

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 105 prior years' audit recommendations, 36 were fully implemented/reconsidered, 54 were partially implemented, and 15 were not implemented by Management, as shown below:

Reference	Observations	Recommendations	Status of Implementation
2020			
Observation No. 1 page 55	The balance of Property and Equipment (PE) account amounting to P80.337 billion is doubtful due to: a) non-conduct of physical count and/or non-submission of report on the physical count of PE costing P28.648 billion; b) unreconciled variance between the balances of accounting and property records in CAAP Head Office (CAAP-HO) and Area Center (AC) IV amounting to P5.320 billion; c) non-maintenance of PPE Ledger Cards and Property Cards; d) erroneous recording of some transactions to PE account amounting to P18.937 million; e) non-capitalization of major repairs of P1.496 million and other unrecorded PE in AC XII; and f) non-derecognition of unserviceable PE with a net book value of P7.552 million.	Management to instruct the: a. Respective Supply Divisions/Inventory Committees to conduct a complete physical count of PE and submit to the Auditor, the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) pursuant to COA Circular No. 80-124 dated January 18, 1980. In conducting the physical count, the provisions of COA Circular No. 2020-006 for the one-time cleansing of PE account balances should be considered; b. Accounting Division and Supply Division of CAAP-HO and AC IV, to reconcile the receipts and issuances of property/ies, determine the cause of the variances, and effect the proper adjustments/corrections; c. Accounting Division/Units and Supply Office of	Partially Implemented Physical count of properties for CAAP-HO and ACs were not completed. Reiterated in Observation No. 1 of this report. Partially Implemented For AC IV, the Management conducted the inventory-taking at year-end, however, the reconciliation with the GL was not yet completed. Reiterated in Observation No. 1 of this report. Partially Implemented

Reference	Observations	Recommendations	Status of Implementation
		<p>CAAP-HO and ACs to maintain updated/complete Property, Plant, and Equipment Ledger Cards (PPELCs) and Property Cards (PCs), and to regularly reconcile their records;</p> <p>d. Accounting Division of CAAP-HO to make the necessary adjusting entries for the erroneously recorded transactions of P18.937 million;</p> <p>e. Accounting Unit of AC XII to prepare the necessary adjusting entry to capitalize the major repairs of P1.496 million and to exert efforts to obtain the records and documents on the repair of the Siargao Airport Extension and the donation of K9 dogs, and expedite its appraisal, and recording in the books; and</p> <p>f. Supply Officer of CAAP-HO to report all the unserviceable properties in the Inventory and Inspection Report of Unserviceable Property (IIRUP) and initiate its proper disposal. Likewise,</p>	<p>Non-maintenance of updated/complete PPELCs and PCs in CAAP-HO and ACs</p> <p>Reiterated in Observation No. 25 of this report.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 1 of this report.</p> <p>Partially Implemented</p> <p>Major repairs amounting to P1.496 million and the donated K9 dogs were already recorded; however, the transferred property from Department of Transportation (DOTr) pertaining to Siargao Airport Extension remained unrecorded.</p> <p>Reiterated in Observation No. 1 of this report.</p> <p>Partially Implemented</p> <p>The Supply Division provided the IIRUP and initiated the disposal of properties; however, properties were not yet derecognized in the CAAP-HO books.</p>

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		<p>direct the Accounting Division to prepare the necessary adjusting entries to derecognize the unserviceable properties from the books of accounts.</p>	<p>Reiterated in Observation No. 1 of this report.</p>
<p>Observation No. 2 page 59</p>	<p>The balance of Accounts Receivable amounting to P4.700 billion is unreliable due to: a) variance of P1.688 billion between the balances per General Ledger (GL) and Subsidiary Ledger (SL); b) existence of past due accounts aged more than one year totaling P4.484 billion; c) unbilled Air Navigational Charges (ANCs) for transient/non-scheduled flights amounting to P20.184 million; d) discrepancies and over/under billing of ANCs for scheduled flights with a net overstatement of P19.939 million; e) variance of P138.062 million between the SL balances and the amount confirmed by the 11 airline companies; f) unsupported prior years' adjustment amounting to P4.056 million; and g) negative balance of P1.953 million due to erroneous recording</p>	<p>Management to instruct the:</p> <ol style="list-style-type: none"> 1. The Chief Accountant and/or AC Accountants: <ol style="list-style-type: none"> a. To analyze the variances between the GL and the SL balances and prepare the necessary adjusting entries; b. To send demand letters and/or Statement of Accounts (SOA) to all the clients with unpaid balances; and thereafter, initiate the regular issuance of SOA at least every quarter, in addition to the monthly billing statements for periodic reconciliation of records; c. To require client's submission of Remittance Advice for every payment made via 	<p>Partially Implemented</p> <p>Reconciliation of accounts are still ongoing.</p> <p>Reiterated in Observation No. 3 of this report.</p> <p>Partially Implemented</p> <p>Several demand letters and SOA were issued by CAAP-HO thru the Enforcement and Legal Services Division.</p> <p>The enforcement of the collection of outstanding receivables was reiterated in Observation No. 3 of this report.</p> <p>Partially Implemented</p> <p>The Accounting Division introduced revisions to the template of the Billing</p>

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	of advance/overpayments.	<p>telegraphic/bank transfer and compel them to specify the corresponding reference billing statements that have been paid/settled;</p> <p>d. To continue the reconciliation/ documentation of the P1.323 billion PAL accounts to facilitate the filing of the request for condonation should Management pursue its request;</p> <p>e. To reconcile the variances between accounting records and confirmation replies and coordinate with both the client's current and previous local ground handlers/ airline operators;</p> <p>f. To regularly update the client's SL and indicate the latest and specific airline legal addresses and/or the local operator's/ handler's contact information;</p> <p>2. The Flight Standards Inspectorate Service (FSIS):</p>	<p>Statement that required the clients' submission of proof of payment and billing reference numbers for every payment made.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 21 of this report.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 3 of this report.</p> <p>Partially Implemented</p> <p>Gathering of updated clients' contact information is still ongoing.</p>

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		<p>g. To submit to the Accounting Division /Billing Section the necessary data to identify the respective operators/ground handlers of the airline companies from the list of unbilled flights to which the Operational Flight Permits (OFPs) for CYs 2019 and 2020 have been duly issued;</p> <p>h. To regularly submit a monthly summary report to serve as additional reference in the preparation of billing statements for the current and succeeding year's issuance of OFPs;</p> <p>3. The Accounting Division and/or Billing Section:</p> <p>i. To immediately act on the data to be provided by the FSIS; expedite the preparation and sending out of the billing statements to the concerned airline companies for the unbilled flights amounting to P20.184 million;</p>	<p>Fully implemented</p> <p>Not implemented</p> <p>No summary report in an encoded form was submitted. Only the scanned copies of approved letters for application of OFPs were provided.</p> <p>Partially Implemented</p> <p>Billing Unit currently traces the flight details of unbilled income in the submitted approved letters for application of OFPs.</p> <p>Reiterated in Observation No. 8 of this report.</p>

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		<p>j. To prepare the necessary adjusting entries for the discrepancies and over/under billings of Air Navigational Charges (ANCs) with a net overstatement of P19.939 million;</p> <p>k. To assign additional personnel to tediously review and recheck the accuracy of data in the billing statements in order to avoid the recurrence of errors;</p> <p>4. The Accountant of AC V to locate/trace the Journal Entry Voucher/s and the supporting documents on the adjustment/ deduction made from the Accounts Receivable amounting to P4.056 million otherwise, restore the said amount to AR, if the adjustment cannot be documented; and</p> <p>5. The Area Center Accountants of ACs V & VI to analyze the abnormal/negative balances and prepare the</p>	<p>Partially Implemented</p> <p>The adjustment for the overstatement of recorded income was already made under JEV No. 21-07-059.</p> <p>Over and under billings for CYs 2019 - 2021 were reiterated in Observation No. 8 of this report.</p> <p>Fully implemented</p> <p>Not implemented</p> <p>Reiterated in Observation No. 3 of this Report.</p> <p>Fully implemented</p>

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		appropriate adjusting entries.	
<p>Observation No. 3 page 69</p>	<p>The balance of Construction in Progress (CIP) account of P1.630 billion is overstated by P504.928 million covering the cost of the 24 completed projects recorded in CAAP-HO books which were not reclassified to its respective Property and Equipment account. Moreover, the validity, accuracy, and valuation of the CIP balance of P26.372 million in AC IX could not be ascertained due to inadequate accounting records to validate ongoing and completed projects.</p>	<p>Management to direct the:</p> <p>a. CAAP-HO Chief Accountant to prepare the adjusting entries for the reclassification of the 24 completed projects amounting to P504.928 million, including the provision for depreciation expense and other affected accounts;</p> <p>b. Aerodrome Development and Management Service (ADMS) to facilitate the issuance of the Certificate of Final Acceptance for the nine completed projects with cost totaling P87.008 million; and</p> <p>c. AC IX Accounting unit to locate pertinent records to support prior years' CIP accounts and closely monitor the account thru the maintenance of updated subsidiary ledgers and other accounting records.</p>	<p>Partially Implemented</p> <p>13 out of 24 projects were already adjusted.</p> <p>Reiterated in Observation No. 2 of this Report.</p> <p>Fully Implemented</p> <p>Partially Implemented</p> <p>Management is currently reconciling the CIP account.</p> <p>Reiterated in Observation No. 2 of this Report.</p>
<p>Observation No. 4 page 73</p>	<p>The existence of Inventories totaling P116.045 million and the accuracy and</p>	<p>Management to direct the:</p>	

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	<p>reliability of the balance cannot be ascertained due to:</p> <p>a) the variance between accounting and property records amounting to P42.758 million;</p> <p>b) the non-maintenance of Supplies Ledger Cards (SLC) and Stock Cards (SC); and</p> <p>c) various accounting errors and misstatements.</p>	<p>a. Accounting Division and Supply Division of CAAP-HO and ACs III, V, VIII, and IX to conduct a thorough validation and reconciliation of the property and accounting records to establish the true balance of the inventory accounts;</p> <p>b. Accounting Division of CAAP-HO and ACs III, V, VIII, and IX to prepare and maintain SLCs for all inventory items /accounts and regularly coordinate and reconcile with the Supply Division; and</p> <p>c. Chief Accountant of the CAAP-HO and the Accountant-in-Charge of ACs VI and VIII to prepare the necessary adjusting entries for the errors and misclassifications in the Medical, Dental and Laboratory Supplies Inventory (MDLSI), Office Supplies Inventory, Accountable Forms Inventory (AFI), Fuel, Oil and Lubricants Inventory (FOLI), and Other Supplies and Materials Inventory (OSMI) accounts.</p>	<p>Partially Implemented</p> <p>Only AC IX conducted reconciliation of records.</p> <p>Reiterated in Observation No. 5 of this report.</p> <p>Partially Implemented</p> <p>CAAP-HO, ACs III, V, VIII, and IX are now maintaining SLCs for some inventory items.</p> <p>Reiterated in Observation No. 5 of this report.</p> <p>Partially Implemented</p> <p>CAAP-HO only adjusted the misstatement of the FOLI account thru JEV#F-21-07-075 dated July 31, 2021.</p> <p>Reiterated in Observation No. 5 of this report.</p>

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<p>Observation No. 5 page 77</p>	<p>The existing processes and procedures adopted by the Authority in accounting and recording of Fuel, Oil, and Lubricants in CAAP-HO result in errors and misstatements of account balances and do not ensure safeguard from wastage, theft, or misappropriation. Likewise, the advance payments made to its supplier for fuel, oil, and lubricants were not in accordance with the provisions of Republic Act (RA) No. 9184.</p>	<p>a. Accounting Division (AD) to immediately stop the practice of reclassifying advances to supplier to inventory without the necessary supporting documents;</p> <p>b. Air Navigation Service (ANS) and Flight Inspection and Calibration Group (FICG), thru the Supply Division, to submit all delivery receipts, invoices, inspection and acceptance reports, Generators Operation Record and Fuel Report (GORFR) and Report of Supplies and Materials Issued (RSMIs) or its equivalent record to the Accounting Division for the proper recording of deliveries and issuances;</p> <p>c. AD and the Supply Division to coordinate with the ANS and FICG and reconcile its records to correct the erroneous recording in the books and correct the balances of the</p>	<p>Fully Implemented</p> <p>Partially Implemented</p> <p>Supporting documents were submitted to the AD in June 2022 for evaluation and subsequent preparation of the necessary adjusting entries.</p> <p>Reiterated in Observation No. 5 of this report.</p> <p>Partially Implemented</p> <p>AD partly corrected the issue through JEV#F-21-07-075 dated July 31, 2021. However, reconciliation of records has yet to be conducted.</p>

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		<p>FOLI, FOL expenses and Other Prepayment accounts;</p> <p>d. ANS to submit to the Audit Team for evaluation, the necessary documents to support the transfer of fuel from one facility to another as well as the documents explaining the nature of various deductions in the GORFR totaling 10,897.72 liters;</p> <p>e. ANS to provide basis and/or justifiable reasons as to why some vehicles were allowed to load fuel from the generators /power plants maintained by them and submit documents to support its usage to the Audit Team for review; and</p> <p>f. Accounting Division to exhaust the remaining prepaid balance to Petron by charging therefrom the succeeding requests of the ANS/FICG for diesel and aviation fuel and henceforth, refrain</p>	<p>Reiterated in Observation No. 5 of this report.</p> <p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

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		<p>from making advance payments for the needed fuel and oil in compliance with the provisions cited under the RIRR of RA No. 9184.</p>	
<p>Observation No. 6 page 82</p>	<p>The balance of Accounts Payable (AP) of P738.789 million is overstated due to:</p> <p>a) inclusion of withholding taxes totaling P21.510 million; and</p> <p>b) dormant/long outstanding payables amounting to P2.706 million.</p>	<p>Management to instruct the Chief Accountant to:</p> <p>a. Strictly comply with BIR Revenue Memorandum Circular (RMC) No. 10-2018 dated January 31, 2018, and effect the necessary adjustments in the books of accounts to recognize the withholding taxes erroneously recorded in the Accounts Payable account; and</p> <p>b. Remit to the BIR the withholding taxes that the Accounting Division failed to recognize in the books.</p> <p>For AC V, Management to prepare the necessary adjusting entries to revert to <i>Retained Earnings</i> the AP which have remained outstanding for more than two years and correct the erroneous accruals to AP and related asset and expense accounts.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p> <p>Fully Implemented</p>

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<p>Observation No. 7 page 84</p>	<p>The balance of Other Receivable account amounting to P67.340 million, is unreliable due to:</p> <p>a. erroneous recording of collections amounting to P9.483 million to Other Receivable account instead of Other Service Income account;</p> <p>b. doubtful/unverified prior years' receivable balances from Airline Carriers/Operators amounting to P28.382 million; and</p> <p>c. previous years' balances totaling P7.267 million which could not be accounted due to non-maintenance of subsidiary ledgers.</p>	<p>Management to instruct the Chief Accountant to:</p> <p>a. Prepare the adjusting entry for the collections of the current year's billings of P9.483 million which was erroneously credited to <i>Other Receivables</i> account instead of <i>Other Service Income</i> account;</p> <p>b. Fast track the reconciliation for DSA billings issued in CY 2016-2019 and prepare the necessary adjustments in the books; and</p> <p>c. Identify/trace the details and nature of transactions of the P7.267 million unaccounted balances in the books, maintain the corresponding subsidiary ledgers, and determine whether these receivables are still collectible.</p>	<p>Fully implemented</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 12 of this report.</p> <p>Not implemented</p> <p>Reiterated in Observation No. 12 of this report.</p>
<p>Observation No. 8 page 86</p>	<p>The balance of P15.607 million of the Advances to Contractors account is overstated by P4.409 million due to</p>	<p>Management to direct the Accounting Division to:</p> <p>a. Prepare the necessary adjusting</p>	<p>Fully Implemented</p>

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	<p>the erroneous recording of transactions. The said balance also includes dormant and/or unrecouped advances for completed and terminated projects totaling P2.147 million, thus affecting the reliability of the account balance.</p>	<p>entries to correct the net overstatement of P4.409 million of the Advances to Contractors account;</p> <p>b. Verify/validate the correctness/ existence of the advances that were carried over from the Air Transportation Office (ATO) books; and</p> <p>c. Coordinate with the Aerodrome Development and Management Service (ADMS) and/or other concerned offices regarding the status of the two projects, and prepare the adjustments in the books, if necessary.</p>	<p>Partially Implemented</p> <p>Advances related to ATO balances are still reflected in books.</p> <p>Reiterated in Observation No. 20 of this report.</p> <p>Reconsidered</p> <p>Reiterated in Observation No. 20 of this report with changes in audit recommendations.</p>
<p>Observation No. 9 page 88</p>	<p>The Customer's Deposits Payable account of AC VI is overstated by P1.810 million due to misclassification of advance payments by the Accountant, thus understating the Unearned Revenue/ Income-Investment Property.</p>	<p>The Area Accountant of AC VI to review/analyze the accounts, as well as, the propriety of reclassification entries prior to posting in the Subsidiary Ledger and prepare adjusting entries on the noted errors.</p>	<p>Fully Implemented</p>
<p>Observation No. 10 page 89</p>	<p>The balance of the Advances to Special Disbursing Officer (SDO) account totaling P1.877 million</p>	<p>Management to instruct the Chief Accountant to prepare the necessary adjusting entries to reflect the true balance</p>	<p>Fully Implemented</p>

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	is overstated by P0.620 million due to various accounting errors and misstatements in CAAP-HO books.	of the affected accounts, and henceforth, ensure reliable and accurate financial records.	
Observation No. 11 page 90	The Due to National Government Agencies (NGAs) account includes long outstanding and unsupported accounts and transactions of the ATO amounting to P59.141 million rendering the balance of the account unreliable.	<p>Management to direct the Chief Accountant to:</p> <ol style="list-style-type: none"> a. Take appropriate actions to locate the documents for the fund transfer, including, coordination with the DOTr's Accounting Division to identify the details of the projects; b. Seek the assistance of the ADMS to determine the existence/status of the projects; and c. Prepare the necessary adjusting entries in the books of the Authority. 	<p>Partially Implemented</p> <p>Reiterated in Observation No. 11 of this report.</p> <p>Reconsidered</p> <p>Reiterated in Observation No. 11 of this report with changes in audit recommendations.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 11 of this report.</p>
Observation No. 12 page 91	The non-monitoring and non-reconciliation of advances to Procurement Services of the Department of Budget and Management (PS-DBM) resulted in an unaccounted discrepancy of P11.673 million between CAAP-HO and PS-DBM's	<p>Management to:</p> <ol style="list-style-type: none"> 1. Direct the Chief Accountant to: <ol style="list-style-type: none"> a. Coordinate and reconcile CAAP records with PS-DBM, trace the cause/s of the P11.673 million discrepancy and make the necessary 	<p>Not Implemented</p> <p>Records of CAAP were still not reconciled with the records of PS-DBM.</p>

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	<p>records rendering the balance of Due from NGAs account of P52.659 million unreliable. Likewise, the account includes dormant and undocumented balances totaling P22.971 million.</p>	<p>adjusting entries in the books;</p> <p>b. Properly monitor subsequent fund transfers to PS-DBM by keeping track of each Agency Procurement Requests (APRs) and corresponding deliveries, and apply the excess advances to succeeding APRs and/or immediately request for a refund; and</p> <p>c. Adhere to the processes and procedures required under COA Circular No. 2016-005 particularly on the conduct of regular and periodic reconciliation of the account balances.</p> <p>2. Take appropriate action to settle/clear the ATO balances by exerting effort in locating/tracing the records and documents and/or by verifying/confirming the balances with concerned NGAs. If warranted, submit a request for write-off of the accounts to COA, following the procedures and requirements prescribed under COA Circular No.</p>	<p>Reiterated in Observation No. 17 of this report.</p> <p>Not Implemented</p> <p>Monitoring of fund transfers to PS-DBM was not maintained.</p> <p>Reiterated in Observation No. 17 of this report.</p> <p>Not Implemented</p> <p>Fund transfers to PS-DBM remained to be unmonitored and unreconciled.</p> <p>Reiterated in Observation No. 17 of this report.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 13 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
		2016-005 dated December 19, 2016.	
Observation No. 13 page 93	The existence of dormant balances of the Due from Local Government Units (LGUs) and Deposit on Letters of Credit accounts in CAAP-HO amounting to P4.932 million and P18.332 million, respectively, resulted in the overstatement of current assets and non-current assets by the same amount.	<p>Management to direct the Accounting Division to:</p> <ul style="list-style-type: none"> a. To coordinate/confirm with the Provincial Government of Misamis Oriental regarding the unliquidated fund transfer, and if existing in their books, demand for its liquidation; if not, submit a request for write-off to COA, following the guidelines provided under COA Circular No. 2016-005 dated December 19, 2016; b. To provide an allowance for impairment on the Due from LGUs and Deposit on Letters of Credit accounts; and c. To exert more effort and/or explore other avenue to obtain data/information on the balance of the Deposits on Letters of Credit. 	<p>Partially Implemented</p> <p>CAAP has requested from the Provincial Government of Misamis Oriental the documents regarding the utilization of funds.</p> <p>Reiterated in Observation No. 13 of this report.</p> <p>Fully Implemented</p> <p>Partially Implemented</p> <p>The Accounting Division tried inquiring with the depository banks of CAAP as to the existence of these deposits, however, the banks cannot confirm due to lack of information.</p> <p>Reiterated in Observation No. 14 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
<p>Observation No. 14 page 95</p>	<p>The correct balances of the three liability accounts – Guaranty Deposits Payable, Due to Officers and Employees and Other Payables amounting to P190.060 million, P71.787 million, and P54.745 million, respectively, could not be ascertained due to the absence of complete and updated subsidiary ledgers in CAAP-HO and AC V totaling P161.947 million and P8.021 million, respectively.</p>	<p>Management to instruct the Accounting Division to:</p> <ul style="list-style-type: none"> a. Prepare complete and up-to-date subsidiary ledgers on the above accounts of CAAP-HO and AC V; b. Submit to the Audit Team for review, the Aging Schedules of the accounts – Due to Officers and Employees, Guaranty Deposits Payable and Other Payables of AC V; and c. Reconcile the SL and GL balances of the accounts. 	<p>Partially Implemented</p> <p>Incomplete SL for CAAP-HO (GDP) and AC V, was not able to maintain complete and up-to-date SLs for the three liability accounts.</p> <p>Reiterated in Observation No. 4 of this report.</p> <p>Partially Implemented</p> <p>Recurring in CY 2021 audit for Due to Officers and Employees, Guaranty Deposits Payable, and Other Payables.</p> <p>Reiterated in Observation No. 4 of this report.</p> <p>Partially Implemented</p> <p>Completing and updating the SLs of the accounts are currently in progress.</p> <p>Reiterated in Observation No. 4 of this report.</p>
<p>Observation No. 15 page 97</p>	<p>The share of the Office of the Transportation Security on CAAP's collections from terminal fees as required under Executive Order (EO)</p>	<p>Management to immediately remit the amount of P1.752 million to the Bureau of the Treasury (BTr) as required under EO No. 30.</p>	<p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	No 30, amounting to P1.752 million pertaining to CY 2012 remained unremitted as of December 31, 2020.		
Observation No. 16 page 98	As of December 31, 2020, CAAP barely completed 16 out of the 86 airport projects downloaded by the Department of Transportation (DOTr) from CY 2016 to CY 2018, implying the Authority's poor performance in the implementation of the Projects. The delayed completion of projects deprived the public of the prompt use or benefit that could have been derived from its timely completion, including loss of income opportunity for CAAP and/or the government. Moreover, timelines of procurement activities prescribed in Annex C of the RIRR of RA No. 9184 were not observed.	<p>Management to strictly adhere to the pertinent provisions of the RIRR of RA No. 9184 in all its procurement activities. Moreover, Management should direct the:</p> <ul style="list-style-type: none"> a. Project Management Division/ Procurement Division /BAC and/or other concerned offices to effectively monitor the status of the projects, fast track its implementation/completion, and strictly observe the timelines of the procurement activities provided in Annex C of the RIRR; b. Project Management Division to facilitate the preparation of the Program of Work, detailed engineering and related documents of the 27 projects still under the pre-procurement stage; c. Procurement Division to create a database specifically for downloaded projects for effective monitoring of the projects; 	<p>Partially Implemented</p> <p>Reiterated in Observation No. 35 of this report.</p> <p>Partially Implemented</p> <p>With noted improvement on the status of these 27 projects subject for monitoring of the Audit Team.</p> <p>Fully Implemented</p>

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		<p>d. Project Management Division/ Aerodrome Development & Management Service to initiate immediate appropriate action on suspended projects, to cause/facilitate its early resumption or resolution;</p> <p>e. Project Management Division/ Procurement Division to conduct the pre-procurement planning judiciously and strictly adhere to Section 17.6 and Section 20 of the RIRR of RA No. 9184; and</p> <p>f. Management to assess the adequacy and capability of the Authority's present technical personnel in handling/supervising the projects, and if necessary, augment the existing manpower to expedite the procurement and project implementation.</p>	<p>Partially Implemented</p> <p>Reiterated in Observation No. 38 of this report.</p> <p>Partially Implemented</p> <p>Reiterated in Observation No. 38 of this report.</p> <p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
<p>Observation No. 17 Page 104</p>	<p>Management's non-enforcement of the timely collection of fees and charges as provided under existing CAAP Circulars, Concession Manual and contracts led to the accumulation of receivables with SL balance totaling P6.395 billion which may now result in the loss of income to the Authority given the present crisis faced by the business/aviation industry due to the COVID-19 pandemic. Moreover, the lack of adequate guidelines/policies to ensure that Air Navigational Charges (ANCs) are properly billed, collected, and recorded in the books also contributed to the accumulation of unbilled/uncollected ANCs.</p>	<p>Management to:</p> <p>a. Intensify the enforcement of collection by strictly implementing the provisions of CAAP Circular No. 03-11 dated April 11, 2011, CAAP Concession Manual and/or stipulations stated in the concession/lease contracts and initiate the appropriate legal remedies, if necessary; and</p> <p>b. Revisit CAAP Circular No. 03-11, series of 2011, and/or issue another circular/s prescribing the rules, procedure and processes in the billing, collection, and recording of the income from ANC.</p>	<p>Partially Implemented</p> <p>Several demand letters and SOA were issued by CAAP-HO thru the Enforcement and Legal Services Division.</p> <p>Enforcement on collection of outstanding receivables was reiterated in Observation No. 3 of this report.</p> <p>Reconsidered</p> <p>Reiterated in Observation Nos. 3 and 8 of this report with changes in audit recommendations.</p>
<p>Observation No. 18 page 106</p>	<p>Management needs to revisit and introduce amendments to its guidelines on the integration of the Domestic Passenger Service Charge in the cost of the airline ticket in view of the amended guidelines of its counterpart agency – Manila International Airport</p>	<p>Management to review/revisit the rules and regulations embodied in the CAAP Memorandum Circular No. 022-17 and introduce revisions thereto, taking into consideration the changes implemented by MIAA on its Passenger Service Charge (PSC) integration guidelines.</p>	<p>Fully Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>Authority (MIAA). Had CAAP immediately adopted the said amendments, it could have generated savings of not less than P9.700 million to the Authority.</p>		
<p>Observation No. 19 page 109</p>	<p>The validity and regularity of the investment made by the Authority to United Coconut Planters Bank (UCPB) under a Repurchase Agreement totaling P80 million recorded in the Other Investment account could not be ascertained due to the lack/absence of documents to support the transaction.</p>	<p>Management to instruct the Accounting Division to submit to the Audit Team for review, the duly-signed and notarized Repurchase Agreement and Repurchase Agreement Certificate and other relevant documentary requirements to support the validity and regularity of the transaction.</p>	<p>Partially Implemented</p> <p>Management has not yet submitted a certified true copy of the notarized UCPB Master Repurchase Agreement dated December 23, 2020. Although it is the UCPB who is in charge of the notarization, CAAP must obtain a notarized copy of the said document.</p>
<p>Observation No. 20 page 112</p>	<p>Payments to personnel of Service Provider under Institutional Contract of Service (COS) totaling P33.752 million covering payroll for the pay period March 16 to May 31, 2020, during the Enhanced/Modified Enhanced Community Quarantine (ECQ/MECQ) are not within the purview of Joint Circular No.1 dated March 9, 2020, of Commission on Audit (COA) and Department of Budget and Management</p>	<p>Management to:</p> <ol style="list-style-type: none"> a. Submit justification and/or legal bases, for evaluation of the Audit Team, for the payroll payment with noted deficiencies amounting to P33.752 million relative the services provided by the Institutional COS personnel; b. Require LSERV Corporation to submit the original copies of supporting documents for the pay period March 16 – May 31, 2020 to 	<p>Not Implemented</p> <p>Not Implemented</p> <p>Management is still collating the necessary supporting documents for submission to the Audit Team.</p>

Reference	Observations	Recommendations	Status of Implementation
	(DBM), rendering the regularity of the expenses/payment questionable.	<p>the Audit Team for review; and</p> <p>c. Direct the Accounting Division to ensure that all claims are duly supported with complete documentary requirements prior to processing and payment.</p>	Fully Implemented
Observation No. 21 page 117	The payments of hazard pay to the employees who physically reported to work during the implementation of the ECQ in Area Centers (ACs) IV, V, VI, and XII were insufficiently supported with documents required under the provisions of Administrative Order No. 26 dated March 23, 2020, thereby casting doubt on the validity and propriety of disbursement in the total amount of P2.655 million.	<p>Management instruct the Accounting-in-charge to:</p> <p>a. Submit to the Audit Team for evaluation the required documents to support the payment of hazard pay; and</p> <p>b. Check the completeness of the supporting documents and compliance with applicable rules and regulation of claims prior to processing the payment.</p>	<p>Fully Implemented</p> <p>Fully Implemented</p>
Observation No. 22 page 118	Rules and regulations on the granting, utilization, and liquidation of cash advances (CA) provided under COA Circular No. 97-002 dated February 10, 1997, were not observed by the Authority posing risk of possible loss or misuse of funds and	<p>Management to:</p> <p>1. Adhere to the provisions of COA Circular No. 97-002 in the grant and utilization of cash advances as follows:</p> <p>a. Direct the Accountable Officers (AO) with outstanding</p>	Partially Implemented

Reference	Observations	Recommendations	Status of Implementation
	<p>resulted in the accumulation of the balance of cash advances totaling P1.877 million as of December 31, 2020.</p>	<p>balances in CAAP-HO, ACs II, V, and IX to immediately liquidate their cash advances upon completion of the project/activity and immediately refund the excess amount, if any;</p> <p>b. Stop granting additional cash advance to AOs unless full settlement of the previous CA are made;</p> <p>c. Direct the Accounting Division to immediately take appropriate action on the liquidation reports submitted by the AOs, and/or complete the verification and recording within the 10-day period as required by the Circular, and forward the corresponding reports to the Office of the Auditor; and</p> <p>2. Adhere to the provisions of COA Circular No. 96-004</p>	<p>Existence of long outstanding cash advances to Special Disbursing Officers (SDOs) as of December 31, 2021.</p> <p>Reiterated in Observation No. 33 of this report.</p> <p>Partially Implemented</p> <p>The practice of granting additional CAs to SDOs with existing CAs is still prevalent.</p> <p>Reiterated in Observation No. 33 of this report.</p> <p>Fully Implemented</p> <p>Partially Implemented</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>on the grant and liquidation of cash advances for travel.</p>	<p>Accountable Officers are still liquidating their CAs beyond the prescribed period.</p> <p>Reiterated in Observation No. 33 of this report.</p>
<p>Observation No. 23 page 123</p>	<p>Disallowances and charges which have become final and executory in CAAP-HO totaling P6.730 million remained unsettled due to the laxity of management in enforcing its settlement or recovery as provided under Section 7.1 of COA Circular No. 2009 - 006 dated September 15, 2009.</p>	<p>Management to strictly adhere to the Rules and Regulations on the settlement of accounts prescribed under COA Circular No. 2009-006 by directing the:</p> <ul style="list-style-type: none"> a. Chief Accountant to withhold the salaries or any money due to persons liable who are still connected with CAAP for the settlement of their liabilities; and b. Concerned CAAP officials to initiate and exhaust all legal means to collect/recover the disallowances and charges, such as sending demand letters, filing of administrative/criminal actions in case of unjustified refusal to settle their liabilities, and/or other appropriate actions. 	<p>Fully Implemented</p> <p>Not Implemented</p> <p>Management was not able to provide a copy of the demand letter.</p>
<p>Observation No. 24 page 126</p>	<p>Copies of perfected contracts and their supporting documents were not submitted to COA</p>	<p>Management direct the concerned office/s to submit copy of the contracts with complete supporting documents</p>	<p>Not Implemented</p> <p>Reiterated in Observation No. 36 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
	<p>within five working days from its perfection, disregarding Sections 3.1.1 & 3.2.1 of COA Circular No. 2009-001, thereby preventing timely verification of the legality and propriety of the procurement activities completed.</p>	<p>within five days from its execution, as required in COA Circular 2009-001.</p>	
<p>Observation No. 25 page 127</p>	<p>Various provisions in the Revised IRR of RA No. 9184 were not complied by Area Centers (ACs) V, VI, VII, X, and XII, thus, there was no assurance that transparency, competitiveness, efficiency, and economy were observed in the procurement transactions of the Authority.</p>	<p>Management to direct the concerned BAC/Canvass Committees, procurement officers, and other concerned officials to strictly adhere to the provisions of RA No. 9184 and its RIRR in all procurement activities of the Authority, and implement/adopt policies and/or monitoring system that will ensure compliance with the procurement law.</p>	<p>Partially Implemented Reiterated in Observation No. 39 of this report.</p>
<p>Observation No. 26 page 130</p>	<p>The Authority was not able to comply with the mandatory budget requirement of allocating at least 5 per cent of its total Corporate Operating Budget for GAD Programs, Activities and Projects contrary to Section 36(a) of RA No. 9710 or the Magna Carta of Women.</p>	<p>Management to instruct the Chairperson, GFPS Executive Committee, to:</p> <p>a. Strictly observe the guidelines in the preparation of the GPB and henceforth ensure that at least five (5) per cent of the Corporate Operating Budget supports PAPs relative to Gender and Development; and</p>	<p>Not Implemented CAAP did not conduct GAD Planning and Budgeting for CY 2021. Reiterated in Observation No. 40 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
		<p>b. Conduct trainings to capacitate CAAP personnel in the HO and Area Centers in the use of the Harmonized Gender and Development Guidelines (HGDG) tool in assessing the gender-responsiveness of the Authority's major programs and activities and determine the percentage of the budget that can be allocated to the GPB.</p>	<p>Not Implemented</p> <p>Reiterated in Observation No. 40 of this report.</p>
<p>Observation No. 27 page 132</p>	<p>Non-institutionalization of GAD Database/Sex-Disaggregated Data casts doubt on whether the identified programs and activities of the Authority to address gender issues are truly reflective of the existing issues faced by its clients and employees.</p>	<p>Management to instruct the Human Resource Management Office (HRMO) in coordination with the Chairperson, GFPS Executive Committee, to develop a GAD Database/Sex-Disaggregated Data and capacitate GAD GFPS on its use and importance to be able to aid the focal point in the determination of gender issues and corresponding actions to address it.</p>	<p>Fully Implemented</p>
<p>Observation No. 28 page 132</p>	<p>CAAP's GAD Focal Point System (GFPS) failed to submit to the PCW and COA the GAD Accomplishment Report (AR) for CY 2020 along with the complete supporting documentation contrary to Section 10 of PCW-NEDA-COA Joint Circular No.</p>	<p>Management to instruct the Chairperson, GFPS Executive Committee, to submit to the PCW and COA, for evaluation, the GAD AR along with all the necessary supporting documents as required by the PCW-NEDA-COA Joint Circular No. 2012-01.</p>	<p>Not Implemented</p> <p>CAAP failed to submit GAD AR for CY 2021.</p> <p>Reiterated in Observation No. 40 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
	2012-01, thereby precluding the Audit Team from ascertaining the degree of compliance of the GAD AR against the GPB.		
2019			
Observation No. 1 page 54	The balance of Accounts Receivable account amounting to P4.770 billion is unreliable due to a) existence of past due accounts of P1.662 billion ranging from more than 1 year to 19 years; b) variance amounting to P1.293 billion between the balance per General Ledger and Subsidiary Ledger; c) erroneous recording of advance payments amounting to P169.414 million; and d) variance between the accounting records and confirmation replies from 124 selected debtors amounting to P304.102 million.	Management to instruct the Chief Accountant to request for write-off of dormant balances in the Accounts Receivable account.	Reconsidered Reiterated in Observation No. 3 of this report with changes in audit recommendations.
Observation No. 4 page 66	The practice of recording requests for inspection for the issuance of aircraft/airmen certificates as income prior to the satisfaction of performance obligations of the Authority is not in accordance with	Management to instruct the Chief Accountant to: a. Strictly abide by the guidelines set under PFRS 15 when recognizing income from issuance of aircraft/airmen certificates;	Partially implemented The practice of immediate recording of request for inspection as receivable and income had already stopped.

Reference	Observations	Recommendations	Status of Implementation
	<p>Philippine Financial Reporting Standard (PFRS) 15 on Revenue from Contracts with Customers resulting in the overstatement of both the Other Receivables account as well as the Miscellaneous Income account by P42.424 million.</p>	<p>b. Coordinate with the CAAP-Flight Standards Inspectorate Service (FSIS) to create a formal and documented process on the recording of income arising from requests for inspection/certification from airmen/airline. This is to ensure that necessary documents at the time of fulfilment of the performance obligation of CAAP are duly and timely submitted to the Accounting Division for recording purposes. The Internal Audit Service shall review the process to ensure that controls are in place and that it is compliant with existing regulations; and</p> <p>c. Record cash received from operators as Other Unearned Revenue/Income until such time CAAP fulfills its performance obligation, which is to conduct the necessary inspection.</p>	<p>Reiterated in Observation No. 12 of this report.</p> <p>Reconsidered</p> <p>Reiterated in Observation No. 12 of this report with changes in audit recommendations.</p> <p>Not implemented</p> <p>Due to difficulties encountered in monitoring the fulfillment of performance obligation of all requests for inspection, the Accounting Division records receipt of cash directly as income.</p>

Reference	Observations	Recommendations	Status of Implementation
			Reiterated in Observation No. 12 of this report.
Observation No. 13 page 88	The reasonableness and propriety of transactions involving the procurement of fuel, oil and lubricant used in the operation of generators/power plants of the Authority cannot be ascertained due to the absence of a written contract with Petron Corporation.	Management to communicate with Petron Corporation and execute a contract to formally document the agreement between both parties as to the purchase of fuel, oil and lubricants by the Authority. The Management shall ensure the propriety of the contract and that it abides with existing laws, rules and regulations and the terms are not disadvantageous to the Government.	Fully implemented
Observation No. 15 page 91	The accuracy and reliability of the Accountable Forms, Plates and Stickers Inventory account with a balance of P145,160 could not be ascertained due to a) non-reconciliation between the accounting and property records; b) erroneous costing of inventory issuances and c) unrecorded inventories. Moreover, poor procurement planning resulted in the unnecessary purchase of accountable forms amounting to P1 million.	The Chief Accountant to prepare the necessary adjusting entries to reflect the correct balance of the affected accounts, including the recognition of Allowance for impairment for obsolete inventories.	Partially implemented Accounting Division is currently coordinating with the Supply Division and Area Centers to verify the records of Accountable Forms, Plates and Stickers Inventory and in order to recognize impairment loss on obsolete accountable forms. Reiterated in Observation No. 5 of this report.

Reference	Observations	Recommendations	Status of Implementation
Observation No. 18 page 100	The non-maintenance of subsidiary ledgers and the lack of monitoring and periodic reconciliation of audit disallowances, suspensions and charges cast doubt on the accuracy and reliability of the balance of the Receivables-Disallowances/Charges account.	Instruct the Chief Accountant to maintain and update subsidiary ledgers/records for each official/employee determined to be liable/responsible for the amount disallowed/charged/suspended as provided under COA Circular No. 2009-006.	Fully implemented
Observation No. 20 page 103	Cash advances granted to Special Disbursing Officers (SDOs) as well as to officers and employees for official travel amounting to P0.680 million and P2.897 million, respectively, remained unliquidated as of December 31, 2019 resulting in the understatement of expenses and overstatement of assets and Retained Earnings account and casts doubt on whether the purpose of the cash advances has been served.	<p>Management to:</p> <p>a. Delete the names of erring accountable officers who will fail to liquidate their cash advances despite the issuance of a written reminder/demand letter from subsequent payrolls until such time as their respective cash advances are fully liquidated. The Chief Accountant shall initiate the filing of administrative cases, as warranted, in accordance with the aforementioned CSC Memorandum Circular No. 23 s. 2019; and</p> <p>b. Direct the Administrative and Finance Service to revise the existing process to include/consider a</p>	<p>Partially Implemented</p> <p>Salary deductions were implemented; however, the cash advances were not yet fully recovered.</p> <p>Reconsidered</p> <p>Reiterated in Observation No. 33 of this report with</p>

Reference	Observations	Recommendations	Status of Implementation
		formal and documented process on the grant and liquidation of cash advances in consonance with existing laws, rules and regulations.	changes in audit recommendations.
Observation No. 24 page 111	CAAP Area Center (AC) II Management was not able to collect outstanding receivables for more than one year amounting to P1.281 million from the concessionaires/less ees. Moreover, the agency also failed to implement the collection policy on concession privilege fees as indicated in Section 3 Part IX and Sections 2 & 3 of Part XIII of Department Order (D.O.) 98-1178 re: Revised Schedule of Fees and Charges Alternate International Airports and National Airports.	<p>Management to:</p> <p>a. Send demand letters to the concessionaires/less ees with outstanding balances; and</p> <p>b. Exhaust all possible means to collect the receivables from the concessionaires/less ees.</p>	<p>Partially implemented</p> <p>AC II submitted Statement of Accounts (SOA) to CAAP-HO for consolidation of outstanding balances necessary for the issuance of demand letters.</p> <p>Partially implemented</p> <p>A Deed of Undertaking was executed by some of the clients who responded on the demand letters issued by the CAAP-HO.</p>
Observation No. 25 page 113	Absence of approved Contract of Lease of concessionaires in CAAP AC III resulted in uncollected income for CY 2019 in the amount of P2.4 million.	<p>Management to:</p> <p>a. Make a follow-up in securing copies of the Lease Contract Agreement from the CAAP-HO to be used as basis in enforcing the collection of receivables from concessionaires; and</p>	<p>Partially implemented</p> <p>The Business Development Division (BDD) of CAAP-HO constantly requests for submission of lacking requirements from Airport Concession-In-Charge (ACIC) and Concessionaires.</p>

Reference	Observations	Recommendations	Status of Implementation
		b. If the documents are obtained, cause the immediate issuance of billing statements to concessionaires for the 12-month outstanding lease payments and require them to settle their accounts within reasonable time.	Partially implemented BDD instructed ACIC to issue Demand Letters to Concessionaires based on Actual Occupancy pending submission of approved contracts.
Observation No. 28 page 120	The Cash in Bank, Local Currency Current Account maintained at the Philippine Veteran's Bank and Land Bank of the Philippines amounting to P1.185 million by AC VI Management had been idle for more than five years thus depriving the government of the economic benefits that could have been derived from its use had the same been plowed back to finance other priority development projects.	The AC VI cause the reversion of the idle cash thru the CAAP-HO.	Partially Implemented The Landbank account had already been closed and cash was reverted to CAAP-HO account. However, the year-end balance of Cash in Bank, Local Currency Current account amounting to P169,407, maintained with the Veteran's Bank as collateral for the employees' loan was not yet reverted to CAAP-HO account.
Observation No. 36 page 129	The non-compliance to Sections 2, 10 and 48 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 on the hiring of 46 consultants as of December 31, 2019 did not ensure that the contracts entered into by the Authority are the most	Management to: a. Create a formal hiring process and/or written guidelines in the hiring of consultants and direct the Internal Audit Service to review the process/guidelines to ensure the newly established process is in accordance with	Fully implemented

Reference	Observations	Recommendations	Status of Implementation
	<p>advantageous for the government. Moreover, the recording of the cost of services rendered by consultants and Contract of Service (COS) personnel is not in accordance with COA Circular No. 2020-002, thereby casting doubt on the reliability and accuracy of the financial statements.</p>	<p>the provisions of RA No. 9184 and its RIRR;</p> <p>b. Instruct the chief accountant to conduct reconciliation of the accounting records with the official records from the Human Resource Management Division (HRMD) for the misclassified transactions; and</p> <p>c. Adhere to the provisions of COA Circular No. 2020-002 by properly recording the transactions to the specific accounts based on its nature.</p>	<p>Not implemented</p> <p>No entry was made during the year to reconcile the misclassified accounts since Management maintained its position that the remuneration for the consultants was correctly recorded under Other Professional Services account since they are hired as Job Order/COS personnel. However, pertinent documents to support the claims are yet to be submitted to the Audit Team.</p> <p>Fully implemented</p>
<p>Observation No. 37 page 137</p>	<p>CAAP-Head Office, Area Centers (ACs) I, V, VI, IX and XII did not comply with certain provisions of the RIRR of RA No. 9184, thereby defeating the purpose of transparency, competitiveness and other control measures in the procurement of</p>	<p>Management to:</p> <p>a. Strictly comply with the guidelines set under RIRR of RA No. 9184; and</p>	<p>Partially implemented</p> <p>Non-compliance to various provisions of the RIRR of RA No. 9184 were still noted and reiterated in Observation No. 39 of this report.</p>

Reference	Observations	Recommendations	Status of Implementation
	infrastructure, goods and services.	b. Direct the Accounting Division, in coordination with ADMS, to re-compute the liquidated damages (LD) that should have been imposed to the contractors who failed to complete the delivery of goods and infrastructure projects within the specified completion period and deduct the same from any money due to such contractors or oblige them to pay in case their claim is less than the amount of LD.	Partially implemented Re-computation of liquidated damages by AC V Accountant is ongoing.
Observation No. 38 page 145	Fifty-seven (57) Contracts of Lease for Concessionaires of CAAP AC II were not signed by the Director General and were not duly notarized, thus, the contracts were not valid and binding; thereby, exposing the agency to the risk of not being indemnified of damages in case of breach by the contracting parties contrary to Section 2 of Presidential Decree No. 1445 otherwise known as the Government Auditing Code of the Philippines.	Director General of CAAP to review and approve all Contracts of Lease with the Concessionaires of AC II and have them notarized within reasonable time.	Partially implemented 36 out of 57 contracts were already approved.

Reference	Observations	Recommendations	Status of Implementation
<p>Observation No. 41 page 153</p>	<p>The Authority did not apply for Wastewater Discharge Permit relative to the installation of sewage treatment tanks as required under Republic Act No. 9275 or the Philippine Clean Water Act of 2004, which may result in the imposition of fines and penalties for non-compliance with the said Act. Likewise, the eight sewage treatment tanks with a total cost of P14.712 million remained unutilized resulting in the loss of government funds.</p>	<p>Management to:</p> <ol style="list-style-type: none"> a. Apply for Wastewater Discharge Permit from the Environmental Management Bureau (EMB) for the sewage treatment tanks and ensure compliance with RA No. 9275 or the "Philippine Clean Water Act of 2004"; and b. Request for analysis of effluents for said facilities to validate the effectiveness of the project and achievement of its purpose. 	<p>Partially implemented</p> <p>Personal follow-up was made to DENR-EMB for the said permits and accordingly, it is still in process. Furthermore, the AC XII will continue to monitor the said submission.</p> <p>Partially implemented</p> <p>Follow up with the EMB for the required wastewater discharge analysis.</p>