARs since 2009, the Authority has not submitted the supporting documents in the recording of the disbursements made by the ICAO and the legal basis for the procurement of motor vehicles out of the Trust Fund as recommended in the 2011 AAR.

Aside from the Trust Fund account with ICAO, no adjustments to expenses account in the total amount of P2.165 million were made representing other transactions with ICAO lodged in the Deferred Charges account such as the 2011 contributions to Cooperative Development for Operational safety and continuing Airworthiness Programme – South East Asia (COSCAP-SEA) amounting to P1.3 million and the Flight Procedures Program under ICAO Project RAS09801 in the amount of P.867 million.

We recommended that the Authority should submit explanation/justification on why the remittances were made despite the significant balance of the ICAO Trust Fund and the required supporting documents to validate the disbursements made out of the Trust Fund. The Accounting Division should reconcile the balance of the Trust Fund as against the book balance and adjust to expense account the 2011 contributions to COSCAP-SEA amounting to P1.3 million and the Flight Procedures Program under ICAO Project RAS09801 in the amount of P.867 million. Also, update COA on the status of the Management Service Agreement (MSA) dated September 25, 2007.

- 5. Unreliable balance of Advances to Officers & Employees account in the Head Office in the total amount of P41.647 million as of December 31, 2012 due to P1.573 million difference as compared to the totals of the subsidiary ledgers. Further, prior years' cash advances for travel and former SDOs amounting to P9.274 million and P3.432 million respectively remain unliquidated despite the issuance of COA Circular No. 2012-004.**

The General Ledger (GL) is a book of final entry summarizing all of the company's financial transactions while a subsidiary ledger (SL) is a book of final entry containing the details or breakdown of the balance of controlling account appearing in the GL. The totals of the SL balances shall be reconciled with their respective control account GL balances regularly or at the end of each month. Schedules shall be prepared periodically to support the corresponding controlling GL accounts.

COA Circular No. 2012-004 dated November 28, 2012 was issued to demand the immediate liquidation and settlement of all cash advances outstanding as of December 31, 2011. The Accountable officers were given up to January 31, 2013 to settle all their outstanding cash advances.

In our audit of the Advances to Officers & Employees account, we noted that as of December 31, 2012, the GL balance is P41,646,911.75 while the SL totals is P40,073,872.81 or a difference of P1,573,038.94. The differences may be attributed as follows: 1) recognition of ending balances from the book of the former Air Transportation Office (ATO) as beginning balances of the Authority's book were not verified and fully documented; 2) recording of the liquidation reports to the GL and SL are not simultaneously done; and 3) the total of SL includes negative balances which remains unadjusted.

Our audit of the account further revealed that despite the issuance of COA Circular No. 2012-004 dated November 28, 2012, prior years' cash advances for travel amounting P9,274,043.37, and cash advances of previous Special Disbursing Officers (SDOs) in the total amount of P3,431,671.30 remained outstanding as of December 31, 2012. Almost all of the cash advances were granted during the defunct Air Transportation Office (ATO) days. Moreover, we noted that a total of P2,508,748.58 and P2,524,006.40 outstanding cash advances for travel and SDOs of retired, resigned and deceased accountable officers respectively, were transferred to Other Receivables account.

Likewise, the Area Centers have observed that a substantial amount of the Advances to Officers and Employees have remained unliquidated as shown below:

Area Center	Unliquidated Amount
2	P 401,526.74
3	165,896.65
5	1,131,445.20
6	25,882.50
7	183,651.29
8	435,867.62
9	246,174.95
TOTAL	P 2,590,444.95

We recommended that the Authority must enforce liquidation/settlement of all unliquidated cash advances in accordance with the provisions of COA Circular No. 2012-004 and withhold any money due them until their cash advances are liquidated and henceforth, strictly adhere to the pertinent provisions of COA Circular 97-002 dated February 10, 1997 in granting and utilization of cash. The Authority should also submit explanation why those retired, separated and deceased employees were able to leave CAAP without settling all their accountabilities.

We were informed that the Authority has issued demand letters to all those employees with outstanding balances.

6. Payment of the Performance Enhancement Allowance for CY 2012 in the total amount of P125.902 million lacks legal basis and not provided for in the DBM approved CAAP Corporate Operating Budget (COB) for CY 2012.

The Government Auditing Code of the Philippines (P.D. 1445) provides in Section 84 (1) that:

“Revenue funds shall not be paid out of any public treasury or depository except in pursuance of an appropriation law or other specific statutory authority.”

As stated in the DBM approved CAAP COB for CY 2012, it shall be subject to conditions which include among others the following:

*“2. Disbursements for **personnel amelioration/benefits shall be subject to the pertinent compensation laws, rules and regulations, including E.O. Nos. 7 and 24 xxx.** Such expenditures shall be also conditioned on the relevant General Provisions of Republic Act (R.A.) N0. 10155, the FY 2012 General Appropriations Act xxx , or any specific law or approval of the President of the Philippines or the Secretary of Budget and Management, as the case maybe.” (emphasis supplied)*

*“6. The fiscal discipline measures prescribed under A.O. No. 103 dated August 31, 2004 **shall be strictly observed.**” (emphasis supplied)*

Accordingly, Section 3 (b) of the Administrative Order (A.O.) No. 103 provides that:

*“**Suspend the grant of new or additional benefits** to full-time officials and employees and officials, except for (i) Collective Negotiation Agreement (CNA) Incentives which are agreed to be given in strict compliance with the provisions of the Public Sector Labor-Management Council Resolutions No. 04, s. 2002 and No. 2, s. 2003, and (ii) **those expressly provided by presidential issuance.**” (emphasis supplied)*

Section 10 of the GOCC Governance Act of 2011 (R.A. No. 10149) states that:

“The GCG [Governance Commission for Government –Owned or-Controlled Corporations] may recommend to the President, incentives for certain position titles in consideration of the good performance of the GOCC: Provided, that no incentives shall be granted unless the GOCC has fully paid all taxes for which it is liable, and the GOCC has declared and paid all the dividends required to be paid under its charter or any other laws.”

Likewise, Section (e) (7) (B) of The National Internal Revenue Code of 1997 provides that:

“13th Month Pay and Other Benefits. – Gross benefits received by officials and employees of public and private entities: Provided, however, That the total exclusion under this paragraph shall not exceed Thirty Thousand pesos (P30,000) which shall cover: (iv) Other benefits such as productivity incentives and Christmas bonus.”

In our audit of the 2012 transactions we noted that the Authority granted Performance Enhancement Allowance (PEA) to all CAAP personnel, regardless of employment status in the total amount of ₱125,901,835.96 based on CAAP Memorandum dated December 19, 2012. The Memorandum provides that CAAP Board has approved

the grant of Performance Enhancement Allowance for calendar year 2012, provided it is subject to refund if disallowed by competent authority. The guidelines include among others that:

“Regular plantilla personnel including presidential, temporary, co-terminus and casual personnel who rendered at least four (4) months or more of continuous service with CAAP shall receive equivalent to two (2) months pay and in no case shall be less than P10,000 each.”

We further noted that no Board Resolution (BR) was attached to the payments. We have requested verbally and thru a letter for a copy of the BR, but we were informed that it is still being routed to the Honorable Board Members for their signature. We need the Board Resolution as it should contain the legal basis of the grant of PEA.

Further verification revealed that no budget was provided for the PEA in the DBM approved CAAP COB for CY 2012 in violation of P.D. 1445. Going through schedules in the approved COB, specifically the Total Personal Services Cost in DBM Form No. 703-C, we noted that there was no provision for PEA.

Also, no tax deductions were made in the payment of PEA, which is not in accord with National Internal Revenue Code of 1997.

As stated in the conditions of the DBM approved CAAP Corporate Operating Budget (COB) for CY 2012 and A.O. No. 103, the payment of the Performance Enhancement Allowance for 2012 shall be subject to the pertinent compensation laws, rules and regulations or only those expressly provided by presidential issuances. Non submission of the legal basis may render the payment of PEA irregular therefore subject to disallowance.

We recommended that the Authority should submit legal basis for the grant of the PEA, proof that budget for PEA was included in the DBM approved COB and submit explanation/justification why such payment was not subjected to tax.

NS No. 13 – 005 (2012) was subsequently issued requiring the submission of the above cited documents in the Head Office. Notices of Suspension for the Area Centers are currently being prepared by the audit teams assigned thereto.

7. The 2012 approved Annual Procurement Plan (APP) does not contain some of the requisite information provided for in Government Policy and Procurement Board (GPPB) Circular 01-2009 dated January 20, 2009.

Section 3 paragraph 2 of GPPB Circular 01-2009 dated January 20, 2009 defines APP and provides the indispensable information that shall contain the APP.

As we go through the APP, we have noted that the procurement method and the time schedule for each procurement activity were not completely filled up. The above information are critical in the whole procurement process of the Authority since it determines the actual performance as compared with the planned activities, and thus to alert the pertinent departments and adjust the procurement plan accordingly. It

also enhances the transparency and full disclosure of the Authority's procurement process.

Further, some of the activities/programs/projects in the APP which were identified under the Other Professional Services do not match with those provided in DBM approved COB.

Rule II Section 7 of Revised Implementing Rules and Regulations of Republic Act No. 9184, provides among others that all procurement should be within the approved budget of the procuring entity and should be meticulously and judiciously planned by the procuring entity. We have noted that some of the activities/programs in the APP were collectively presented under the "Other Professional Services" when they should have been presented separately in accordance with the type of services or expense. As a result, we cannot identify which activities/programs fall under the Other Professional Services, Intelligence Expense, EME, Taxes and Other Fees, Fidelity bond, Insurance Premium and Other MOOE/Donation/Cultural Expenses, as presented in the DBM approved COB.

Likewise, the 2012 approved APP is not supported with Project Procurement Management Plans (PPMPs) for the different programs, activities, and projects (PAPs) of the Authority for CY 2012 as prescribed in Rule II Section 7 of Revised Implementing Rules and Regulations of Republic Act No. 9184.

The submitted APP should have been supported with PPMPs prepared by the different Services/Offices in the Head Office and the 10 Area Centers so as to guide the Authority in the procurement and contract implementation process, as well as a vital reference in procurement monitoring.

We recommended that the Authority should strictly adhere to the guidelines in the preparation of APP as provided for in the Revised Implementing Rules and Regulations of Republic Act No. 9184, otherwise known as the Government Procurement Reform Act and the Generic Procurement Manual Vol. 1, Establishment of Procurement Systems and Organizations issued by GPPB and submit the requisite PMMPs to support the submitted 2012 approved APP.

- 8. Disbursements of Extraordinary and Miscellaneous Expense (EME) in the total amount of P35,500.00 in the Head Office and P929,759.37 and P569,804.14 in Area Center 9 for CYs 2012 and 2011, were contrary to the provision of COA Circular No. 2006-001 dated January 3, 2006.**

COA Circular No. 2006-001 dated January 3, 2006 provides for the Guidelines on the disbursement of Extraordinary and Miscellaneous Expenses and Other Similar Expenses in Government-Owned and Controlled Corporations/Government Financial Institutions and their subsidiaries.

Section III of the Circular provides that:

- 1. "The amount of extraordinary and miscellaneous expenses, as authorized in the corporate charters of GOCCs/GFIs, shall be the ceiling in the disbursement of these funds. Where no such authority is granted in the*

corporate charter and the authority to grant extraordinary and miscellaneous expenses is derived from the General Appropriations Act (GAA), the amounts fixed there under shall be the ceiling in the disbursements;

2. Payment of these expenditures shall be strictly on a non-commutable or reimbursable basis;

3. The claim for reimbursement of such expenses shall be supported by receipts and/or other documents evidencing disbursements; and

4. No portion of the amounts appropriated shall be used for salaries, wages, allowances, intelligence and confidential expenses which are covered by separate appropriations.” (Emphasis supplied)

We noted in our audit that the payment of P35,000.00 per Check No. 220160 dated March 30, 2012 representing extraordinary and miscellaneous expense in the performance and official function of the Director General (DG) was supported by a certification not the receipts and/or other documents evidencing disbursements as prescribed in COA Circular No. 2006-001. Certification do not fall under the “other documents evidencing disbursement” as it was issued by the claimant and not by a third party/person.

Also, a cash advance in the amount of P25,000 was paid to the DG in connection with the extra-ordinary expenses of the DG’s Office. Payment of EME through cash advance is not in accord with the COA Circular since it was stated that payment of EME should be strictly in a non-commutable or reimbursable basis.

We recommended that the Authority must submit the required receipts and/or other documents evidencing disbursements and should not be paid through a cash advance, henceforth; comply with the provision of COA Circular No. 2006-001.

Notice of Suspension No. 13 – 02 (2012) was issued on February 22, 2013 requiring the Authority for the submission of required documents.

Furthermore, in Area Center 9, EME totaling P929,759.37 and P569,804.14 were paid in CYs 2012 and 2011, respectively, despite funds thereof were not provided in the CAAP Corporate Operating Budget and officials concerned are not among those authorized officials to reimburse EME per the General Appropriations Act (GAA) of 2011 and 2012.

Non-provision in the COB of the EMEs incurred by the Area Center and considering that the Area Manager and the Airport Managers are not among those authorized officials to reimburse EME, renders the payment/reimbursement of EMEs irregular.

We recommended that the concerned Area Center officials should stop the payment for the incurrence/reimbursement of EMEs since they are not authorized per GAA and therefore a clear violation of COA Circular No. 2006-001.

Consequently, Notices of Disallowance for the above cited transactions will be issued.

9. Payments by the Authority for high grade circuits used in its operation in the total amount of P33.95 million for CY 2012 were not in accordance with the provision of RA 9497.

Section 85 of R.A. 9497, the Civil Aviation Authority Act of 2008 provides that:

“Abolition of the Air Transportation Office – The Air Transportation Office (ATO) created under Republic Act No. 776, a sectoral office of the Department of Transportation and Communications (DOTC), is hereby abolished.

All powers, duties and rights vested by law and exercised by the ATO is hereby transferred to the Authority.

*All assets, real and personal properties, funds and revenues owned by or vested in different offices of the ATO are transferred to the Authority. **All contracts, records and documents relating to the operations of the abolished agency and its offices and branches are likewise transferred to the Authority.** Any real property owned by the national government or government-owned corporation or authority which is being used and utilized as office or facility by the ATO shall be transferred and titled in favor of the Authority.”(emphasis ours)*

In our audit of Cable, Satellite, Telegraph and Radio Expenses account, a total of P33,946,920.10 were paid by the Authority in CY 2012 to Bayan Telecommunications, Inc, Eastern Telecommunications Philippines Inc. and Philippine Global Communications Inc.

In our review of the contracts submitted, we noted that these contracts were still between the service providers and the abolished Air Transportation Office (ATO) represented by the office heads then, in violation of Section 85 of RA 9497.

The contracts dates back in the 1990s in which rates and the provisions stated in the contracts to date were still in effect since the contracts were not transferred to the Authority upon the abolition of the ATO. Hence, the validity and legality of the contracts are in question. Moreover, the rates of fees and charges for the leased line are questionable on whether they are still economical and advantageous to the Authority and comparable to the current rates.

The contracts with the service providers should have been evaluated upon the abolition of the ATO in 2008 and transferred to the Authority if the rates are within the prevailing rates or should have conducted a public bidding to arrive at the rates that could have been most advantageous to the Authority.

We recommended that the Authority should submit explanation/justification on why this contracts were not transferred to CAAP upon the abolition of the ATO in 2008 and should immediately evaluate all the contracts regarding the lease of high grade circuits used in its operations entered by then abolished ATO for the proper revision/transfer to the Authority or conduct public biddings to enter into contracts with rates that are most advantageous to the Authority.

The Authority informed our Office that the Air Navigation Services (ANS) is fast tracking the renewal of the leased circuits and have submitted to Philcom, Eastern Telecom and Bayan Tel the first draft of the renewal Agreement for study and signing of the renewal agreement. With regards to the Contract rates, they informed us that most of the contracts despite of the more than ten (10) years, they continually honor the prices which were approved then by the National Telecommunications Commission (NTC).

10. Deficiencies were noted in our conduct of Cash Examination of the cash accountabilities of twenty four (24) Petty Cash Custodians (PCCs) and three (3) Collecting Officers.

For the 24 PCCs:

Regular operating expenses including Repairs and Maintenance-Other Machineries & Equipment and procurement of equipment and other assets were paid not by checks but in cash thru the cash advances granted to the Petty Cash Custodians. Also, no bidding/alternative methods of procurement were undertaken in the above cited purchases, thus not in accordance with RA No. 9184.

For the year 2012, the Authority designated PCCs to handle revolving funds. We have noted that the purposes for which the cash advances were held as stated in the Authority Orders approved by the Director General do not conform to the purposes as provided and allowed in COA Circular No. 97-002.

Our audit of the replenishments of the PCCs for the period January 01 to September 30, 2012, we noted that aside from using the petty cash funds for regular operating expenses and procurement of office equipment, furniture and fixtures and other assets, it did not undergo competitive bidding or any alternative methods as provided for in RA 9184. Regular purchases should have been thru the Supply Division, who shall do the procurement in accordance with the Annual Procurement Plan (APP) of the Authority.

We also noted that there are five (5) designated PCCs that have outstanding cash advances prior to the grant of cash advances for the Petty Cash Fund for CY 2012 in the total amount of P349,962.12 in violation of Section 4.1.2 COA Circular 97-002.

Splitting of transactions was also done by several PCCs. The purchases of supplies/ equipment/ spare parts of communication, navigation and surveillance equipments/ were procured separately, in some cases on a daily basis, when in fact, the requirements of the different services in the Head Office and Area Centers can be summarized and submitted to the Procurement Division to be purchased thru public

bidding or other any alternative methods as provided for in RA 9184. IT equipments were purchased by part (CPU, Monitor, Printer etc.) on different dates so as not to exceed the cash payment limit. Such practice is prohibited under COA Circular No. 97-002.

Also, the PCCs cashbooks are not properly maintained and not regularly updated. There are also several PCCs that do not have safe or cabinet for the safekeeping of funds and cashbooks.

We recommended that the Authority ensure that: a) Petty Cash Funds should only be used for cash payment of operating expenses in small amounts which could not conveniently be paid in checks or which require immediate payment; b) special cash advances should be used only for payment of current operating expenses which are difficult, impractical or impossible to make payments by checks; c) goods and services should be acquired thru public bidding or alternative methods of procurement as required under RA 9184; d) the number of Petty Cash Funds and Special Cash Advances should be reduced and the establishment and utilization of these funds should comply with the requirements of COA Circular No. 97-002.

For the three (3) Collecting Officers:

Irregularity in the deposit of dollar collections in the total amount of \$188,191.31 for the period January to June 2012 was a violation of Section 64 & 69 of PD 1445.

In the conduct of our audit of collections and deposits, we noted that dollar collections are not deposited daily or not later than the next banking day. The number of days delayed averages 25 days, the longest delay in deposit is 131 days wherein \$668.00 was collected on January 6, 2012 and deposited only on May 17, 2012.

Likewise, total dollar collections of \$61, 159.31 were deposited in peso denomination. For instance, collection made on February 7, 2012 in the amount of \$2,406, was converted into P 101,039.97. Accordingly, we noted that it was not deposited intact and definitely not on the next banking day since P85,921.77 was deposited on March 2, 2012 and the remaining amount, P15,118.20, was deposited on April 2, 2012. We also noted that the conversion rate of the dollar on the date of the collection was not used in the conversion of the dollars upon deposit. From January to June there was a total variance of P23,490.56.

Taking into consideration that the Authority contracted with the authorized banks to collect their deposits on a daily basis, there should be no reason that the Authority cannot deposit its dollar collections daily, together with the other collections such as payments made in pesos and checks that are deposited intact and daily.

Furthermore, payments collected should be deposited as to its form as written in the Official Receipt since the Authority has a dollar account where it should be deposited.

Conversion of the collected dollars into peso and failure to promptly deposit intact the collected funds are violations of the provisions of PD 1445 and NGAS, therefore considered as irregular. These practice also resulted in the accumulation of cash in

the possession of accountable officers and exposing the funds to risks of misuse, loss or misappropriation.

Delay in the deposit of collections resulted also to delayed submission of Report of Collections and Deposits (RCDs) to the Accounting Division which in turn resulted to the delay in the submission of the Reports to the Office of the Auditor.

We also noted during our cash examination that two (2) employees hired through job order are performing the responsibility of a designated collecting officer in receiving payment and issuing official receipts is contrary to Section 64 of PD 1445.

For proper handling, custody and disposition of receipts/collections and deposits, we recommended that the Authority should: a) order all authorized collecting officers to strictly deposit the collected funds intact and not later than the following day; b) require the OIC, Collecting Unit of the Cashiering Division to submit explanation on the late deposits of collections and conversion to peso of dollars collected and to conduct further investigation on the matter; c) implement measures to ensure prompt deposit of collections to avoid misuse or misappropriation of funds; and d) refrain from assigning the employees hired thru Job Orders to act as collecting officers and instead utilize the three designated COs to perform their jobs daily, and should likewise, consider the designation of additional collecting officers.

The Authority informed us that investigation on the irregularity on the deposits of dollar collection is on-going and Job Order personnel were no longer assigned at the collection counters but were only assigned tasks that were specified in their contracts.

11. Deficiencies noted on how accountable forms are procured, issued and monitored specifically the licenses and certificates issued by the Flight Standards and Inspectorate Service (FSIS) and the printing of Terminal Fee Tickets.

Section 35 of Republic Act (RA) No. 9497, otherwise known as the "Civil Aviation Authority Act of 2008", enumerates the powers and duties of the Director General of the Civil Aviation Authority of the Philippines (previously Air Transportation Office), among which are the following:

- a. to issue airman's certificate;
- b. to issue airworthiness certificate for aircraft;
- c. to issue air carrier operating certificate;
- d. to issue type certificate for aircraft, aircraft engine, propellers and appliances;
- e. to issue certificates of persons or civil aviation schools giving instruction in flying, repair stations, and other air agencies and provide for the examination and rating thereof; and
- f. to issue, deny, cancel or revoke any certificate, permit or license pertaining to aircraft, airmen and air agencies.

The same Section also provides the power to impose and fix reasonable charges and fees on the following:

- a) for the use of government aerodromes or air navigation facilities for services for services rendered by CAAP in the rating of any aerodrome or air navigation facilities, civil aviation schools and instructions, aircraft repair stations and aircraft radio and aeronautical telecommunications stations;
- b) for the registration of aircraft and for the issuance and/or renewal of licenses or certificates for aircraft, aircraft engines, propellers and appliances and airmen.
- c) in the use of privately owned air navigation facilities and aerodromes; and
- d) to impose fines and/or civil penalties and make compromises in respect thereto.

We noted in our audit that the accountable forms such as the certificate, licenses issued by FSIS and the terminal fee tickets used in the airports all over the Philippines are not procured from the National Printing Office (NPO) in violation of Memorandum Circular No. 180, s. 2009 which provides among others that the NPO shall continue to be the primary and main provider of printing services to national, provincial, city and municipal governments, agencies and instrumentalities, including government corporations, as mandated by law, subject to the qualifications prescribed. Verification disclosed that only the Certificate of Registration of Aircraft (CAAP Form No. 9497-2) is being procured in NPO. All other forms such as the plastic cards/PVC cards and pre-printed forms are procured from private printers thru Petty Cash Custodian (PCC) assigned in FSIS, without having met the conditions prescribed in Memorandum Circular 180, series of 2009.

In Area Center 9, they also engaged a non-government entity in the printing of 50,000 pieces of ₱30.00-terminal fee tickets and 100,000 pieces of ₱10.00 PUJ/taxi Operators' Fee Tickets in the total value of ₱2.530 million

We further noted that the PCC acts as the supply officer who orders and distributes the accountable forms.

The plastic cards/PVC cards and pre-printed forms should have been procured from NPO or from other qualified private printers provided that the procurement complies with the requirements laid down in Memorandum Circular 180, series of 2009.

Also, the monthly Report of Accountability for Accountable Forms (RAAF) is not prepared by those accountable employees and submitted to the Office of the Auditor in violation of Section 98 of the GAAM, Vol. 1.

Furthermore, we observed that licenses, permits and certificates issued by the FSIS are not properly controlled and accounted for thereby exposed to possible misuse and abuse of any rights and privileges they may permit. No Accountable Form Custodians were designated, the accountable forms are not pre-numbered, not safely kept, properly controlled and accounted for, the licenses have no distinct and security features which give way for possible counterfeiting.

We also noted that the Terminal Fee tickets were procured from private printers not accredited by the NPO. In 2012, the Authority had awarded contracts for the printing

of terminal fee tickets to two (2) private printers in the total amount of P2,262,600.00

In view of the foregoing, we recommended and the Authority agreed that the Authority as the front runner of the aviation industry in the Philippines should: a) order/procure the printing of Accountable Forms only from the National Printing Office or duly authorized private printing providers in compliance to Section 2 and 4 of MC No. 180; b) designate Accountable Form Custodians (AFCs) who would be accountable for the control and safekeeping of the forms. The AFCs will be in charge of maintaining a permanent record book and the preparation of the monthly RAAF as prescribed in Section 95 of GAAM, Volume I. Physical Inventory of all the accountable forms should be done to determine the accountability of those who will be designated AFCs; c) institute proper controls in the issuance of the licenses, permits and certification forms; and d) review the design of the various licenses and incorporate some distinct and security features to prevent possible counterfeiting.

The Authority informed us that they have already inquired from the NPO and will try their best to obtain the forms as soon as possible.

12. No actions were taken by the Authority on our recommendations in the 2011 Annual Audit Report (AAR) regarding the hiring of Consultants, hiring through Contracts of Service and Job Orders.

As of December 31, 2012, the Authority hired six hundred sixty five (665) consultants/contract of personal services as follows:

Particulars	Number of Persons Hired
Consultants	5
Contract of Services	184
Job Orders	476
TOTAL	665

Therefore, we reiterated our previous years' recommendations:

- a. Submit explanation/justification why the filling up of positions based on the Plantilla of Personnel was not fully achieved despite the issuance of AO No. 7 dated March 3, 2011;
- b. Submit justification/explanation why the Authority must hire so many consultants, Contractual/JOs and casual employees despite the Authority's approved organizational structure and plantilla or personnel by DBM and the DG's granted to appoint employees of CAAP; and
- c. Comply strictly with the provision of COA Circular 2009-001 specifically on the submission of the required supporting documents such as contract of service agreement of consultants; Personal Data Sheet or Resume; Training certificates and documents in relation to the consultants' line of expertise.

We were informed that the appointment of former ATO personnel is almost finished, hence they will be able to hire the needed personnel complement of the Authority.

AREA CENTERS

13. The balance of the depository bank accounts being maintained by CAAP Head Office were included in the Cash accounts of the Area Centers (ACs).

Pursuant to the Framework for the Preparation and Presentation of Financial Statements, an asset is defined as: “a resource controlled (underscored on us) by the entity as a result of past events and from which future economic benefits are expected to flow to the entity.”

The CAAP Head Office (HO) had opened ten (10) saving accounts (SAs) with the Land Bank of the Philippines (LBP) to serve as depository accounts for the remittance of the collection of Area Centers. All corresponding bank passbooks and related bank documents have been kept and maintained by the head office.

Subsequently, upon instruction of the HO, the ten ACs have recorded all transactions of the depository accounts in their respective book of accounts. These bank accounts are reported as asset in their financial statements. This is contrary to the definition of an asset in the aforementioned Framework because the ACs neither maintain nor have any control over these accounts.

The yearly confirmation with the Land Bank of the Philippines (LBP) which being done in the Head Office always includes the balances of the 10 savings accounts. Verification of the Area Centers' books of accounts showed differences in five (5) Area Centers as follows:

Area Center	Cash in Bank-LCSA Balance, 12-31-12		Difference
	Per Book	Per Bank	
2	67,922.58	66,310.58	1,612.00
4	743,479.00	499,285.12	244,193.88
6	807,991.56	810,304.85	-2,313.28
8	988,940.27	976,810.54	12,129.73
10	8,754,290.67	11,041,469.06	(2,287,178.39)
TOTAL	11,362,624.08	13,394,180.15	(2,031,556.06)

We recommended that the Authority should decide whether to transfer the control of the bank accounts to the ACs so that they can recognize them as their assets or for the HO to retain their control and record all transactions in their books.

Similar comments from the Area Centers were obtained stating that the issue was debated by the HO and Area Accountants but has not yet been resolved. They look forward to the next Accountant's conference so that the issue will be resolved immediately.

14. GENDER AND DEVELOPMENT (GAD)

For CY 2012, CAAP appropriated P29.310 million for the GAD Projects/ Activities/ Programs (PAPs) and incurred expenses in the total amount of P10.549 million. Details of their accomplishments for the year follow:

Gender Issue/Activity	No. of Employees Trained Attended	Projects completed/implemented
<p>1. Lack of information awareness understanding and appreciation of gender issues among employees.</p> <p>a. Conducted the following trainings:</p> <ol style="list-style-type: none"> 1. CAAP GAD TWG Assessment and Planning Workshop at Puerto PrincesaCty. April 17-21, 2012 (CAAP GAD TWG Attendance & CY 2013 PAPs. 2. Gender Sensitivity Training (GST) conducted for Area Center 10 personnel@ Eden Nature Park, Matina, Davao City Davao Int'l Airport on March 5-7, 2012 (as Accreditation of Luzon Team of TOT Graduates.) 3. Gender Sensitivity Training (GST) for Area Center 4 personnel- Legaspi Airport on March 20-23, 2012 at Mayon Spring Resort , Sto Domingo, Albay (as Accreditation of Visayas Team of TOT Graduates) 4. Gender Sensitivity Training (GST) for Area Center 7 personnel– Tacloban airport on August 15-17 at Sabin Beach Resort, Ormoc City (as accreditation of Mindanao Team of TOT Graduates). 5. Gender Sensitivity Training (GST) conducted for Area 	<p>CAAP GAD TWG Attendance of thirty seven (37) personnel.</p> <p>Attendance of Thirty Eight (38) personnel from Davao Int'l airport and satellite airports; 2nd Phase Accreditation of Luzon Team of TOT Graduates.</p> <p>Attendance of Thirty Five (35) Personnel from Legazpi and satellite airports; 2nd Phase Accreditation of Visayas Team of TOT Graduates.</p> <p>Attendance of twenty six(26) personnel from Tacloban and Satellite Airports; 2nd Phase Accreditation of Mindanao team of TOT Graduates.</p> <p>Thirty eight (38) personnel from Iloilo</p>	

Gender Issue/Activity	No. of Employees Trained Attended	Projects completed/implemented
Center 5 personnel-Iloilo and satellite Airports on Sept. 6-7, 2012 at Urban Manor Hotel, Roxas City (As Accreditation of Luzon Team of TOT Graduates).	and satellite airports; 3 rd Phase Accreditation of Luzon Team of TOT Graduates.	
6. Gender Sensitivity Training (GST) for Area Center 8 personnel – Dipolog Airport on October 4-5, 2012 at Dakak Beach Resort, Dapitan City (As Accreditation of Visayas Team of TOT Graduates.)	Twenty eight (28) personnel from Pagadian and satellite airports; 3 rd Phase Accreditation of Visayas Team of TOT Graduates.	
7. Gender Sensitivity Training (GST) conducted for Area Center 6 personnel- Mactan Int'l and satellite Airports on Nov. 8&9, 2012 at Bohol Tropics Resort Hotel, Tagbilaran City (As Accreditation of Mindanao Team of TOT Graduates)	Thirty three employees (33) employees from Mactan Int'l and satellite Airports; 3 rd Phase Accreditation of Mindanao Team of TOT Graduates.	
2. International Women's Human rights Course offered by WAGI-Miriam College on April 30 –May 5, 2012	Five personnel (5)	
3. Gender Audit (1 st Phase) of TWG Members at Golden Prince Hotel, Cebu City- June 17-29, 2012.	Thirty three (33) GAD TWG Members; Identified the areas for Gender Audit at CAAP.	
4. Gender Audit (2 nd Phase) of TWG Members at Northview Hotel , Laoag City- November 27-29, 2012.	Thirty six (36) GAD TWG Members; Crafted the Gender Audit Tools for CAAP	
5. Summit of Gender and Development in the Aviation Industry (hosted by PHILSCA)	Seventeen (17) GAD TWG Members; Shared CAAPS's GAD best practices.	
6. Summit of Gender and Development at Technological	Three (3) GAD TWG Members;	

Gender Issue/Activity	No. of Employees Trained Attended	Projects completed/implemented
<p>University of the Philippines (TUP) hosted by PhilSCA and TUP</p> <p>7. Lack of information regarding issues that affect specifically women</p> <p>8. Proposed Orientation /Seminar of Responsible Parenthood, Solo Parent Act, Parents' effectiveness , Sexual Harassment Parents 'and the Magna Carta of Women at Laoag International Airport,</p> <p>9. Wellness Seminar (with emphasis on Menopause and Andropause as it affects the productivity of the workers)</p> <p>1. Davao International Airport</p> <p>2. Iloilo Airport</p> <p>3. Kalibo Airport</p> <p>4. Roxas Airport</p> <p>5. Cotabato Airport</p> <p>6. Gen. Santos Airport</p> <p>10. Lack of gender-sensitive facilities to help passengers with infant/ children:</p> <p>a. Launching/inauguration of Kids' Play Area and Breastfeeding Room and Diaper-changing Rooms at Bacolod-Silay Airport</p> <p>b. Launching/ Inauguration of Breastfeeding and Diaper-changing Rooms at TaclobanAirport</p> <p>c. Launching/inauguration of Kids' Play area and</p>	<p>Shared CAAPS's GAD best practices</p>	<p>Conducted on September 5, 2012</p> <p>Conducted Aug. 24, 2012</p> <p>Conducted Oct.30 & 31, 2012</p> <p>Conducted Dec 28 & 29, 2012</p> <p>Conducted Dec 26 & 27 2012</p> <p>Conducted November22&23, 2012</p> <p>Conducted Dec 6 & 7, 2012</p> <p>Launched/inaugurated February 2, 2012</p> <p>Launched/inaugurated March 1, 2012</p> <p>Launched/inaugurated March 7, 2012</p>

Gender Issue/Activity	No. of Employees Trained Attended	Projects completed/implemented
<p>breastfeeding Room and Diaper-changing Rooms at Davao Int'l Airport</p> <p>d. Launching/ inauguration of Kids' Play Area and Breastfeeding Room and Diaper-changing Rooms at Roxas Airport.</p> <p>11. 1st Anniversary celebration of installation of GAD Facilities at Iloilo Airport. Re-launched and introduced the facility to various sectors at Iloilo City</p> <p>12. Conducted Emergency Earthquake Drill/Earthquake preparedness Program at the Passenger Terminal Building (PTB) of the following Airports:</p> <ol style="list-style-type: none"> 1. Davao Int'l Airport 2. Iloilo Airport 3. Bacolod-Silay Airport 4. Kalibo Airport 5. Roxas Airport 		<p>Launched/inaugurated April 11, 2012</p> <p>Celebrated last June 5, 2012</p> <p>Conducted on July 28, 2012</p> <p>Conducted on May 21 & June 6, 2012</p> <p>Conducted on August. 8, & 9, 2012</p> <p>Conducted on July 5, & 6, 2012</p> <p>Conducted on July 16, 2012</p>

Head Office

The actual expenses of several GAD projects/activities/programs (PAPs) were in excess of the budgeted amount. Also, several proposed projects were not implemented in 2012.

Section 4.4 of the above cited Joint Circular provides among others that:

“Agencies shall ensure that the cost of implementing the GAD activities is part of their approved budget.”

Further, Section 4.6 states that:

“Department/agency heads shall ensure the implementation of the annual GAD plan and the utilization of the GAD budget of the agency including its attached bureaus and officer both of the national and the sub-national levels.”

In our audit of the GAD disbursements for the year 2012, we noted that the total disbursements for various activities/projects have exceeded the budget. Details are presented in the following table:

Program/ Activity/ Project	Gender Related Issues	Budget	Disbursed	Excess
Human Resource Development	Lack of awareness and consciousness of gender issues among CAAP employees	P1,000,000	P2,615,792.94	P1,615,792.94 161%
Human Resource Development	Absence of capability to audit Gender Projects	P450,000	P1,490,915.57	1,040,915.97 231%
Human Resource Development	Lack of gender responsive programs and projects	P450,000	P649,739.28	199,739.28 34%
Human Resource Development	Limited participation of CAAP personnel to GAD related activities of other government/non-government organizations	P100,000	P250,455.00	150,455.00 150%
Operation	Inadequate Gender responsive facilities	P500,000	881,774.00	381,774.00 76%
Total				3,388,677.19

Moreover, below were the GAD PAPs which were not accomplished in CY 2012:

Program/ Activity/Project	Gender Related Issues	Budget
GAD CENTER	Absence of temporary shelter for working men & women at CAAP while in unusual & emergency situations (Transport Strike, Floods, Flight Cancellation, etc.)	P500,000.00
CLIENT FOCUSED PROJECTS	Absence of immediate needs of unaccompanied travelling elderly, pregnant women & passenger with babies & kids.	180,000.00

Program/ Activity/Project	Gender Related Issues	Budget
OPERATION	Absence of mechanism to address the needs of unaccompanied travelling elderly, pregnant women & passenger with babes & kids	750,000.00
OPERATION	Lack of facilities (chairs, portable ACUs) during emergency situations to provide comfort to travelling women and	600,000.00
OPERATION	Lack of capability to detect possible victims of Human Trafficking	350,000.00
CLIMATE CHANGE Operations/Administration	Absence of facilities regarding waste segregation	500,000.00
DISASTER PREPAREDNESS	Lack of gender responsive evacuation plan	1,528, 149.00
Administration	Absence of client friendly access facility for pregnant women, men and women with children, elderly and persons with disability transacting business to and from the admin office	11,150,000.00
TOTAL		P14,030,000.00

We recommended that the Authority must strictly comply with the requirements of Joint Circular No. 2004-1, specifically, the GAD plans and budget and the GAD accomplishment report for CY 2012 should have been signed by the proper signatories as prescribed in the Annexes of the Joint Circular. We further recommend that the Authority must strictly disburse within the budget for the particular PAPs and henceforth plan properly to avoid the excess expenses. Also, the Authority must try their best to accomplish all the proposed PAPs for the year.

Area Center 9

In CY 2012, CAAP Area IX failed to formulate a GAD Plan so that funds were not allocated for the implementation thereof contrary to Section 29 of the General Provisions of the CY 2012 General Appropriations Act, thereby depriving the intended beneficiaries of the benefits of the Program

Pursuant to Executive Order No. 273, Approving and Adopting the Philippine Plan for Gender Responsive Development, (1995-2025), agencies are mandated to institutionalize Gender and Development (GAD) efforts in government by incorporating GAD concerns in their planning, programming and budgeting processes. It also mandates agencies to incorporate and reflect GAD concerns in their annual budget proposals and work and financial plans.

Section 29 of the General Provisions of the General Appropriations Act of CY 2012 provides, in substance, that all government agencies shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement applicable provisions in the Convention on the Elimination of All Forms of Discrimination Against Women. The cost of implementing the GAD Plan shall be at least five percent (5%) of the agency's total FY 2012 budget appropriations.

The development of the GAD Plan shall, accordingly, proceed from the conduct of gender analysis, the generation and review of sex-disaggregated data, and consultations with gender advocates and women clientele. Its implementation shall contribute to the poverty alleviation, the economic empowerment of marginalized women, the protection, promotion, and fulfilment of women's rights, and the practice of gender-responsive governance.

This audit year 2012, the Area Center failed to formulate a Gender and Development (GAD) Plan and has not allocated any amount thereof. According to Budget personnel, last CY 2011 the GAD Plan and budget therefore was prepared and provided by CAAP Head Office. When they accordingly made a query on the subject, the GAD In-charge said that in CY 2012 the Area Center failed to submit a Program for GAD.

Area Center's non-formulation of a GAD Plan deprived the intended beneficiaries of the Program.

We recommended that the Area Center should formulate a GAD Plan each year and strictly implement the same in compliance with the related section of the General Provisions of the General Appropriations Act. Funds equivalent to at least 5% of the total budget appropriations must be allocated for the purpose.

15. STATEMENT OF SUSPENSIONS, DISALLOWANCES AND CHARGES

Head Office

For CY 2012, we have issued sixteen (16) Notices of Suspension in the total amount of P95.236 million and three (3) Notices of Disallowance in the total amount of P1.935 million.

Details are shown in the Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2012:

	Beginning Balance (As of Dec. 31, 2011)	This Period Jan. 1 to Dec. 31, 2012		Ending Balance (As of Dec. 31, 2012)
		NS/ND/NC	NSSDC	
Notice of Suspension	3,932,846.22	95,236,355.15	6,500,287.70	92,668,913.67
Notice of Disallowance	1,102,956.47	1,935,000.00	-	3,037,956.47
Notice of		-	-	

	Beginning Balance (As of Dec. 31, 2011)	This Period Jan. 1 to Dec. 31, 2012		Ending Balance (As of Dec. 31, 2012)
		NS/ND/NC	NSSDC	
Charge	-			-
Total	5,035,802.69	97,171,355.15	6,500,287.70	95,706,870.14

Prior years' disallowances as of December 31, 2012 as recorded in the books as Receivables–Disallowances/Charges amounted to P26.148 million. These audit disallowances were issued to then Air Transportation Office (ATO) employees and remained outstanding for more than two years. It was further disclosed that subsidiary records for some audit disallowances were not maintained thus collecting the same could not be implemented. Accordingly, the observation and recommendation were reiterated this year.

Area Centers

As of December 31, 2012, the balance of the Notices of Suspension and disallowance follows:

Area Center	As of December 31, 2012	
	Notice of Suspension	Notice of Disallowance
Area Center I	-	69,598.00
Area Center II	-	-
Area Center III	-	-
Area Center IV	2,343,660.73	37,686.04
Area Center V	4,425,217.20	7,324,227.96
Area Center VI	-	52,182.47
Area Center VII	1,065,487.00	341,615.59
Area Center VIII	-	1,051,419.99
Area Center IX	52,502,007.12	2,380,186.52
Area Center X		1,250,000.00
TOTAL	60,336,372.05	12,506,916.57