



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE POSTAL CORPORATION

For the Years Ended December 31, 2022 and 2021

PART I

AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Postal Corporation
Magallanes Drive, Liwasang Bonifacio
Ermita, Manila

Report on the Audit of the Financial Statements

Adverse Opinion

We have audited the financial statements of the **Philippine Postal Corporation (PHLPost)**, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended and statement of comparison of budget and actual amounts for the year ended December 31, 2022, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, because of the significance of the matters discussed in the *Bases for Adverse Opinion* section of our report, the accompanying financial statements do not present fairly the financial position of the PHLPost as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Adverse Opinion

The Property, Plant, and Equipment (PPE) account with carrying amount of P3.363 billion and P3.436 billion as of December 31, 2022 and 2021, respectively, included land assets totaling P1.231 billion without transfer certificates of title or legal documents and properties amounting to P199.082 million without supporting documents while land and buildings of undetermined amounts, where control is already with PHLPost, were not recognized due to the absence of supporting documents. Also, there is an unreconciled discrepancy of P1.781 billion and P1.083 billion as at December 31, 2022 and 2021, respectively, in the balance of the PPE between the accounting records and physical inventory report, contrary to the fair presentation requirement of IPSAS 1 – Presentation of Financial Statements. Due to the absence of documents to support the recognition of properties and the reconciliation of variances, we were unable to obtain sufficient appropriate evidence, nor were we able to apply alternative procedures, to determine the balance of PPE that should have been recognized as at December 31, 2022 and 2021.

The initial recognition of Accounts Receivable-Mail Remunerations (AR-MR) and Accounts Payable-Mail Remunerations (AP-MR) was based from the month-end spot exchange rate instead of the spot exchange rate at the date of the transaction or the average rate for a month, contrary to paragraph 25 of IPSAS 4 – The Effects of Changes in Foreign Exchange Rates which provides that average rate for a week or a month might be used for all transactions in foreign currency occurring during that period. Also, derecognition of collections and payments of international mails related to mail remunerations was at the translated amount using the spot exchange rate at the date of disbursement instead of its book value. Further, the revaluation of the accounts at year-end was inappropriate. Due to absence of updated subsidiary ledgers for AR-MR and AP-MR accounts, we were unable to determine by alternative procedures any adjustments that might have been necessary in respect of the balances of the AR-MR and AP-MR accounts in the amount of P1.556 billion and P954.899 million, respectively, as at December 31, 2022, and P1.382 billion and P1.431 billion, respectively, as at December 31, 2021. We were also unable to determine any adjustment to the balances of the related Gain/(Loss) on Foreign Exchange for the years then ended.

The balance of Intra-agency Payables of P1.160 billion and P972.285 million as at December 31, 2022 and 2021 pertain to the balance of P1.015 billion and P12.349 million as at December 31, 2022 and 2021 of the reciprocal accounts Due to Central Office and Due from Area Offices which remained unreconciled and not eliminated which is not in accordance with the fair presentation requirement of IPSAS 1. Also included under the account are non-reciprocal accounts amounting to P145.150 million and P959.936 million as at December 31, 2022 and 2021, respectively. Had these balances been reconciled and eliminated, the balance of Intra-agency Payables would be closed in the books as at reporting dates.

Further, we were unable to confirm or verify by alternative means the correctness of the Cash in Bank account included in the statements of financial position in the amount of P2.198 billion and P1.905 billion as of December 31, 2022 and 2021, respectively, due to unadjusted book reconciling items totaling P1.246 billion and P385.559 million as at December 31, 2022 and 2021, respectively, substantially representing prior years' balances.

As a result of these matters, we were unable to determine whether any adjustments is necessary in respect of the balances of Property, Plant, and Equipment, Receivables, Financial Liabilities, Intra-agency Payables and Cash in Bank as at reporting dates, and the related elements making up the statements of comprehensive income, statements of changes in net assets/equity, and statements of cash flows for the years ended December 31, 2022 and 2021.

We conducted our audits in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the PHLPost in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these ethical requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide bases for our adverse opinion.

Emphasis of Matter

We draw attention to Note 35 of the financial statements, which describes the effects of a fire that gutted the building in Liwasang Bonifacio, Manila and all records and files of all offices within the building were destroyed. The building and equipment damaged by fire are covered with insurance by the GSIS. Our opinion is not modified in respect of this matter.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PHLPost's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the PHLPost or to cease operations, or has no realistic alternative but to do so.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risk and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the PHLPost's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

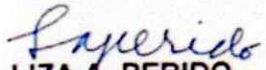
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PHLPost's ability to continue as a going concern. If we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

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

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 39 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not required part of the basic financial statements. Such supplementary information is the responsibility of Management. Because of the significance of the matters described in the Bases for Adverse Opinion paragraphs, it is inappropriate to, and we do not express an opinion on the supplementary information referred to above.

COMMISSION ON AUDIT


LIZA A. PERIDO
Supervising Auditor

June 21, 2023



Republic of the Philippines
Office of the President
Philippine Postal Corporation

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philippine Postal Corporation (PHLPost) is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the PHLPost's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the PHLPost or to cease operations, or has no realistic alternative but to do so.

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

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

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

VIDAL E. QUEROL
Chairman of the Board of Directors

June 21, 2023
Date Signed

ATTY. LORIAN D. ATAL
Officer-In-Charge

Office of the Assistant Postmaster General
For Administration and Finance

June 21, 2023
Date Signed

LUIS D. CARLOS
Acting Postmaster General
and CEO

June 21, 2023
Date Signed



PHILIPPINE POSTAL CORPORATION
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 and 2021

	<u>NOTE</u>	<u>2022</u>	<u>2021</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	4	2,545,694,229	2,231,945,773
Receivables	5	3,425,453,141	2,976,766,342
Inventories	6	196,385,729	167,562,198
Other Investments	7	1,215,336,482	1,433,365,937
Other Current Assets	8	138,446,166	144,567,736
Total Current Assets		7,521,315,747	6,954,207,986
Non-Current Assets			
Investments in Subsidiaries	7	5,302,123	5,302,123
Financial Assets	7	50,000,000	50,000,000
Property, Plant, and Equipment	9	3,362,580,445	3,435,867,084
Intangible Assets	10	55,707,575	21,689,611
Deferred Tax Assets	11	180,134,292	155,552,195
Other Non-Current Assets	12	466,402,409	465,784,629
Total Non-Current Assets		4,120,126,844	4,134,195,642
Total Assets		11,641,442,591	11,088,403,628
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	2,360,538,164	2,652,134,792
Inter-Agency Payables	14	602,809,915	582,259,975
Intra-Agency Payables	15	1,159,885,980	972,284,752
Trust Liabilities	16	1,042,257,543	844,475,786
Deferred Credits/Unearned Revenue	17	63,520,979	231,622,087
Provisions	18	1,545,769,124	319,419,113
Other Payables	19	17,320,258	63,190,299
Total Current Liabilities		6,792,101,963	5,665,386,804
Non-Current Liabilities			
Deferred Tax Liabilities	20	145,941,811	129,047,870
Other Payables	20	78,357,448	121,097,874
Total Non-Current Liabilities		224,299,259	250,145,744
Total Liabilities		7,016,401,222	5,915,532,548
Net Assets (Total Assets Less Total Liabilities)		4,625,041,369	5,172,871,080
NET ASSETS/EQUITY			
Government Equity	21	3,199,742,410	3,199,742,410
Accumulated Surplus	30	1,425,298,959	1,972,938,431
Revaluation Surplus	31	0	190,239
Total Net Assets/Equity		4,625,041,369	5,172,871,080

The notes on pages 11 to 59 form part of these statements.

PHILIPPINE POSTAL CORPORATION
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	<u>NOTE</u>	<u>2022</u>	<u>2021</u>
Revenue			
Service and Business Income	22	2,853,547,232	2,872,071,613
Assistance/Subsidy	36	515,256,000	520,256,000
Shares, Grants and Donations		575,000	2,595,000
Total Revenue		3,369,378,232	3,394,922,613
Current Operating Expense			
Personnel Services	24	(1,845,432,280)	(1,807,628,426)
Maintenance and Other Operating Expenses	25	(1,576,182,320)	(1,478,727,254)
Financial Expenses	26	(23,603,843)	(2,661,493)
Direct Costs		(2,848,096)	(1,948,639)
Non-Cash Expenses	27	(98,501,391)	(63,652,927)
Total Current Operating Expense		(3,546,567,930)	(3,354,618,739)
Surplus (Deficit) from Current Operations		(177,189,698)	40,303,874
Other Non-Operating Income	23	8,630,482	8,774,565
Gains	28	437,230,180	113,261,507
Losses	29	(187,190,563)	(49,741,433)
Surplus (Deficit) before Tax		81,480,401	112,598,513
Income Tax Expense		0	(6,158,226)
Net Surplus (Deficit) for the Period		81,480,401	106,440,287

The notes on pages 11 to 59 form part of these statements.

PHILIPPINE POSTAL CORPORATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	Accumulated Surplus/ (Deficit)	Government Equity	Contributed Capital	Revaluation Surplus	Total
RESTATED BALANCE AT JANUARY 1, 2021	500,554,780	3,199,742,410	200,000	1,386,003,588	5,086,500,778
Changes in Net Assets/Equity for CY 2021					
Add (Deduct):					
Surplus for the Period	106,440,287	0	0	0	106,440,287
Other Adjustments	1,365,943,364	0	(200,000)	(1,385,813,349)	(20,069,985)
BALANCE AT DECEMBER 31, 2021	1,972,938,431	3,199,742,410	0	190,239	5,172,871,080
Changes in Net Assets/Equity for CY 2022					
Add (Deduct):					
Surplus for the Period	81,480,401	0	0	0	81,480,401
Other Adjustments	(629,119,873)	0	0	(190,239)	(629,310,112)
BALANCE AT DECEMBER 31, 2022	1,425,298,959	3,199,742,410	0	0	4,625,041,369

The notes on pages 11 to 59 form part of these statements.

PHILIPPINE POSTAL CORPORATION
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Revenue	1,908,267,460	2,164,674,767
Receipt of Assistance/Subsidy	535,839,929	520,256,000
Collection of Receivables	777,157,200	739,908,015
Receipts of Intra-Agency Fund Transfers	8,908,448,784	9,481,969,118
Trust Receipts	660,001,284	244,651,888
Other Receipts	43,057,254	14,936,125
Total Cash Inflows	12,832,771,911	13,166,395,913
Adjustments	478,198,169	1,526,560,699
Adjusted Cash Inflows	13,310,970,080	14,692,956,612
Cash Outflows		
Payment of Expenses	2,111,962,199	2,460,856,277
Purchase of Inventories	74,390,400	94,823,898
Grant of Cash Advances	249,105,984	125,387,080
Prepayments	11,698,941	4,551,695
Refund of Deposits	89,027	1,182,831
Payment of Accounts Payable	30,963,747	21,620,836
Remittance of Personnel Benefit Contributions and		
Mandatory Deductions	931,192,998	891,071,821
Release of Inter-Agency Fund Transfers	911,343,204	11,731,106
Release of Intra-Agency Fund Transfers	7,432,383,173	9,027,533,277
Other Disbursements	490,059,748	429,122,684
Total Cash Outflows	12,243,189,421	13,067,881,505
Adjustments	702,006,823	1,604,333,072
Adjusted Cash Inflows	12,945,196,244	14,672,214,577
Net Cash Provided by Operating Activities	365,773,836	20,742,035
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Sale/Disposal of Property, Plant, and Equipment	300,500	0
Receipts of Interest Earned	3,294,832	7,155,024
Proceeds from Matured Investments/Redemption of		
Long-Term Investments/Return of Investments	105,016,999	97,013,156
Total Cash Inflows	108,612,331	104,168,180
Cash Outflows		
Purchase/Construction of Property, Plant, and Equipment	37,749,046	24,895,064
Purchase of Intangible Assets	2,037,214	10,351,670
Total Cash Outflows	39,786,260	35,246,734
Net Cash Provided by Investing Activities	68,826,071	68,921,446
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Long-Term Liabilities	82,791,978	43,490,426
Payment of Cash Dividends	43,873,301	82,400,000
Payment of Interest on Loans and other Financial Charges	6,000,000	1,250,000
Total Cash Outflows	132,665,279	127,140,426
Net Cash Used In Financing Activities	(132,665,279)	(127,140,426)
Net (Decrease) in Cash and Cash Equivalents	301,934,628	(37,476,945)
Effects of Exchange Rate Changes on Cash and Cash Equivalents	11,813,828	163,910,697
Cash and Cash Equivalents, January 1	2,231,945,773	2,105,512,021
Cash and Cash Equivalents, December 31	2,545,694,229	2,231,945,773

The notes on pages 11 to 59 form part of these statements.

PHILIPPINE POSTAL CORPORATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Particulars	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		

Note

RECEIPTS					
Revenue					
Revenue		4,994,818,000	4,994,818,000	2,854,122,232	2,140,695,768
Subsidy from the National Government	36	515,256,000	515,256,000	515,256,000	0
Other Non-Operating Income	23	0	0	8,630,482	(8,630,482)
Gains	28	0	0	437,230,180	(437,230,180)
Losses	29	0	0	(187,190,563)	187,190,563
Total Receipts		5,510,074,000	5,510,074,000	3,628,048,331	1,882,025,669

PAYMENTS					
Personnel Services	24	2,398,070,000	2,398,070,000	1,845,432,280	552,637,720
Maintenance and Other Operating Expenses	25	2,429,561,000	2,077,533,000	1,579,030,416	498,502,584
Financial Expenses	26	2,800,000	24,300,000	23,603,843	696,157
Capital Expenditures		679,643,000	679,643,000	97,721,429	581,921,571
Total Payments		5,510,074,000	5,179,546,000	3,545,787,968	1,633,758,031

NET RECEIPTS/PAYMENTS					
		0	330,528,000	82,260,363	248,267,637

The notes on pages 11 to 59 form part of these statements.