



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

**Corporate Government Audit Sector**  
**CLUSTER 3 – PUBLIC UTILITIES**

June 21, 2024

**THE BOARD OF DIRECTORS**

Philippine Postal Corporation  
Central Mail Exchange Center  
Domestic Road, Pasay City

**Dear Members of the Board:**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the **Philippine Postal Corporation (PHLPost)** for the years ended December 31, 2023 and 2022.

The report consists of the Independent Auditor's Report, Audited Financial Statements, Audit Observations and Recommendations, and Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered an adverse opinion on the fairness of presentation of the financial statements of PHLPost due to the following:

1. The Intra-Agency Payables account with a balance of P1.212 billion and P1.155 billion, as restated, as at December 31, 2023 and 2022, respectively, pertain to the balance of P1.170 billion and P1.015 billion as at reporting dates, respectively, of the reciprocal accounts Due to Central Office and Due from Area Offices that remained unreconciled and not eliminated, which does not conform to the fair presentation requirement of International Public Sector Accounting Standard (IPSAS) 1 - *Presentation of Financial statements*. Also included under the account are non-reciprocal accounts amounting to P42.439 million and P145.150 million as at December 31, 2023 and 2022, respectively. Had these balances been reconciled and eliminated, the Intra-agency Payables of P1.212 billion and P1.155 billion as at December 31, 2023 and 2022 would have been closed as at reporting dates and adjustments to the related assets, liabilities, income and expenses been recognized in the books.
2. The Cash in Bank carried in the books at P1.849 billion and P2.182 billion as at December 31, 2023 and 2022 includes unadjusted book reconciling items, mostly pertaining to prior years' transactions totaling P1.157 billion and P1.246 billion as at December 31, 2023 and 2022. Due to absence of sufficient details and documents on the book reconciling items for adjustment, we were unable to determine the appropriate adjustments to the Cash in Bank account as at December 31, 2023 and 2022.
3. The Property, Plant, and Equipment (PPE) account with carrying amounts of P2.057 billion and P2.111 billion as at December 31, 2023, and 2022, respectively, were not faithfully represented in the financial statements, contrary to IPSAS 1 and IPSAS 17 - *Property, Plant and Equipment* because of the following: (a) inclusion of land assets valued at P1.068 billion and P1.231 billion as at December 31, 2023 and 2022, respectively, without transfer certificates of title or legal documents; (b) inclusion of land assets amounting to P144.358 million tagged as lots occupied by



others or titles under the name of private individuals; (c) derecognition and recognition of land assets in the books costing P53.193 million and P48.634 million, respectively, without supporting documents; (d) unreconciled discrepancy of P1.537 billion and P1.781 billion as at December 31, 2023, and December 31, 2022, respectively, between the accounting records and physical inventory report; and (e) unrecognized valuation of buildings of undetermined amount due to absence of supporting documents. Due to the absence of documents and sufficient details 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, 2023 and 2022.

Also, the PPE items gutted by fire on May 21, 2023 was not yet derecognized from the books as at December 31, 2023. Because of the absence of complete physical inventory report and reconciliation between the accounting and property records, we were unable to determine the appropriate adjustment to derecognize the said properties from the balance of PPE as at December 31, 2023.

4. The balance of Accounts Payable-Mail Remunerations (AP-MR) under Financial Liabilities amounting to P862.509 million and P954.899 million as at December 31, 2023 and 2022, respectively, were not properly revalued at year-end contrary to IPSAS 4 – *The Effects of Changes in Foreign Exchange Rates*. Further, correctness of the derecognized value of settled payables either through direct payment or offsetting from receivables could not be verified because of unavailability of complete subsidiary ledgers. Due to the absence of updated and reliable subsidiary ledgers of MP-MR account, we were unable to determine by alternative procedures any adjustments that might have been necessary in respect of the balance of AP-MR as at December 31, 2023 and 2022 and the appropriate adjustment to the balance of the related Gain or Loss on Foreign Exchange for the years then ended.

For the above observations which caused the issuance of an adverse opinion, we recommended that Management:

1. Require the Bookkeeping Division to analyze and reconcile with the Area Accountants the remaining balance of reciprocal accounts amounting to P1.170 billion and the non-reciprocal accounts totaling P42.439 million to reflect the correct balance of Intra-Agency Payables account.
2. Require the (a) Bookkeeping Division to record the current year's book reconciling items, analyze the recurring book reconciling items, and prepare the necessary adjusting entries duly supported with relevant schedules and reconciliation sheet; (b) Bookkeeping Division to submit the additional documents and schedules showing the breakdown of adjustments made to the long standing book reconciling items totaling P126.990 million; (c) Area Accountant of Postal Area 1 – NELA to analyze the accounts with negative balances and effect the necessary adjustments in its books, if warranted; (d) Accounting Department to expedite the enrollment of all its LBP bank accounts, including those in Postal Area Offices, to the LBP weAccess; and (e) Bookkeeping Division of the Head Office and the concerned Postal Area Offices to prepare monthly Bank Reconciliation Statements, including the accompanying schedules, within the prescribed period for preparation of BRSs.
3. Require the (a) Accounting Department, together with the Legal Department and Logistics and Property Management Department (LPMD) to: (i) reconstitute the TCT of 45 titled lands that were destroyed by fire with the Land Registration Authority; and secure the TCT of lands covered by Deed of Donations; and (ii) recover claim of ownership and control over the 109 land assets which are occupied by other entities and titled to private individuals, if possible; (b) Bookkeeping Division and LPMD to gather supporting documents on the recognition of 45 land assets costing P48.634 million and the derecognition of 38 land assets costing P53.192 million; (c) Inventory Committee to prepare a list or inventory of PPE items gutted by fire by comparing the CY 2022 RPCPPE with the RPCPPE as of November 2023 and determine the value of burned PPE items to be reconciled

with the balances per Accounting Records; (d) Bookkeeping Division and the Assets and Property Management Department (APMD) to: (i) reconcile the balances of burned PPE items per Accounting Records and per list or inventory of PPE items gutted by fire, and effect necessary entries to derecognize the burned PPEs; and (ii) reconcile the balances of remaining PPE in RPCPPE as of November 2023 with the Accounting Records and effect the necessary adjusting entries in the books or corrections in the RPCPPE, where appropriate; (e) Accounting Section of Postal Area 1 - NELA and Postal Area 8 - CEMA to secure sufficient documents to support the recognition of buildings that have met the recognition criteria for PPE; (f) Accounting Section of Postal Area 4 - SLA to reclassify PPE items with unit cost below P50,000.00 to Accumulated Surplus/(Deficit) account; and (g) Inventory Committee of Postal Area 2 -NWLA, Postal Area 4 - SLA and Postal Area 9 - WEMA to conduct physical inventory taking.

4. Require the Bookkeeping Division to: (a) update and maintain subsidiary ledgers of each designated operator to monitor the movement of book values of payables which shall serve as the basis for the year-end revaluation of the AP-MR balance at each reporting date and for the proper derecognition of the settled AP-MR; and (b) analyze and reconcile the "for reconciliation" balance of P148.915 million and effect necessary accounting entries in the books.

The other audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officers during the exit conference conducted on May 31, 2024, are presented in detail in Part II of the report.

In a letter of even date, we requested the Postmaster General of PHLPost to take appropriate actions on the recommendations contained in Parts II and III of the report and to inform this Commission of the actions taken thereon.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

By:

  
**MARILYN C. BRIONES**  
Acting Director IV

Copy furnished:

The President of the Republic of the Philippines  
The Vice President of the Republic of the Philippines  
The President of the Senate  
The Speaker of the House of Representatives  
The Chairperson - Senate Finance Committee  
The Chairperson - Appropriations Committee  
The Secretary of the Department of Budget and Management  
The Governance Commission for Government-Owned or Controlled Corporations  
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**PART I**

**AUDITED FINANCIAL STATEMENTS**



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

**Corporate Government Audit Sector**  
**CLUSTER 3 – PUBLIC UTILITIES**

**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, 2023 and 2022, 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, 2023, 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, 2023, and 2022, 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 Intra-Agency Payables account with a balance of P1.212 billion and P1.155 billion, as restated, as at December 31, 2023 and 2022, respectively, pertain to the balance of P1.170 billion and P1.015 billion as at reporting dates, respectively, of the reciprocal accounts Due to Central Office and Due from Area Offices that remained unreconciled and not eliminated, which does not conform to the fair presentation requirement of International Public Sector Accounting Standard (IPSAS) 1 - *Presentation of Financial statements*. Also included under the account are non-reciprocal accounts amounting to P42.439 million and P145.150 million as at December 31, 2023 and 2022, respectively. Had these balances been reconciled and eliminated, the Intra-agency Payables of P1.212 billion and P1.155 billion as at December 31, 2023 and 2022 would have been closed as at reporting dates and adjustments to the related assets, liabilities, income and expenses been recognized in the books.

The Cash in Bank carried in the books at P1.849 billion and P2.182 billion as at December 31, 2023 and 2022 includes unadjusted book reconciling items, mostly pertaining to prior years' transactions totaling P1.157 billion and P1.246 billion as at December 31, 2023 and 2022. Due to absence of sufficient details and documents on the book reconciling items for



adjustment, we were unable to determine the appropriate adjustments to the Cash in Bank account as at December 31, 2023 and 2022.

The Property, Plant, and Equipment (PPE) account with carrying amounts of P2.057 billion and P2.111 billion as at December 31, 2023, and 2022, respectively, were not faithfully represented in the financial statements, contrary to IPSAS 1 and IPSAS 17 - *Property, Plant and Equipment* because of the following: (a) inclusion of land assets valued at P1.068 billion and P1.231 billion as at December 31, 2023 and 2022, respectively, without transfer certificates of title or legal documents; (b) inclusion of land assets amounting to P144.358 million tagged as lots occupied by others or titles under the name of private individuals; (c) derecognition and recognition of land assets in the books costing P53.193 million and P48.634 million, respectively, without supporting documents; (d) unreconciled discrepancy of P1.537 billion and P1.781 billion as at December 31, 2023, and December 31, 2022, respectively, between the accounting records and physical inventory report; and (e) unrecognized valuation of buildings of undetermined amount due to absence of supporting documents. Due to the absence of documents and sufficient details 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, 2023 and 2022.

Also, the PPE items gutted by fire on May 21, 2023 was not yet derecognized from the books as at December 31, 2023. Because of the absence of complete physical inventory report and reconciliation between the accounting and property records, we were unable to determine the appropriate adjustment to derecognize the said properties from the balance of PPE as at December 31, 2023.

Further, the balance of Accounts Payable-Mail Remunerations (AP-MR) under Financial Liabilities amounting to P862.509 million and P954.899 million as at December 31, 2023 and 2022, were not properly revalued at year-end contrary to IPSAS 4 – *The Effects of Changes in Foreign Exchange Rates*. Further, correctness of the derecognized value of settled payables either through direct payment or offsetting from receivables could not be verified because of unavailability of complete subsidiary ledgers. Due to the absence of updated and reliable subsidiary ledgers of MP-MR account, we were unable to determine by alternative procedures any adjustments that might have been necessary in respect of the balance of AP-MR as at December 31, 2023 and 2022 and the appropriate adjustment to the balance of the related Gain or Loss on Foreign Exchange for the years then ended.

As a result of these matters, we were unable to determine the necessary adjustments in respect of the balances of Intra-agency Payables, Cash in Bank, Property, Plant and Equipment and Financial Liabilities as at reporting dates, and the related elements making up the statements of financial performance, statements of changes in net assets/equity and statements of cash flows for the years ended December 31, 2023 and 2022.

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.

### ***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 risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 42 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management. 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 10, 2024

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

The Management of Philippine Postal Corporation (PHLPost) is responsible for the preparation and presentation of the financial statements including schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines 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 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.

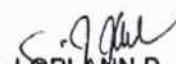
The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stakeholders and other users.

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

  
MICHAEL F. PLANAS

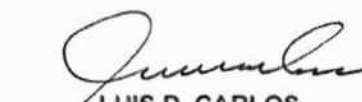
Chairman of the Board of Directors

05 June 2024  
Date Signed

  
ATTY. LORI ANN D. ATAL  
Assistant Postmaster General for  
Administration and Finance

JUN 05 2024

Date Signed

  
LUIS D. CARLOS  
Acting Postmaster General  
and CEO

JUN 05 2024

Date Signed



**PHILIPPINE POSTAL CORPORATION  
STATEMENTS OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2023 AND 2022**

	<u>NOTE</u>	<u>2023</u>	<u>2022</u> (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	5	2,311,292,187	2,537,688,864
Receivables	6	4,340,055,763	3,832,390,363
Inventories	7	110,200,572	190,553,499
Other Investments	8	1,286,058,669	1,215,336,482
Other Current Assets	9	154,774,731	138,543,920
<b>Total Current Assets</b>		<u><b>8,202,381,922</b></u>	<u><b>7,914,513,128</b></u>
<b>Non-Current Assets</b>			
Investment in Subsidiaries	8	5,302,123	5,302,123
Financial Assets	8	0	50,000,000
Property, Plant, and Equipment	10	2,056,614,267	2,111,361,392
Intangible Assets	11	56,074,778	55,707,575
Deferred Tax Assets	12	181,356,146	180,134,292
Other Non-Current assets	13	473,990,449	465,715,620
<b>Total Non-Current Assets</b>		<u><b>2,773,337,763</b></u>	<u><b>2,868,221,002</b></u>
<b>Total Assets</b>		<u><b>10,975,719,685</b></u>	<u><b>10,782,734,130</b></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	14	2,123,042,372	2,313,600,055
Inter-Agency Payables	15	580,506,979	606,161,976
Intra-Agency Payables	16	1,212,036,988	1,155,485,532
Trust Liabilities	17	1,071,129,412	1,041,097,624
Deferred Credits/Unearned Revenue	18	76,792,154	63,783,512
Provisions	19	1,687,480,741	1,706,888,603
Other Payables	21	12,862,584	17,615,670
<b>Total Current Liabilities</b>		<u><b>6,763,851,230</b></u>	<u><b>6,904,632,972</b></u>
<b>Non-Current Liabilities</b>			
Financial Liabilities	14	100,000,000	0
Deferred Tax Liabilities	20	284,028,644	149,580,906
Other Payables	21	35,617,022	78,357,448
<b>Total Non-Current Liabilities</b>		<u><b>419,645,666</b></u>	<u><b>227,938,354</b></u>
<b>Total Liabilities</b>		<u><b>7,183,496,896</b></u>	<u><b>7,132,571,326</b></u>
<b>Net Assets (Total Assets Less Total Liabilities)</b>		<u><b>3,792,222,789</b></u>	<u><b>3,650,162,804</b></u>
<b>NET ASSETS/EQUITY</b>			
Government Equity	22	3,792,222,789	3,650,162,804
<b>Total Net Assets/Equity</b>		<u><b>3,792,222,789</b></u>	<u><b>3,650,162,804</b></u>

The notes on pages 12 to 62 form part of these statements.

**PHILIPPINE POSTAL CORPORATION**  
**STATEMENTS OF FINANCIAL PERFORMANCE**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

	<u>NOTE</u>	<u>2023</u>	<u>2022</u> (As Restated)
<b>Revenue</b>			
Service and Business Income	23	2,549,203,319	3,234,481,650
Assistance/Subsidy	39	545,000,000	515,256,000
Shares, Grants and Donations		0	575,000
<b>Total Revenue</b>		<u><b>3,094,203,319</b></u>	<u><b>3,750,312,650</b></u>
<b>Current Operating Expenses</b>			
Personnel Services	25	1,532,369,946	2,016,415,248
Maintenance and Other Operating Expenses:	26	1,199,703,680	1,572,033,692
Financial Expenses	27	7,625,540	23,600,623
Direct Costs	28	2,605,433	2,848,096
Non-Cash Expenses	29	124,722,937	91,920,345
<b>Total Current Operating Expenses</b>		<u><b>2,867,027,536</b></u>	<u><b>3,706,818,004</b></u>
<b>Surplus from Current Operations</b>		<u><b>227,175,783</b></u>	<u><b>43,494,646</b></u>
Other Non-Operating Income	24	6,485,905	8,726,017
Gains	30	81,525,178	256,384,565
Losses	31	(180,114,761)	(192,842,416)
<b>Net Surplus for the Period</b>		<u><b>135,072,105</b></u>	<u><b>115,762,812</b></u>

*The notes on pages 12 to 62 form part of these statements.*



**PHILIPPINE POSTAL CORPORATION**  
**STATEMENTS OF CHANGES IN NET ASSETS/EQUITY**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022**

	Accumulated Surplus/(Deficit)	Government Equity	Revaluation Surplus	Total
<b>BALANCE AT JANUARY 1, 2022</b>	<b>1,972,938,431</b>	<b>3,199,742,410</b>	<b>190,239</b>	<b>5,172,871,080</b>
<b>ADJUSTMENTS</b>				
Add/(Deduct):				
Changes in accounting policy	(13,392)			(13,392)
Prior period errors	(332,274,764)			(332,274,764)
Other adjustments	(642,590,415)			(642,590,415)
<b>RESTATED BALANCE AT JANUARY 1, 2022</b>	<b>998,059,860</b>	<b>3,199,742,410</b>	<b>190,239</b>	<b>4,197,992,509</b>
<b>Changes in Net Assets/Equity for CY 2022</b>				
Add/(Deduct):				
Surplus for CY 2022	115,762,812			115,762,812
Other Adjustments	(663,402,278)		(190,239)	(663,592,517)
<b>BALANCE AT DECEMBER 31, 2022</b>	<b>450,420,394</b>	<b>3,199,742,410</b>	<b>0</b>	<b>3,650,162,804</b>
<b>Changes in Net Assets/Equity for CY 2023</b>				
Add/(Deduct):				
Surplus for CY 2023	135,072,105			135,072,105
Other Adjustments	6,987,880			6,987,880
<b>BALANCE AT DECEMBER 31, 2023</b>	<b>592,480,379</b>	<b>3,199,742,410</b>	<b>0</b>	<b>3,792,222,789</b>

**PHILIPPINE POSTAL CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u> (As Restated)
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Sale of Goods and Services	50,902,637	0
Collection of Revenue	1,215,153,868	1,908,267,460
Receipt of Assistance/Subsidy	545,771,932	535,839,929
Collection of Receivables	664,132,800	777,157,200
Receipt of Intra-Agency Fund Transfers	8,307,018,547	8,908,448,784
Trust Receipts	202,563,689	660,001,284
Other Receipts	11,531,396	43,057,254
<b>Total Cash Inflows</b>	<b>10,997,074,869</b>	<b>12,832,771,911</b>
Adjustments	1,190,141,853	490,478,128
<b>Adjusted Cash Inflows</b>	<b>12,187,216,722</b>	<b>13,323,250,039</b>
<b>Cash Outflows</b>		
Payment of Expenses	1,464,329,112	2,111,962,199
Purchase of Inventories	5,104,952	74,390,400
Grant of Cash Advances	207,267,007	249,105,984
Prepayments	54,885	11,698,941
Refund of Deposits	35,937	89,027
Payment of Accounts Payable	95,470,808	30,963,747
Remittance of Personnel Benefit Contributions and Mandatory Ded.	815,473,042	931,192,998
Release of Inter-Agency Fund Transfers	30,708,786	911,343,204
Release of Intra-Agency Funds	8,222,419,704	7,432,383,173
Other disbursements	471,467,724	490,059,748
<b>Total Cash Outflows</b>	<b>11,312,331,957</b>	<b>12,243,189,421</b>
Adjustments	1,182,911,912	722,292,147
<b>Adjusted Cash Outflows</b>	<b>12,495,243,869</b>	<b>12,965,481,568</b>
<b>Net Cash Provided by/(Used in) Operating Activities</b>	<b>(308,027,147)</b>	<b>357,768,471</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Sale/Disposal of Property, Plant and Equipment	2,234,489	300,500
Receipt of Interest earned	5,063,922	3,294,832
Proceeds from Matured Investments/Redemption of Long-term Investment/Return on Investments	0	105,016,999
<b>Total Cash Inflows</b>	<b>7,298,411</b>	<b>108,612,331</b>
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and Equipment	699,607	37,749,046
Purchase of Intangible Assets	0	2,037,214
<b>Total Cash Outflows</b>	<b>699,607</b>	<b>39,786,260</b>
<b>Net Cash Provided by Investing Activities</b>	<b>6,598,804</b>	<b>68,826,071</b>



**PHILIPPINE POSTAL CORPORATION**  
**STATEMENTS OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u> <u>(As Restated)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Proceeds from Domestic and Foreign Loans	100,000,000	0
<b>Total Cash Inflows</b>	<u>100,000,000</u>	<u>0</u>
<b>Cash Outflows</b>		
Payment of Long-Term Liabilities	40,178,724	82,791,978
Payment of Interest on Loans and Other Financial Charges	833,759	6,000,000
Payment of Cash Dividends	0	43,873,301
<b>Total Cash Outflows</b>	<u>41,012,483</u>	<u>132,665,279</u>
<b>Net Cash Provided by/(Used in) Financing Activities</b>	<u>58,987,517</u>	<u>(132,665,279)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	<b>(242,440,826)</b>	<b>293,929,263</b>
<b>Effects of Exchange Rate Changes on Cash and Cash Equivalents</b>	<b>16,044,149</b>	<b>11,813,828</b>
<b>Cash and Cash Equivalents, January 1</b>	<u>2,537,688,864</u>	<u>2,231,945,773</u>
<b>Cash and Cash Equivalents, December 31</b>	<u><u>2,311,292,187</u></u>	<u><u>2,537,688,864</u></u>

**PHILIPPINE POSTAL CORPORATION**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

Particulars	Note	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
RECEIPTS					
Revenue					
Revenue	3.19 & 23	5,135,732,000	5,135,732,000	2,549,203,319	2,586,528,681
Subsidy from the National Government	3.19 & 39	545,000,000	545,000,000	545,000,000	0
Other Non-Operating Income	3.19 & 24	0	0	6,485,905	(6,485,905)
Gains	3.19 & 30	0	0	81,525,178	(81,525,178)
Losses	3.19 & 31	0	0	180,114,761	(180,114,761)
Total Receipts		5,680,732,000	5,680,732,000	3,002,099,641	2,318,402,837
PAYMENTS					
Personnel Services	3.19 & 25	2,314,167,451	2,063,137,538	1,532,369,946	530,767,592
Maintenance and Other Operating Expenses	3.19 & 26	2,744,711,466	2,467,386,380	1,199,703,680	1,267,682,700
Financial Expenses	3.19 & 27	2,805,000	2,850,000	2,394,334	455,666
Other Financial Charges	3.19 & 27	0	0	5,231,206	(5,231,206)
Capital Expenditures	3.19	619,047,805	566,880,082	8,501,121	558,378,961
Total Payments		5,680,731,722	5,100,254,000	2,748,200,287	2,362,053,713
NET RECEIPTS/PAYMENTS		278	580,478,000	253,899,354	(33,650,876)

The notes on pages 12 to 62 form part of these statements.



## EXECUTIVE SUMMARY

### A. Introduction

Philippine Postal Corporation (PHLPost) was created by virtue of Republic Act No. 7354, otherwise known as the "Postal Service Act of 1992". It transformed the then Postal Service Office (PSO) from a Bureau into a government-owned and controlled corporation. Its mandate is to plan, develop, promote, and operate a nationwide and universal postal system with a network that extends throughout the entire Philippine archipelago. By being a member of the Universal Postal Union (UPU), a 192 member-country organization of the United Nations, the PHLPost has worldwide mail linkages that enable it to send mail to any part of the world.

PHLPost is a stock corporation composed of P10 billion authorized capital stocks divided into 45 million Class A and 55 million Class B shares, both voting and with a par value of one hundred pesos. Class A shares shall be subscribed only by the Government while Class B may be owned by private entities upon authorization by the PHLPost Board of Directors. On record, only Class A shares are subscribed.

The PHLPost powers are vested in and exercised by a Board of Directors of seven members including the Postmaster General. The President of the Philippines appoints all the seven members. The Board elects a Chairman from among its Members.

The members of the Board appointed by the President shall hold office for a term of five years each, except for those first appointed, two members shall have a term of five years, two with one year. Thereafter, the appointment is in accordance with the Corporation Law.

In CY 2012, PHLPost integrated the 17 regions of the Philippines into nine postal areas excluding the Central Office, through the issuance of the PHLPost Office Order No. 12-01 dated January 2, 2012. Currently, PHLPost provides mail services to these nine postal areas, through its 1,365 post offices nationwide and to the 192 member-country organizations of the UN.

As of December 31, 2023, the total Personnel Complement of PHLPost is 7,073 wherein 3,402 personnel or 48.10 percent are holding plantilla positions while 3,671, or 51.90 percent are hired under Contract of Service and Job Order status. The authorized plantilla positions based on the PHLPost Rationalization Plan are 7,043. The total filled-up positions are 3,402 or 48.30 percent of the authorized plantilla positions.

### B. Financial Highlights

#### I. Financial Position

	2023	2022 (As restated)	Increase/ (Decrease)
Assets	10,975,719,685	10,782,734,130	192,985,555
Liabilities	7,183,496,896	7,132,571,326	50,925,570
Equity	3,792,222,789	3,650,162,804	142,059,985

## II. Results of Operations

	2023	2022 (As Restated)	Increase/ (Decrease)
Revenues	3,094,203,319	3,750,312,650	(656,109,331)
Current Operating Expenses	2,867,027,536	3,706,818,004	(839,790,468)
Surplus from Current Operations	227,175,783	43,494,646	183,681,137
Other Non-Operating Income	6,485,905	8,726,017	(2,240,112)
Gains	81,525,178	256,384,565	(174,859,387)
Losses	180,114,761	192,842,416	(12,727,655)
Net Surplus	135,072,105	115,762,812	19,309,293

## III. Budget Utilization

Particulars	Budget	Expenditures
Personnel Services	2,063,137,538	1,532,369,946
Maintenance and Other Operating Expenses	2,467,386,380	1,199,703,680
Financial Expenses	2,805,000	2,394,334
Other Financial Charges	0	5,231,206
Capital Outlay	566,880,082	8,501,121
<b>Total</b>	<b>5,100,254,000</b>	<b>2,748,200,287</b>

## C. Scope and Objectives of Audit

The audit covered the examination, on a test basis, of the accounts and transactions of PHLPost for the period January 1 to December 31, 2023. It was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAI) to enable us to express an opinion on the fairness of the presentation of the financial statements for the years ended December 31, 2023, and 2022. Also, we conducted our audit to assess compliance of PHLPost with pertinent laws, rules, and regulations, as well as adherence to prescribed policies and procedures.

## D. Auditor's Opinion

The Auditor rendered an adverse opinion on the fairness of the presentation of the 2023 and 2022 consolidated financial statements of the PHLPost due to the following:

1. The Intra-Agency Payables account with a balance of P1.212 billion and P1.155 billion, as restated, as at December 31, 2023 and 2022, respectively, pertain to the balance of P1.170 billion and P1.015 billion as at reporting dates, respectively, of the reciprocal accounts Due to Central Office and Due from Area Offices that remained unreconciled and not eliminated, which does not conform to the fair presentation requirement of International Public Sector Accounting Standard (IPSAS) 1 - *Presentation of Financial statements*. Also included under the account are non-reciprocal accounts amounting to P42.439 million and P145.150 million as at December 31, 2023 and 2022, respectively. Had these balances been reconciled and eliminated, the Intra-agency Payables of P1.212 billion and P1.155 billion as at



December 31, 2023 and 2022 would have been closed as at reporting dates and adjustments to the related assets, liabilities, income and expenses been recognized in the books.

2. The Cash in Bank carried in the books at P1.849 billion and P2.182 billion as at December 31, 2023 and 2022 includes unadjusted book reconciling items, mostly pertaining to prior years' transactions totaling P1.157 billion and P1.246 billion as at December 31, 2023 and 2022. Due to absence of sufficient details and documents on the book reconciling items for adjustment, we were unable to determine the appropriate adjustments to the Cash in Bank account as at December 31, 2023 and 2022.
3. The Property, Plant, and Equipment (PPE) account with carrying amounts of P2.057 billion and P2.111 billion as at December 31, 2023, and 2022, respectively, were not faithfully represented in the financial statements, contrary to IPSAS 1 and IPSAS 17 - *Property, Plant and Equipment* because of the following: (a) inclusion of land assets valued at P1.068 billion and P1.231 billion as at December 31, 2023 and 2022, respectively, without transfer certificates of title or legal documents; (b) inclusion of land assets amounting to P144.358 million tagged as lots occupied by others or titles under the name of private individuals; (c) derecognition and recognition of land assets in the books costing P53.193 million and P48.634 million, respectively, without supporting documents; (d) unreconciled discrepancy of P1.537 billion and P1.781 billion as at December 31, 2023, and December 31, 2022, respectively, between the accounting records and physical inventory report; and (e) unrecognized valuation of buildings of undetermined amount due to absence of supporting documents. Due to the absence of documents and sufficient details 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, 2023 and 2022.

Also, the PPE items gutted by fire on May 21, 2023 was not yet derecognized from the books as at December 31, 2023. Because of the absence of complete physical inventory report and reconciliation between the accounting and property records, we were unable to determine the appropriate adjustment to derecognize the said properties from the balance of PPE as at December 31, 2023.

4. The balance of Accounts Payable-Mail Remunerations (AP-MR) under Financial Liabilities amounting to P862.509 million and P954.899 million as at December 31, 2023 and 2022, respectively, were not properly revalued at year-end contrary to IPSAS 4 – *The Effects of Changes in Foreign Exchange Rates*. Further, correctness of the derecognized value of settled payables either through direct payment or offsetting from receivables could not be verified because of unavailability of complete subsidiary ledgers. Due to the absence of updated and reliable subsidiary ledgers of MP-MR account, we were unable to determine by alternative procedures any adjustments that might have been necessary in respect of the balance of AP-MR as at December 31, 2023 and 2022 and the appropriate adjustment to the balance of the related Gain or Loss on Foreign Exchange for the years then ended.

For the above observations which caused the issuance of an adverse opinion, we recommended that Management:



1. Require the Bookkeeping Division to analyze and reconcile with the Area Accountants the remaining balance of reciprocal accounts amounting to P1.170 billion and the non-reciprocal accounts totaling P42.439 million to reflect the correct balance of Intra-Agency Payables account.
2. Require the (a) Bookkeeping Division to record the current year's book reconciling items, analyze the recurring book reconciling items, and prepare the necessary adjusting entries duly supported with relevant schedules and reconciliation sheet; (b) Bookkeeping Division to submit the additional documents and schedules showing the breakdown of adjustments made to the long standing book reconciling items totaling P126.990 million; (c) Area Accountant of Postal Area 1 – NELA to analyze the accounts with negative balances and effect the necessary adjustments in its books, if warranted; (d) Accounting Department to expedite the enrollment of all its LBP bank accounts, including those in Postal Area Offices, to the LBP weAccess; and (e) Bookkeeping Division of the Head Office and the concerned Postal Area Offices to prepare monthly Bank Reconciliation Statements, including the accompanying schedules, within the prescribed period for preparation of BRSS.
3. Require the (a) Accounting Department, together with the Legal Department and Logistics and Property Management Department (LPMD) to: (i) reconstitute the TCT of 45 titled lands that were destroyed by fire with the Land Registration Authority; and secure the TCT of lands covered by Deed of Donations; and (ii) recover claim of ownership and control over the 109 land assets which are occupied by other entities and titled to private individuals, if possible; (b) Bookkeeping Division and LPMD to gather supporting documents on the recognition of 45 land assets costing P48.634 million and the derecognition of 38 land assets costing P53.192 million; (c) Inventory Committee to prepare a list or inventory of PPE items gutted by fire by comparing the CY 2022 RPCPPE with the RPCPPE as November 2023 and determine the value of burned PPE items to be reconciled with the balances per Accounting Records; (d) Bookkeeping Division and the Assets and Property Management Department (APMD) to: (i) reconcile the balances of burned PPE items per Accounting Records and per list or inventory of PPE items gutted by fire, and effect necessary entries to derecognize the burned PPEs; and (ii) reconcile the balances of remaining PPE in RPCPPE as of November 2023 with the Accounting Records and effect the necessary adjusting entries in the books or corrections in the RPCPPE, where appropriate; (e) Accounting Section of Postal Area 1 - NELA and Postal Area 8 – CEMA to secure sufficient documents to support the recognition of buildings that have met the recognition criteria for PPE; (f) Accounting Section of Postal Area 4 – SLA to reclassify PPE items with unit cost below P50,000.00 to Accumulated Surplus/(Deficit) account; and (g) Inventory Committee of Postal Area 2 -NWLA, Postal Area 4 – SLA and Postal Area 9 – WEMA to conduct physical inventory taking.
4. Require the Bookkeeping Division to: (a) update and maintain subsidiary ledgers of each designated operator to monitor the movement of book values of payables which shall serve as the basis for the year-end revaluation of the AP-MR balance at each reporting date and for the proper derecognition of the settled AP-MR; and (b) analyze and reconcile the "for reconciliation" balance of P148.915 million and effect necessary accounting entries in the books.

## **E. Significant Audit Observations and Recommendations**

In addition to the above audit observations which we considered in the rendition of the Auditor's opinion, the following are the other significant audit observations and corresponding recommendations, the details of which are presented in Part II of the Report:

1. The existence, completeness, and valuation of the balance of Accounts Receivable, Trade and Accounts Receivable, Trade - International Mail (Under Contract) accounts totaling P2.239 billion and P326.591 million, respectively, as of December 31, 2023 under Receivables account with a balance of P4.340 billion, was not established due to: (a) past due receivables totaling P846.132 million ranging from one year to over 10 years without adequate provision for impairment loss; (b) existence of accounts with negative balances totaling P315.898 million; and (c) discrepancy of P6.220 million between the book balance and the confirmed balances from clients, contrary to Paragraph 27 of IPSAS 1 – Presentation of Financial Statements and Paragraph 90 of IPSAS 41 – Financial Instruments.

### *Recommendations:*

Require the Bookkeeping Division to:

- a. Assess the collectability of past due receivables and develop an updated policy on the estimation of provision for an impairment loss in accordance with Paragraph 90 of IPSAS 4;
  - b. Analyze the account with negative balances and reconcile with the concerned clients; and effect the necessary adjustments in the books, if warranted; and
  - c. Send confirmation letter to all clients and reconcile variances, and effect necessary adjusting entries, if warranted.
2. The procurement of 46 delivery vans in December 2021 amounting to P40.020 million disclosed the following deficiencies: (a) deviations from technical specifications of the vehicles; (b) nine (9) out of 46 delivery vans were utilized other than its intended purpose which is not in line with the Authority to Purchase from the Department of Budget and Management (DBM); and (c) incomplete documentary requirements to substantiate payment of motor vehicles, contrary to COA Circular No. 2012-001 dated June 14, 2012.

### *Recommendations:*

- a. Revert the changes made to the delivery vans according to the specifications indicated in the Terms of Reference/Technical Specifications so it could serve properly its intended purpose of transporting and delivering mail nationwide as per Authority to Purchase from DBM; and
- b. Provide the original copy of the dealer's/supplier's invoices and inspection and acceptance report to substantiate the payment of motor vehicles pursuant to Section 9.1.3.1 of COA Circular No. 2012-001.

#### **F. Summary of Audit Suspensions, Disallowances, and Charges**

As of December 31, 2023, transactions suspended in audit amounted to P18.034 million while the disallowances totaled P49.992 million. There were no charges for the current year. Details are presented in Part II of the Report.

#### **G. Status of Implementation of Prior Year's Audit Recommendations**

Out of the 45 audit recommendations embodied in the prior year's Annual Audit Report, 14 were implemented, 23 were not implemented and eight were closed. Details are presented in Part III of the Report.



## **PHILIPPINE POSTAL CORPORATION**

### **Notes to Financial Statements**

#### **1. CORPORATION INFORMATION**

The Philippine Postal Corporation (PHLPost) was created by virtue of the Republic Act (R.A.) No. 7354, otherwise known as the "Postal Service Act of 1992", which took effect on April 3, 1992. It transformed the then Postal Services Office from a Bureau into a Government-Owned and Controlled Corporation, known as the Philippine Postal Corporation.

The PHLPost is mandated to perform the following functions and responsibilities:

- a. To provide for the collection, handling, transportation, delivery, forwarding, returning and holding of mail, parcels, and like materials, throughout the Philippines and pursuant to agreements entered into, to and from foreign countries;
- b. To determine and dispose of, in a manner it deems most advantageous, with law and settled jurisprudence, confiscated or non-mailable mail matters, prohibited articles, dead letters and undelivered mail, except the sale of prohibited drugs, dangerous materials and other banned articles as defined by law; and
- c. To plan, develop, promote and operate a nationwide postal system with a network that extends or makes available at least ordinary mail service, to any settlements in the country.

On January 2, 2012, PHLPost implemented Office Order No. 12-01 integrating the usual 14 regions into nine postal areas excluding the Central Office.

PHLPost is a member of the Universal Postal Union (UPU) of the United Nations. It is part of the global network of Post Offices which operates under the principles of "one single territory" and "freedom of transit".

PHLPost's registered office is located at Magallanes Drive, Liwasang Bonifacio, Brgy. 659-A, Ermita, 1000 Manila, Philippines. Due to the fire that happened last May 21, 2023, the Corporation is currently residing at Central Mail Exchange Center (CMEC) located at G292+R74, Domestic Road, Pasay, Metro Manila, Philippines.

The financial statements of the PHLPost were authorized for issue on June 5, 2024, as shown in the Statement of Management Responsibility for Financial Statements signed by Mr. Michael F. Planas, Chairman of the Board of Directors, Mr. Luis D. Carlos, Acting Postmaster General and Chief Executive Officer, and Atty. Lori Ann D. Atal, Assistant Postmaster General for Administration and Finance.

#### **2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS**

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) which were adopted and prescribed by the

Commission on Audit (COA) through COA Resolution No. 2014-003 dated January 24, 2014, COA Resolution No. 2017-006 dated April 26, 2017, and COA Resolution No. 2020-001 dated January 09, 2020. IPSAS consists of individual IPSASs and the accompanying Philippine Application Guidance (PAG) issued by COA.

The Accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared based on historical cost, unless stated otherwise. The Statements of Cash Flows are prepared using the direct method.

The financial statements are presented in Philippine Peso (P), which is also the country's functional currency.

Amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted IPSASs requires the use of certain estimates. It also requires the entity to exercise judgment in applying the entity's accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in Notes 3 and 4.

### **3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

#### **3.1 Basis of Accounting**

The financial statements are prepared on an accrual basis in accordance with the IPSASs.

#### **3.2 Use of the Revised Chart of Accounts for Government Corporations**

The Corporation uses the Revised Chart of Accounts (RCA) (Updated 2019) for Government Corporations in the presentation of financial transactions starting CY 2019.

The Corporation adopted the standard formats for financial statements, journals and general ledgers for the following purposes:

- a. Facilitate consolidation of monthly financial reports of the Central Office and the nine Area Offices; and
- b. Data are readily available for analysis and reconciliation.

#### **3.3 Adoption of the Central Office-Area Accounting System**

To strengthen the recognition of, and accounting for all inter-office transactions in both the Central Office and Area Office, on September 6, 2017, PHLPost Circular No. 17-73 was issued which prescribed the use of one set of reciprocal accounts, viz: Due to Central Office and Due from Area Office starting CY 2018. Said Circular, amends, modifies, or rescinds PHLPost Circular No. 13-10 dated March 15, 2013, which prescribed the use of two sets of reciprocal accounts. Previous entries using the old sets of reciprocal accounts were adjusted accordingly and



balances of the old sets of reciprocal accounts were closed to the new accounts.

Only the Central Office can debit or credit the Due from Area Office account in its books and only the Area Office can debit or credit the Due to Central Office in its books.

The following transactions are recorded using the Due to Central Office and Due from Area accounts:

1. Fund transfer from Central Office to Area Office;
2. Cash transfer-sweeping from Area Office Corporate accounts to Central Office Corporate account;
3. Centralized billing to corporate clients;
4. Centralized collection of billed Accounts Receivable;
5. Transfer of inventory (supplies or equipment, vehicle, etc.) from Central Office to Area Office or vice versa;
6. Expenses or Payables of Area Office paid by Central Office;
7. Expenses or Payables of Central Office paid by Area Office;
8. Transfer of withholding tax, output/input tax and creditable tax of Area Office to Central Office;
9. Transfer of Area Tax Refund to Central Office;
10. Due to/from transactions between Area Offices; and
11. Closing of Area's Revenue and Expense Summary account.

### **3.4 International Mail Accounting: General Principles**

Operators that receive international mail for delivery have an obligation to deliver them to the addressees, but they receive no income for this because the postal charge has been collected by the origin operators.

This is considered costly for many countries of destination which receive more incoming international mail than they send; thus, are entitled to remuneration to compensate for the costs.

The remunerations are:

- Terminal Dues for letter posts to compensate handling costs (acceptance, sorting, conveyance to the delivery office and delivery—UPU Convention, Article 1, Paragraph 1.7).
- Inward Land Rates for parcel posts, which is uniform for the whole territory of each country (UPU Convention Article 34, Paragraph 1). Postal Operation Council has the authority to fix the inward land rates for the handling of inward parcels and sea rates for the conveyance of parcels by sea (UPU Convention Article 35, Paragraph 1).
- Imbalance for Express Mail Service (EMS) which is a postal express service for documents and merchandise and shall whenever possible be the quickest postal service by physical means.



### **3.5 Financial Instruments**

#### **a. Initial Recognition and Measurement**

IPSAS 41 states that an entity shall recognize a financial asset or a financial liability in its Statement of Financial Position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Except for short-term receivables and payables, at initial recognition, an entity shall measure a financial asset or financial liability at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through surplus or deficit, transaction costs that are directly attributable or issue of the financial asset or financial liability. However, if the fair value of the financial asset or financial liability at initial recognition differs from the transaction price, an entity shall account for that instrument at that date as follows;

- a) If the fair value is evidenced by a quoted market price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, an entity shall recognize the difference between the fair value at initial recognition and the transaction price as a gain or loss.
- b) In all other cases adjusted to defer the difference between the fair value at initial recognition and transaction price, after initial recognition, the entity shall recognize that deferred difference as a gain or loss only to the extent arises from a change in factor (including time) that market participants would take into account when pricing the asset or liability.

When an entity uses settlement date accounting for an asset that is subsequently measured at amortized cost, the asset is recognized initially at its fair value of the trade date. An entity may also measure short-term receivables and payables at the original invoice amount if the effect of discounting is immaterial.

#### **b. Subsequent Measurement**

##### **i. Financial Assets**

After initial recognition, an entity shall measure a financial asset in accordance with IPSAS 41 at:

- a) Amortized cost;
- b) Fair value through net assets/equity; or
- c) Fair value through surplus or deficit.

##### **ii. Financial Liabilities**

An entity shall classify all financial liabilities as subsequently measured at amortized cost, except for:

- a) Financial liabilities at fair value through surplus or deficit. Such liabilities, including derivatives that are liabilities, shall be subsequently measured at fair value.
- b) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when continuing involvement approach applies.
- c) Financial guarantee contracts.
- d) Commitments to provide a loan at below-market interest rates.
- e) Contingent consideration recognized by an acquirer in a public sector combination to which IPSAS 40 applies.

#### **c. Derecognition**

##### **i. Financial Assets**

An entity shall derecognize a financial asset when, provided necessary conditions have met, and only when:

- a) The contractual rights to the cash flows from the financial asset expired or are waived, or
- b) It transfers the financial asset and the transfer qualifies for derecognition in accordance with paragraph 17 of IPSAS 41.

On derecognition of financial asset in its entirety, the difference between:

- a) The carrying amount (measured at the date of derecognition); and
- b) The consideration received (including any new asset obtained less any new liability assumed) shall be recognized in surplus or deficit.

##### **ii. Financial Liabilities**

An entity shall remove a financial liability from its financial statements when, and only when, it is extinguished – i.e., when the obligation specified in the contract is discharged, waived, canceled or expires.

The difference between the carrying amount of a financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, shall be recognized in surplus or deficit.

#### **d. Impairment**

An entity shall recognize a loss allowance for expected credit losses on a financial asset, a lease receivable, or a loan commitment and a financial guarantee contract to which the impairment requirements apply. The loss allowance shall be recognized in net assets/equity and shall not reduce the carrying amount of the financial asset stated in the Statement of Financial Position.

An entity shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that

financial instrument has increased significantly since initial recognition. If at the reporting date, the credit risk on a financial instrument has not increased significantly, an entity shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

### **3.6 Cash and Cash Equivalents**

Cash and Cash Equivalents consists of cash on hand, cash balances with banks, cash invested in money market instruments, and time deposits with an original maturity of three months or less, which are readily convertible to cash and are subject to insignificant risk of changes in value.

Cash in Bank-Local Currency, Current Account refers to the Cash in Bank – Trust under the PHLPPost Chart of Accounts which pertains to funds from money order remittances, bills payments like PhilHealth and Bayad Center, and funds for Indigent Senior Citizens and other pay-out services.

Cash in Bank-Local Currency, Savings Account refers to the Cash in Bank–Corporate under PHLPPost Chart of Accounts which pertains to general fund and operating fund in local and foreign currencies.

### **3.7 Receivables and Allowance for Impairment**

Receivables are initially measured at net realizable values and subsequently measured at amortized cost. Allowances for Impairment are setup following the aging method for trade receivables, and amount of receivable less benefits/claims for non-trade receivables.

The following percentages based on the age of receivables are the basis for recognizing bad debt expense as per PHLPPost Circular No. 16-80 dated December 29, 2016.

<b>Number of days</b>	<b>Percentage</b>
One day to 60 days	1%
61 days to 180 days	2%
181 days to 1 year	3%
More than 1 year	5%
Over 10 years	20%

International Accounts Receivable are accounted for in Special Drawing Rights (SDR) and converted to peso (presentation currency) at the end of the accounting period. The treatment of International Accounts Receivable on mail remunerations is governed by UPU regulations and bilateral agreements between designated operators.

Under UPU regulations, the debtor designated operator shall be exempted from payment of terminal dues when the annual balance does not exceed 326.70 SDR. The balance of less than 326.70 SDR shall be included in the balance of the following year by the creditor designated operator. Offsetting of receivables against payable is allowed and there is no provision for bad debts.



### **3.8 Inventories**

Inventories are valued at cost and are determined by using the first-in-first-out (FIFO) method. Items with a serviceable life of more than one year but small enough to be considered as equipment are treated as inventories upon acquisition and as expense upon issuance. (COA Circular No. 2005-002 dated April 14, 2005)

#### **Semi-expendable Property**

Tangible items below the capitalization threshold of P50,000 were accounted as semi-expendable property (COA Circular No. 2022-004, Paragraph 4.3).

The semi-expendable property which was recognized as PPE were reclassified to the affected appropriate Semi-Expendable Inventory accounts (if not yet issued to the end-user), Expense accounts (if issued within the year), or Accumulated Surplus/(Deficit) account (if issued in prior years).

These tangible items were recognized as expenses upon issue to the end-user.

### **3.9 Leases**

#### **a. Philippine Postal Corporation as a lessee Operating Lease**

Operating leases are leases that do not transfer substantially all the risks and rewards incidental to ownership of the leased item to PHLPost. Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

#### **b. Philippine Postal Corporation as a lessor Operating Lease**

Leases in which PHLPost does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term. Rent received from an operating lease is recognized as income in straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

### **3.10 Property, Plant, and Equipment**

#### **a. Recognition**

An item is recognized as Property, Plant, and Equipment (PPE) if it meets the characteristics and recognition criteria as follows:

The characteristics of PPE are as follows:

- i. Tangible items;
- ii. Held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- iii. Expected to be used during more than one reporting period.

An item is recognized as an asset if:

- i. It is probable that future economic benefit or service potential associated with the item will flow to the entity;
- ii. The cost or fair value can be measured reliably; and
- iii. The cost is at least P50,000.00.

**b. Measurement and recognition**

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at date of acquisition.

The cost of PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction, the cost is its fair value as at recognition date.

Cost includes the following:

- i. Purchase price;
- ii. Expenditure that is directly attributable to the acquisition; and
- iii. Initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located.

**c. Measurement after recognition**

After recognition, all PPE are stated at cost less accumulated depreciation or accumulated impairment loss.

**d. Depreciation**

**i. Initial recognition of depreciation**

Depreciation shall be for one month if it is available for use on or before the 15<sup>th</sup> of the month. If it is available after the 15<sup>th</sup>, depreciation shall be for the succeeding month.

**ii. Depreciation method**

Depreciation is computed on the straight-line method.

**iii. Estimated useful life**

The estimated useful life of assets based on experience is as follows:

<u>Item of PPE</u>	<u>Estimated Useful Life</u>
Land Improvements	- Over the useful life of the asset to which the improvement was made or the useful life of the improvement if significantly shorter.
Buildings/Other Structures	- 50 years
Machinery	- 10 years
Motor Vehicle	- 5 years
IT Equipment	- 5 years
Equipment	- 5 years
Furniture & Fixtures	- 5 years
Tools	- 3 years

#### iv. **Residual value**

PHLPost uses a residual value equivalent to at least 5 percent of the cost of the PPE. An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

#### e. **Impairment**

An asset is impaired when the carrying amount exceeds its recoverable service amount.

#### f. **Derecognition**

PHLPost derecognizes items of PPE and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected.

### **3.11 Intangible Assets**

#### a. **Recognitions and measurement**

Intangible assets are recognized when the items are identifiable non-monetary assets without physical subsistence; it is probable that the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

If payment for an intangible asset is deferred beyond normal credit terms, its cost is the cash price equivalent. The difference between this amount and the total payment is recognized as interest expense over the period of credit unless it is capitalized in accordance with the capitalization treatment permitted in the IPSAS 5, Borrowing Costs.



### **3.12 Land**

Land includes lots appraised in 1994 and recorded in the books as part of the Paid-up Capital of the National Government, and lots acquired after 1994. These lots include donated lots covered with the Deed of Donation, whether absolute or with condition.

By virtue of R.A. No.7354, creating the PHLPost, all real and personal properties which upon effectivity of the Act are vested in, or owned by, the Postal Services Office and its predecessor Bureau of Posts are transferred to the Corporation without the need of conveyance, transfer or assignment. The appraised value determined by Asian Appraisal Company, Inc. in 1994 is the deemed cost of the assets transferred to PHLPost.

Parcels of land acquired after 1994 are recorded at cost which is generally the fair market value.

#### **a. Recognition**

On January 22, 2015, the PHLPost Board of Directors adopted Board Resolution No. 2015-007 "adopting as a matter of policy the recognition of the value of donated lots covered by the Absolute Deed of Donations and those subject to conditions as assets in the books of the Corporation for the calendar year 2014 and in succeeding years".

### **3.13 Changes in Accounting Policies and Estimates**

The PHLPost recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The PHLPost recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The PHLPost corrects material prior period error retrospectively in the first set of financial statements authorized for issue after discovery by:

- a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets liabilities and net assets/equity for the earliest prior period presented.

Starting CY 2022, aside from the unpaid terminal leave benefits of retired employees, the Leave Benefits Payable will also recognize earned leave credit for active employees.

### **3.14 Revenue from Non-Exchange Transactions**

#### **a. Recognition and measurement of assets from non-exchange transactions**

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

- i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and
- ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

**b. Recognition of revenue from non-exchange transactions**

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As PHLPost satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of liability recognized and recognizes an amount of revenue equal to that reduction.

**c. Measurement of revenue from non-exchange transactions**

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

**d. Measurement of liabilities on initial recognition from non-exchange transactions**

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

**e. Taxes**

Taxes and related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related funds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

**f. Fees and fines not related to taxes**

The PHLPost recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues are recognized when it is probable that the future

economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

**g. Gifts and donations**

The PHLPost recognizes assets and revenue from gifts and donations when it is probable that future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding agreement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

**h. Transfers**

The PHLPost recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

**i. Services in-kind**

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

**j. Transfers from other government entities**

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to the PHLPost and can be measured reliably.

**3.15 Revenue from Exchange Transactions**

**a. Measurement of revenue**

Revenue is measured at the fair value of the consideration received or receivable.

**b. Rendering of Services**

The PHLPost recognizes revenue from rendering of services by reference to the



stage of completion when the outcome of transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

**c. Sale of goods**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the PHLPost.

**d. Interest Income**

Interest Income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

**e. Rental Income**

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and included in revenue.

**3.16 Employee Benefits**

The employees of PHLPost are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

The PHLPost recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, among others, as expense unless capitalized, and as a liability after deducting the amount paid.

**3.17 Income and Expenses**

The basis of recognizing income and expenses is the modified accrual basis.

Income of the Corporation is classified based on the nature of service:

- Mail Services Income
- Postal Payment Services
- Logistics Services
- Retail Services
- Other Income

Pursuant to Board Resolution No. 2015-144 dated December 16, 2015 and in compliance to existing revenue regulations, effective January 2, 2017, all sales of PHLPost goods and services are subject to 12 percent VAT subject to the

exemptions that are expressly provided by existing tax laws.

Expenses are classified under the following main accounts:

Operating Expenses

- Cost of Goods Sold
- Personnel Services
- Maintenance and Other Operating Expenses
- International Mail Exchange Expenses
- Other Expenses
- Financial Cost

Cost of Sales recognizes the cost of merchandise purchase/goods manufactured subsequently sold in the course trade and business operations.

### **3.18 Foreign Currency Transactions**

Foreign currency transactions (i.e. international money orders or international mail remunerations) are translated into the functional currency. For transactions on international mail remunerations, the monetary unit being used in the preparation and settlement of accounts is the Special Drawing Rights, converted to dollar and then to peso (presentation currency). International Money Order transactions are measured in dollar and translated into the peso currency.

### **3.19 Budget Information**

The Annual Budget is implemented on a cash basis.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget.

### **3.20 Provisions and Contingencies**

Provisions are recognized as liabilities (assuming that reliable estimates can be made) because they are present obligation and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. The amount of liability is presented in the financial statements.

### **3.21 Subsequent Events**

The Corporation identifies subsequent events as events that occurred after the date of the Statement of Financial Position but before the date when the financial statements were authorized for issue. Any subsequent events that provide additional information about the Corporation's financial position at the balance sheet date are reflected in the financial statements.

Non-adjusting events are disclosed in the Notes to the Financial Statements when material.

#### 4. PRIOR PERIOD ADJUSTMENTS

The PHLPPost has determined that mathematical errors, errors in application of accounting principles and policies, misinterpretation of facts and figures, omission of accrual of income and expenses, and misclassification errors were made during the preparation of financial statements.

As a result, the prior period adjustments made to correct the financial statements to conform with IPSAS 3 are presented as follows:

<b>Nature of Adjustments</b>	<b>Amount</b>
Changes in Accounting Policy	13,392
Prior Period Errors	332,274,764
Other Adjustments	642,590,415
<b>TOTAL</b>	<b>974,878,571</b>

The accounts affected of these prior period adjustments consist of the following:

<b>Account Name</b>	<b>Debit</b>	<b>Credit</b>
Cash-Collecting Officers	8,089,280	
Petty Cash	40,000	
Cash in Bank-Local Currency, Current Account		1,216,606
Cash in Bank-Local Currency, Savings Account		14,918,041
Accounts Receivable	407,170,486	
Allowance for Impairment-Accounts Receivable	158,199	
Interests Receivable		2,207,591
Operating Lease Receivable		176,864
Receivables – Disallowances/Charges	151,152	
Due from Officers and Employees	1,352,774	
Other Receivables	8,420,301	
Allowance for Impairment – Other Receivables		7,931,237
Merchandise Inventory	42,662	
Office Supplies Inventory		1,685,928
Accountable Forms, Plates and Stickers Inventory		3,910,803
Semi-Expendable Office Equipment	18,075	
Semi-Expendable ICT Equipment		218,026
Semi-Expendable Furniture and Fixtures		77,509
Other Supplies and Materials Inventory		700
Land		1,144,431,957
Accumulated Depreciation – Other Land Improvements		5,268,347
Buildings	4,431,809	
Accumulated Depreciation – Buildings		108,308,254
Accumulated Depreciation – Machinery	3,343,180	
Office Equipment		281,184
Accumulated Depreciation – Office Equipment	2,259,125	
Information and Communication Technology Equipment		3,133,828
Accumulated Depreciation - Information and Communication Technology Equipment	2,248,280	



Account Name	Debit	Credit
Accumulated Depreciation – Other Equipment		10,243
Motor Vehicles		5,619,836
Accumulated Depreciation – Motor Vehicles	3,127,541	
Furniture and Fixtures		162,902
Accumulated Depreciation – Furniture and Fixtures	628,144	
Accumulated Depreciation – Leased Assets Improvements – Buildings		40,581
Advances for Operating Expenses	137,681	
Advances to Officers and Employees		504,596
Input Tax	226,234	
Withholding Tax at Source	136,415	
Creditable Input Tax	102,020	
Other Assets	4,159,157	
Accumulated Impairment Losses – Other Assets		4,845,946
Accounts Payable	4,553,958	
Due to Officers and Employees	42,384,151	
Due to BIR		799,153
Due to GSIS		2,543,729
Due to Pag-IBIG		200
Due to PhilHealth		8,980
Other Payables		295,412
Due to Central/Home/Head Office	4,400,446	
Trust Liabilities	846,551	
Guaranty/Security Deposits Payable	313,367	
Output Tax		968,945
Other Unearned Revenue/Income	706,412	
Leave Benefits Payable		161,119,479
Deferred Tax Liabilities		3,639,094
Accumulated Surplus/(Deficit)	1,009,160,989	
Mail Services Revenue		380,959,463
Postal Payment Services Revenue		36,622
Fees and Commission Income	284	
Rent/Lease Income		597,099
Interest Income	658,478	
Gain on Foreign Exchange (FOREX)	180,845,615	
Miscellaneous Income		95,536
Salaries and Wages – Regular	1,008,612	
Salaries and Wages – Casual/Contractual	20,754	
Personal Economic Relief Allowance (PERA)	2,000	
Representation Allowance (RA)		36,500
Transportation Allowance (TA)		94,500
Clothing/Uniform Allowance	6,000	
Productivity Incentive Allowance	5,000	
Longevity Pay		7,500
Overtime and Night Pay		1,871,168
Year-End Bonus	67,109	
Cash Gift		20,000
Other Bonuses and Allowances		182,349
Retirement and Life Insurance Premiums	22,110	

Account Name	Debit	Credit
Pag-IBIG Contributions	100	
PhilHealth Contributions	28,115	
Terminal Leave Benefits	172,035,184	
Traveling Expenses-Local	245,320	
Office Supplies Expenses	833,744	
Accountable Forms Expenses	235,280	
Fuel, Oil and Lubricants Expenses		120,849
Water Expenses		695
Electricity Expenses		224,256
Telephone Expenses		5,564
Internet Subscription Expenses	393,812	
Extraordinary and Miscellaneous Expenses		198,000
Security Services		141,955
Other General Services		202,070
Repairs and Maintenance-Buildings and Other Structures		28,549
Repairs and Maintenance-Transportation Equipment		78,928
Repairs and Maintenance-Other Property, Plant and Equipment		650
Taxes, Duties and Licenses		130,238
Labor and Wages		3,853,098
Transportation and Delivery Expenses		18,663
Rent/Lease Expenses	85,418	
Subscription Expenses		236,607
Other Maintenance and Operating Expenses		702,082
Interest Expenses		3,720
Bank Charges	500	
Depreciation – Buildings and Other Structures		7,263,099
Depreciation – Machinery and Equipment	682,599	
Impairment Loss – Loans and Receivables		545
Loss on Foreign Exchange (FOREX)	5,651,852	
Loss of Assets	1	
<b>TOTAL</b>	<b>1,871,436,276</b>	<b>1,871,436,276</b>

## 5. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	2023	2022 (As Restated)
<b>Corporate Account:</b>		
Cash on Hand-Corporate	219,901,303	101,569,359
Cash in Bank-Local Currency	1,224,892,721	1,285,368,678
Cash in Bank-Foreign Currency	92,402,602	378,359,155
Cash Equivalents	208,704,004	208,818,467
<b>Sub-total</b>	<b>1,745,900,630</b>	<b>1,974,115,659</b>
<b>Trust Account:</b>		

Particulars	2023	2022 (As Restated)
Cash on Hand-Collecting Officers-Trust	34,015,640	44,962,970
Cash in Bank-Local Currency	503,824,885	472,958,896
Cash in Bank-Foreign Currency	27,551,032	45,651,339
<b>Sub-total</b>	<b>565,391,557</b>	<b>563,573,205</b>
<b>TOTAL</b>	<b>2,311,292,187</b>	<b>2,537,688,864</b>

*Cash on Hand-Corporate* includes the following:

Particulars	2023	2022 (As Restated)
Cash-Collecting Officers	218,742,320	100,742,910
Petty Cash	1,158,983	826,449
<b>TOTAL</b>	<b>219,901,303</b>	<b>101,569,359</b>

*Petty Cash* represents undisbursed revolving funds in the custody of authorized Disbursing Officers. The authorized amount per Disbursing Officer is not more than P100,000.

*Cash in Bank* consists of the Local and Foreign Currency, Savings and Current Accounts maintained by PHLPPost with Philippine National Bank (PNB), Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP) and Banco de Oro (BDO), either for remittance of collections or for payment of operating expenses.

The Cash in Bank, Corporate/Operating Accounts are classified as *Cash in Bank – Local Currency, Savings Account* while Cash in Bank, Trust Accounts regardless of the type of account (Savings or Current) is classified as *Cash in Bank – Local Currency, Current Account*. Details are as follows:

Particulars	2023	2022 (As Restated)
<i>Cash in Bank-Local Currency, Current Account</i>		
Cash in Bank, Local Currency, Current Account- LBP	64,754,656	62,579,406
Cash in Bank - LBP Operating Checking Account	4,717,135	9,140,183
Cash in Bank, Local Currency, Current Account- DBP	314,536	314,284
<b>Sub-total</b>	<b>69,786,327</b>	<b>72,033,873</b>
<i>Cash in Bank-Local Currency, Savings Account</i>		
Cash in Bank - Corporate	1,112,425,471	950,541,750
Cash in Bank, Local Currency, Savings Account- LBP	41,777,183	231,093,810
Cash in Bank, Local Currency, Savings Account- DBP	642,315	6,316,162
Cash in Bank, Local Currency, Savings Account- BDO	210,592	25,332,291
Cash in Bank, Local Currency, Savings Account- PNB	50,833	50,792



Particulars	2023	2022 (As Restated)
<b>Sub-total</b>	<b>1,155,106,394</b>	<b>1,213,334,805</b>
<b>TOTAL</b>	<b>1,224,892,721</b>	<b>1,285,368,678</b>

Breakdown of *Cash-on-Hand, Collecting Officers - Trust* account:

Particulars	2023	2022 (As Restated)
Trust - Bayad Center	17,664,856	18,731,799
Trust - PhilHealth	5,428,565	15,671,653
Trust - Manual MO	10,852,836	10,490,135
Trust - ePMO	69,362	69,362
Trust - Consignment	21	21
<b>TOTAL</b>	<b>34,015,640</b>	<b>44,962,970</b>

Since the new Revised Chart of Accounts does not provide a definite new account for *Cash in Bank – Trust Account*, the *Cash in Bank – Local Currency, Current Account* is being used to distinguish the account from *Cash in Bank, Corporate/Operating Accounts*.

Breakdown of *Cash-in-Bank, Local Currency – Trust Account*:

Particulars	2023	2022 (As Restated)
Cash in Bank - Trust - Manual MO/PhilHealth/ Cash in Bank, Local Currency, Current Account- BDO / Cash in Bank, Local Currency, Savings Account- LBP	351,111,216	438,820,762
Cash in Bank - Trust - Manual Mo/PhilHealth - LBP Php PDIC / Cash in Bank, Local Currency, Current Account- LBP	112,646,140	5,946,456
Cash in Bank - Trust - International Money Order / Cash in Bank, Local Currency, Current Account- BDO / Cash in Bank, Local Currency, Savings Account- DBP	24,923,131	11,139,730
Cash in Bank - Trust - EPMO / Cash in Bank, Local Currency, Savings Account- LBP	9,990,802	10,083,749
Cash in Bank - Trust - CCT / Cash in Bank, Local Currency, Savings Account- LBP	1,951,682	1,546,521
Cash in Bank – Trust – IMO / Cash in Bank – Trust – PMO	808,247	0
Cash in Bank - Trust - PhilHealth / Cash in Bank - Trust - PhilHealth LBP / Cash in Bank, Local Currency, Savings Account- LBP	305,864	337,479
Cash in Bank, Local Currency, Savings Account- LBP / Cash in Bank - Trust - Social Pension for Indigent Senior Citizens (SPISC)	197,796	197,779
Cash in Bank - Trust - We Access / Cash in Bank - Checking	197,711	218,413
Cash in Bank - Trust - Consignment	164,924	164,924

Particulars	2023	2022 (As Restated)
Cash in Bank - Trust - Red Cross	70,811	839,203
Cash in Bank, Local Currency, Current Account- LBP / Cash in Bank - Trust - Provident	40,058	40,040
Cash in Bank - Trust - PRC	10,000	10,000
Cash in Bank - Trust - SCI	10,000	10,000
Cash in Bank - Trust - Manual MO/PhilHealth - BDO Php Institutional/Cash in Bank, Local Currency, Current Account- BDO	0	1,979,959
Cash in Bank - Trust - Bayad Center/Cash in Bank, Local Currency, Savings Account- LBP	1,396,503	1,623,881
<b>TOTAL</b>	<b>503,824,885</b>	<b>472,958,896</b>

*Cash Equivalents* are time deposits with a term of three months or less.

## 6. RECEIVABLES

This account is composed of the following groups:

Particulars	2023	2022 (As Restated)
Loans and Receivable	3,861,317,998	3,342,300,465
Inter-Agency Receivables	156,277,956	175,035,666
Lease Receivable	140,183,365	137,507,621
Other Receivables	182,276,444	177,546,611
<b>TOTAL</b>	<b>4,340,055,763</b>	<b>3,832,390,363</b>

### a. Loans and Receivable

Particulars	2023	2022 (As Restated)
Accounts Receivable, Designated Operators - Mail Remunerations	1,467,636,596	1,475,053,731
Accounts Receivable, Trade	2,238,549,788	1,627,939,585
Accounts Receivable, Trade - International Mail (Under Contract)	326,590,789	340,148,570
Accounts Receivable, Designated Operators - Postal Payment Remittances	119,386,571	117,106,610
Allowance for Impairment-Accounts Receivable, Designated Operators - Postal Payment Remittances	(252,524)	(254,981)
Allowance for Impairment-Accounts Receivable, Trade	(290,593,222)	(217,693,050)
<b>TOTAL</b>	<b>3,861,317,998</b>	<b>3,342,300,465</b>

*Accounts Receivable, Designated Operators – Mail Remunerations* pertains to the

amount due from designated operators arising from the services rendered to deliver all inbound international mail matters.

*Accounts Receivable, Trade* refers to the amount due from customers arising from mail services rendered, trading/business transactions or sale of postage/ philatelic items / PHLP's products including postage charge account from sales of goods or services to bulk mail clients.

Aging of Accounts Receivable, Trade	
Age	Amount (in billion)
1 day to 60 days	.984
61 days to 180 days	.663
181 days to 1 year	.059
Over 1 year	.373
Over 10 years	.159
<b>TOTAL</b>	<b>2.238</b>

*Accounts Receivable, Designated Operators – Postal Payment Remittances* refers to charges to designated operators for inbound postal remittances.

*Accounts Receivable, Trade – International Mail (Under Contract)* refers to charges to corporate clients with contracts for acceptance of bulk mail items for delivery to other countries.

**b. Inter-Agency Receivables**

*Receivables from NGAs and GOCCs* like the Department of Foreign Affairs, Commission on Elections (COMELEC), Department of Budget and Management, Supreme Court for postal services rendered.

*Due from Subsidiaries/Joint Ventures* as a result of the joint venture agreement entered into with Filmetrics/SSS.

- c. **Lease Receivable** includes rental fees generated from leasing the Corporation's buildings and related facilities.

**d. Other Receivables**

Particulars	2023	2022 (As Restated)
Accounts Receivable, Non-Trade	219,645,528	214,071,234
Due from Officers and Employees	106,789,320	97,376,608
Receivables - Disallowances/Charges	54,964,979	54,068,641
Accrued Interest Receivable	3,815,528	2,022,249
Other Receivables	7,822,457	19,107,416
<i>Allowance for Impairment-Non-Trade Receivables</i>	(210,761,368)	(209,099,537)
<b>TOTAL</b>	<b>182,276,444</b>	<b>177,546,611</b>



*Accounts Receivable, Non-Trade* includes the balances from dissolved subsidiaries, viz:

1. Philippine Postal Mail Management Corporation	1,913,854
2. Philippine Postal Realty Development Corporation	1,753,674
3. Philippine Postal Institution Foundation	57,525
4. Philippine Postal Leasing & Financing Corporation	194,443,300

A request for Authority to Write-off was filed already with the Commission on Audit on April 12, 2018 and returned by Cluster 3 last July 23, 2019 due to lack of supporting documents. As of to date, PHLPost is still on the process of collating and complying with the required documents to support the request for write-off.

*Due from Officers and Employees* include shortages of accountable officers.

*Accrued Interest Receivable* refers to recognized amounts of accrued interests on cash equivalents and other investments.

*Other Receivables* pertains to shortages of employees who are no longer in the service and whose whereabouts are unknown, over-remittance of GSIS premiums under MOA and balances for reconciliation.

## 7. INVENTORIES

Particulars	2023	2022 (As Restated)
<b>Inventory Held for Sale</b>		
Merchandise Inventory	21,776,079	73,077,730
<b>Sub-total</b>	<b>21,776,079</b>	<b>73,077,730</b>
<b>Inventory Held for Consumption</b>		
Office Supplies Inventory	50,803,791	65,825,726
Accountable Forms, Plates and Stickers	14,684,584	21,605,381
Non-accountable Forms Inventory	203,995	0
Spare Parts Inventory - Motor Vehicles	11,568,065	14,481,418
Spare Parts Inventory - Office & IT Equipment	249,752	249,752
Fuel, Oil and Lubricants Inventory	2,577,288	3,265,315
Construction Materials Inventory	33,511	1,274,412
<b>Sub-total</b>	<b>80,120,986</b>	<b>106,702,004</b>
<b>Semi-Expendable Machinery and Equipment</b>		
Semi-Expendable Office Equipment	1,076,601	898,240
Semi-Expendable Office ICT Equipment	6,851,328	0
Semi-Expendable Other Machinery Equipment	296,185	9,703,641
<b>Sub-total</b>	<b>8,224,114</b>	<b>10,601,881</b>
<b>Semi-Expendable Furniture, Fixtures and Books</b>		

Particulars	2023	2022 (As Restated)
Semi-Expendable Furniture and Fixtures	79,393	171,884
<b>Sub-total</b>	<b>79,393</b>	<b>171,884</b>
<b>TOTAL</b>	<b>110,200,572</b>	<b>190,553,499</b>

*Merchandise Inventory* includes philatelic stamps, PHLPack packs/boxes, bubble envelope, souvenir items, among others.

*Office Supplies Inventory* includes postage/definitive and mailing center stamps, Postal ID, blank money order checks, serially numbered gummed tapes, and consignment notes.

*Accountable Forms, Plates and Stickers Inventory* include official receipts, billing invoices, sales invoices, and acknowledgment receipts.

## 8. INVESTMENTS

Particulars	2023	2022 (As Restated)
<i>Current Asset</i>		
Other Investments	1,286,058,669	1,215,336,482
<i>Non-Current Asset</i>		
Investments in Subsidiaries	5,302,123	5,302,123
Financial Assets	0	50,000,000
<b>TOTAL</b>	<b>1,291,360,792</b>	<b>1,270,638,605</b>

### a. Other Investments

Particulars	2023	2022 (As Restated)
Investments in Time Deposits - Local Currency	829,757,040	768,983,002
Investments In Time Deposits - Foreign Currency	456,301,629	446,353,480
<b>TOTAL</b>	<b>1,286,058,669</b>	<b>1,215,336,482</b>

### b. Investments in Subsidiaries

Particulars	2023	2022
Provident Fund Office (PFO)	5,000,000	5,000,000
PLDT/MERALCO	302,123	302,123
<b>TOTAL</b>	<b>5,302,123</b>	<b>5,302,123</b>

The P5 million investments in the PFO represent the seed money of the fund.

The stock certificate issued by MERALCO equivalent to P300,000 is in the name of the then Department of Transportation and Communications but acquired using the funds of the then Bureau of Post.

c. **Financial Assets**

Particulars	2023	2022 (As Restated)
Investment in Bonds	0	50,000,000
<b>TOTAL</b>	<b>0</b>	<b>50,000,000</b>

*Investment in Bonds* is classified as Held to Maturity (HTM). This recognizes the cost of investment in bonds issued.

The above Investment in Bonds at the Land Bank of the Philippines was issued on February 11, 2020 and matured last February 11, 2023.

**9. OTHER CURRENT ASSETS**

This account consists of the following:

Particulars	2023	2022 (As Restated)
Advances	18,772,479	20,015,178
Prepayments	99,723,808	82,130,640
Deposits	4,675,904	4,642,994
Other Assets	31,602,540	31,755,108
<b>TOTAL</b>	<b>154,774,731</b>	<b>138,543,920</b>

a. **Advances**

Particulars	2023	2022 (As Restated)
Advances for Payroll	4,758,663	2,798,829
Advances to Officers and Employees	3,080,387	2,716,295
Cash - Disbursing Officers - Corporate	8,340,283	12,266,236
Cash - Disbursing Officers - Trust - CCT	1,485,749	1,485,749
Cash - Disbursing Officers - Trust - Manual MO	718,069	718,069
Cash - Disbursing Officers - Trust - PRC	20,000	20,000
Cash - Disbursing Officers - Trust - SPISC	10,000	10,000
Cash - Disbursing Officers - Trust - PDIC	359,328	0
<b>TOTAL</b>	<b>18,772,479</b>	<b>20,015,178</b>

*Advances for Payroll* represents cash advances granted to designated disbursing officers for payment of salaries, wages, allowances and other similar expenses.

*Advances to Officers and Employees* are cash advances for special and time-bound undertaking granted to officers and employees.

*Cash-Disbursing Officers* represents unutilized funds on hand of designated Disbursing Officers for payment of authorized official expenditures or pay-out to designated beneficiaries.



b. Prepayments

Particulars	2023	2022 (As Restated)
Creditable Input Tax	45,566,284	40,312,922
Withholding Tax at Source	31,009,661	30,350,325
Input Tax	19,148,783	10,147,049
Prepaid Insurance	851,200	802,053
Prepaid Registration	157,396	64,888
Advances to Contractors/Sub-Contractors	2,971,484	439,403
Prepaid Rent	19,000	14,000
<b>TOTAL</b>	<b>99,723,808</b>	<b>82,130,640</b>

c. **Deposits** refer to security deposits during the duration of the contract, subject to refund upon fulfillment of the obligation.

d. Other Assets

Particulars	2023	2022 (As Restated)
Deferred Charges - Advances	30,466,564	30,619,132
Deferred Charges - CCT	1,135,976	1,135,976
<b>TOTAL</b>	<b>31,602,540</b>	<b>31,755,108</b>

*Deferred Charges* pertain to prepaid payments for services to be availed and the difference between the amount reported as liquidated and CCT payout payroll subject to verification of the response file.

## 10. PROPERTY, PLANT, AND EQUIPMENT

Movement of the property and equipment for CYs 2023 and 2022 are as follows:

As at December 31, 2023

Particulars	Land and Other Land Improvements	Buildings and Leased Assets Improvements	Furniture and Fixture and Office Equipment	Motor Vehicles	Information and Communication Technology Equipment	Other Heritage Assets	Machinery	Other Equipment	Construction in Progress - Buildings	Total
<b>COST</b>										
Jan. 1, 2023	1,559,204,361	1,284,199,149	945,638,929	370,289,640	69,529,817	3,100,300	112,988,215	416,300	17,929,350	4,363,296,061
Adjustments	(6,225,691)	11,450,414	6,843,151	(177,000)	5,663,018	0	0	189,242	(14,231,382)	3,511,752
Disposals	0	(1,127,870)	(85,500.00)	0	(312,000)	0	0	0	0	(1,525,370)
Carrying Amount, Dec. 31, 2023	<b>1,552,978,670</b>	<b>1,294,521,693</b>	<b>952,396,580</b>	<b>370,112,640</b>	<b>74,880,835</b>	<b>3,100,300</b>	<b>112,988,215</b>	<b>605,542</b>	<b>3,697,968</b>	<b>4,365,282,443</b>
<b>ACCUMULATED DEPRECIATION</b>										
Jan. 1, 2023	15,501,743	942,647,122	864,289,003	305,556,531	48,384,668	1,240,281	73,978,034	337,289	0	2,251,934,671
Adjustments	40,581	(123,481)	3,275,180	283,468	4,622,353	0	0	0	0	8,098,101
Provisions	376,215	25,132,395	3,446,677	7,873,897	2,230,887	0	10,733,880	27,935	0	49,821,886
Disposals	0	(808,857)	(81,225)	0	(296,400)	0	0	0	0	(1,186,482)
Dec. 31, 2023	<b>15,918,539</b>	<b>966,847,179</b>	<b>870,929,835</b>	<b>313,713,896</b>	<b>54,941,508</b>	<b>1,240,281</b>	<b>84,711,914</b>	<b>365,224</b>	<b>0</b>	<b>2,308,888,176</b>
Net Carrying Amount, Dec. 31, 2023	<b>1,537,060,131</b>	<b>327,674,514</b>	<b>81,466,945</b>	<b>56,398,744</b>	<b>19,939,327</b>	<b>1,860,019</b>	<b>28,276,301</b>	<b>240,318</b>	<b>3,697,968</b>	<b>2,056,614,267</b>

**As at December 31, 2022 (As Restated)**

Particulars	Land and Other Land Improvements	Buildings and Leased Assets Improvements	Furniture and Fixture and Office Equipment	Motor Vehicles	Information and Communication Technology Equipment	Other Heritage Assets	Machinery	Other Equipment	Construction In Progress - Buildings	Total
<b>COST</b>										
Jan. 1, 2022	4,279,186,438	1,269,242,335	1,002,284,406	349,090,544	97,053,594	3,100,300	112,988,215	986,417	25,330,529	7,139,262,778
Additions	186,840	0	2,429,521	71,464,266	29,123,072	0	0	299,248	3,806,526	107,309,493
Adjustments	(2,720,168,917)	14,956,814	(59,074,998)	(50,265,190)	(56,646,849)	0	0	(869,365)	(11,207,705)	(2,883,276,210)
Carrying Amount, Dec. 31, 2022	1,559,204,361	1,284,199,149	945,638,929	370,289,640	69,529,817	3,100,300	112,988,215	416,300	17,929,350	4,363,296,061
<b>ACCUMULATED DEPRECIATION</b>										
Jan. 1, 2022	9,857,181	805,230,234	899,521,430	317,113,359	69,161,525	1,240,281	66,422,214	937,096	0	2,169,483,320
Adjustments	5,268,347	118,625,323	(40,845,720)	(19,682,920)	(27,760,176)	0	(4,025,779)	(615,172)	0	30,963,903
Provisions	376,215	18,791,565	5,613,293	8,126,092	5,983,319	0	11,581,598	15,364	0	51,487,446
Dec. 31, 2022	15,501,743	942,647,122	864,289,003	305,556,531	48,384,668	1,240,281	73,978,033	337,288	0	2,261,934,669
Net Carrying Amount, Dec. 31, 2022	1,543,702,618	341,552,027	81,349,926	64,733,109	21,145,149	1,860,019	39,010,182	79,012	17,929,350	2,111,361,392

*Property, Plant, and Equipment* include all existing assets and facilities transferred from the defunct Bureau of Posts and thereafter the then Postal Service Office to the PHLPost pursuant to Section 9(b) of R.A. No. 7354. Generally, Property, Plant, and Equipment are carried at cost, however, properties transferred from the Bureau of Posts are carried in the books at their appraised values in 1994 as determined by an independent appraiser, Asian Appraisal Company, Inc.

The *Land* account consists of the following:

• Lots with title	41
• Absolute Donation	189
• Deed of Assignment/Transfer of Rights and Deed of Perpetual use	3
• Derecognized	38
• Donation thru Resolutions (Resolution/MR/SR/SPR)	42
• Donation with conditions	160
• Leased	9
• MOA	7
• No Legal Documents	101
• PHLPost as Administrator	1
• Presidential Proclamation	7
• Purchased	5
• Usufructuary	5
• Utilized by Government/Private Entity- Absolute Donation	12
• Utilized by Government/Private Entity- Donation thru Resolution	14
• Utilized by Government/Private Entity- Donation with Condition	60
• Utilized by Government/Private Entity- No Legal Documents	11
• Utilized by Government/Private Entity- Presidential Proclamation	2
• Utilized by Government/Private Entity- Titled Lots	3
• No Book Value	10

Among the lots included in the Land account and part of the Paid-up Capital of the National Government are the following:

1. The lot located in Intramuros, Manila which is the site of the Central Office is titled under the name of Bureau of Transportation and Telecommunications.
2. Donated lots that were reclaimed by the donors for failure to fulfill the conditions in the Deed of Donation; declared as "reversed/or no build zone"; abandoned as post site, and occupied or controlled by another.

#### 11. INTANGIBLE ASSETS

Particulars	2023	2022
<b>Intangible Assets</b>		
Computer Software	147,287,539	147,287,539
Accumulated Amortization- Computer Software	(139,105,625)	(138,702,828)
Website	3,120,000	3,120,000
Accumulate Depreciation – Website	(2,964,000)	(2,964,000)
<b>Subtotal</b>	<b>8,337,914</b>	<b>8,740,711</b>
<b>Development in Progress</b>		
Development In Progress-Computer Software	47,736,864	46,966,864
<b>Subtotal</b>	<b>47,736,864</b>	<b>46,966,864</b>
<b>TOTAL</b>	<b>56,074,778</b>	<b>55,707,575</b>

*Computer Software* is debited to recognize the purchase cost or capitalized development of computer software, when the software is not an integral part of the related hardware. Development costs include the cost of coding, testing and the cost to produce product masters. This account is credited upon derecognition of the asset, and/or adjustments.

*Website* is debited to recognize the cost of completed website. This account is credited upon derecognition of the asset and/or adjustments.

*Development in Progress-Computer Software* is debited to recognize the cost of coding, testing and other costs incurred during the development of computer software. This account is credited upon completion and transfer to "Computer Software" account, and when the asset is impaired.

#### 12. DEFERRED TAX ASSETS

Particulars	2023	2022
Deferred Charges - Excess Income Tax	131,156,180	121,196,179
Deferred Input Tax	33,202,830	45,239,155
Deferred Charges - MCIT	16,997,136	13,698,958
<b>TOTAL</b>	<b>181,356,146</b>	<b>180,134,292</b>

#### 13. OTHER NON-CURRENT ASSETS

This account includes balances in the then Bureau of Post's books of accounts carried over in the books:



Particulars	2023	2022 (As Restated)
Cash-Disbursing Officers, Receivables-Others, Accounts Receivable, Non-Trade, Due from NGAs	363,970,883	363,970,883
Unreconciled Cash in Bank balance	36,422,392	36,422,392
Due from Subsidiaries with nil probability of Collection	24,682,068	24,682,068
Unserviceable Assets at their salvage value	19,332,780	11,057,951
Unreconciled Cash, Collecting Officers balances	28,518,552	28,518,552
Other Structures and PPE	37,100	37,100
Other Assets	1,026,674	1,026,674
<b>TOTAL</b>	<b>473,990,449</b>	<b>465,715,620</b>

*Cash-Disbursing Officers, Receivables-Others, Accounts Receivables-Non Trade, Due from NGAs* are accounts for non-trade transactions.

*Due from Subsidiaries* were claims of PHLPost from the subsidiaries in payment of various expenses.

Due From Subsidiaries	2023 Balance	Description and Disposition
Provident Fund Office (PFO)	22,083,889	Expenditures for salaries/bonuses of PHLPost employees detailed at PFO and other operational expenses. This is subject to reconciliation.
Philippine Postal Savings Bank, Inc. (PPSBI)	2,598,179	Rentals in the year 2006, health insurance premiums in September-December 1988, janitorial services from January 1997 – March 1997 and equipment under Letter of Credit dated December 13, 1994. No corresponding Payable is reflected in the bank's financial statements.
<b>TOTAL</b>	<b>24,682,068</b>	

#### 14. FINANCIAL LIABILITIES

This account consists of the following:

Particulars	2023	2022 (As Restated)
<b>Current Liabilities</b>		
Accounts Payable, Designated Operators - Mail Remunerations	862,508,754	954,899,357
Accrued Expenses	536,760,818	661,466,559
Due to Officers and Employees	370,356,393	378,118,300
Accounts Payable, Designated Operators - Air Conveyance	262,477,215	261,191,155
Accounts Payable – Trade	83,996,009	65,298,768

Particulars	2023	2022 (As Restated)
Interest Payable	6,000,000	6,000,000
Longevity Benefits Payable	207,500	141,250
Accounts Payable, Designated Operators - Postal Payment Remittances	735,683	(13,515,334)
<b>Sub-total</b>	<b>2,123,042,372</b>	<b>2,313,600,055</b>
<b>Non-Current Liabilities</b>		
Loans Payable - Domestic	100,000,000	0
<b>Sub-total</b>	<b>100,000,000</b>	<b>0</b>
<b>TOTAL</b>	<b>2,223,042,372</b>	<b>2,313,600,055</b>

*Accounts Payable, Designated Operators - Mail Remunerations* refers to amounts due to designated operators for services rendered to deliver all outbound international mail matters.

*Accrued Expenses* awaiting completion of supporting documents by claimants or excess of payables accrued in prior years totaling P124.436 million were reverted during the year pursuant to Section 98 of P.D. No. 1445.

*Due to Officers and Employees* totaling P107.708 million were reverted during the year pursuant to Section 98 of P.D. No. 1445.

*Accounts Payable, Designated Operators- Postal Payment Remittances* refers to amounts due to designated operators for all outbound money order remittances.

*Loans Payable* pertains to non-interest-bearing note granted by GSIS.

## 15. INTER-AGENCY PAYABLES

This account consists of the following:

Particulars	2023	2022 (As Restated)
Due to NGAs	486,557,813	486,557,813
Due to GSIS	60,719,675	71,386,034
Due to Pag-IBIG	19,971,661	21,535,886
Due to BIR	8,252,087	21,599,151
Due to PhilHealth	5,005,743	5,083,092
<b>TOTAL</b>	<b>580,506,979</b>	<b>606,161,976</b>

*Due to NGAs* pertains to COA auditing services.

*Due to BIR* is composed of the following:

Particulars	2023	2022
Due to BIR - Expanded Withholding Tax (EWT)	1,629,917	3,991,607
Due to BIR - Withholding Tax on Compensation	1,668,305	8,535,095
Due to BIR - Value-Added Tax (VAT)	5,322,890	9,441,474

Due to BIR - Documentary Tax	387	387
Due to BIR - Final Withholding Tax	(369,412)	(369,412)
<b>TOTAL</b>	<b>8,252,087</b>	<b>21,599,151</b>

## 16. INTRA-AGENCY PAYABLES

Intra-Agency Payables consists of the following:

Particulars	2023	2022 (As Restated)
Due from Area 01 - Northeastern Luzon	(97,209,979)	(86,693,593)
Due from Area 02 - Northwestern Luzon	(113,425,130)	(119,009,301)
Due from Area 03 - Mega Manila	2,416,391,879	2,501,838,460
Due from Area 04 - Southern Luzon	(394,931,294)	(414,298,200)
Due from Area 05 - Central and Eastern Visayas	(262,966,571)	(267,191,160)
Due from Area 06 - Western Visayas	(310,429,279)	(283,716,028)
Due from Area 07 - Eastern Mindanao	(150,465,676)	(152,081,420)
Due from Area 08 - Central Mindanao	(116,340,752)	(118,709,634)
Due from Area 09 - Western Mindanao	(202,419,970)	(208,613,829)
Due to Central Office	400,829,393	158,244,865
Due to Area 03 - Mega Manila	572,265	572,265
Due to Area 05 - Central and Eastern Visayas	(7,120)	(7,120)
Due from Area 10 - for ID	54,456,314	157,167,319
Due from Area 11-money order checks not accepted by bank for deposit	(12,017,092)	(12,017,092)
<b>TOTAL</b>	<b>1,212,036,988</b>	<b>1,155,485,532</b>

*Intra-Agency Payables* includes expenses paid by Central Office on behalf of respective Area Offices and vice versa and transfer of taxes remitted centrally.

## 17. TRUST LIABILITIES

This account consists of the following:

Particulars	2023	2022 (As Restated)
Trust Liabilities	1,044,769,710	1,016,276,238
Guaranty Deposits Payable	21,241,641	19,703,325
Performance/Bidders/Bail Bonds Payable	5,118,061	5,118,061
<b>TOTAL</b>	<b>1,071,129,412</b>	<b>1,041,097,624</b>

This account pertains to amounts held in trust like the amount posted by various remitters/senders received locally; remittances received from other postal administrations; bills payment collections and cash received from partner agencies for the distribution/delivery to designated beneficiaries or payees.

*Guaranty Deposits Payable* refers to the incurrence of liability arising from the receipt/withholding of cash or cash equivalents held by PHLPPost as security for the performance and compliance of the contractor/service provider with the agreement.



*Trust Liabilities include:*

Particulars	2023	2022
Domestic Money Order	1,195,754,591	1,165,700,560
Premiums/ Bills Payments Collections - Provident Fund	59,873,106	58,342,511
Inbound International ePostal Money Order	20,695,129	20,695,129
Inbound International Money Order	19,740,401	17,875,472
Premiums/ Bills Payments Collections - Bayad Center	13,866,964	9,680,345
Premiums/ Bills Payments Collections - PDIC	1,722,835	5,853,925
Conditional Cash Transfers Program	4,150,771	3,905,951
Domestic ePMO	1,573,926	1,654,338
Premiums/ Bills Payments Collections - Consignment	1,604,816	1,604,816
SPISC	1,116,500	1,116,500
Red Cross	2,010,120	778,482
Inbound ePMO	317,968	317,968
Disaster Risk Reduction and Management Fund	60,000	60,000
Outbound ePMO	49,299	49,299
Outbound IMO	15,642	15,642
Philatelic	150	150
Premiums/ Bills Payments Collections - PhilHealth	(277,782,508)	(271,374,850)
<b>TOTAL</b>	<b>1,044,769,710</b>	<b>1,016,276,238</b>

*Trust Liabilities – Social Pension for Indigent Senior Citizens (SPISC) refers to fund transfer from the Department of Social Welfare and Development (DSWD) subject to liquidation. According to Postal Area 6, 80 to 90 percent of the fund transfer from DSWD for pay-out was already received by designated beneficiaries.*

#### 18. DEFERRED CREDITS/UNEARNED REVENUE

Deferred credits account consists of the following:

Particulars	2023	2022 (As Restated)
Deferred Credits – Remunerations	(83,742,333)	62,247,179
Output Tax	57,419,178	40,189,937
Deferred Credits – CCT	2,104,702	2,085,702
Deposits On Direct Mail Services	57,836,231	60,977,928
Deposits On Private Metered Machines	14,489,423	14,224,065
Deposits On Domestic Mail Services	35,714	214,286
Deferred Revenue from Grants and Donations	22,500	22,500
Deferred Credits – BAC Honoraria	376,325	130,412
Other Deferred Credits	28,250,414	(116,308,497)
<b>TOTAL</b>	<b>76,792,154</b>	<b>63,783,512</b>

*Deferred Credits - Remunerations* pertains to unidentified deposits credited to dollar accounts.

*Deferred Credits - CCT* refers to over-deposits, liquidated CCT funds awaiting DSWD certification or over-deposits awaiting DSWD certification.

*Other Deferred Credits* refers to other unidentified deposits.

## 19. PROVISIONS

This account is composed of the following:

Particulars	2023	2022 (As Restated)
Leave Benefits Payable	1,608,457,536	1,627,865,398
Other Provisions	79,023,205	79,023,205
<b>TOTAL</b>	<b>1,687,480,741</b>	<b>1,706,888,603</b>

*Leave Benefits Payable* pertains to unpaid terminal leave benefits of retired employees as at year-end and earned leave credit as of CY2023 of active employees.

*Other Provisions* refers to the unclaimed incentive of employees who retired under Executive Order No.366.

## 20. DEFERRED TAX LIABILITIES

*Deferred Tax Liabilities* pertains to Deferred Output Tax.

Particulars	2023	2022
Deferred Output Tax	284,028,644	149,580,906
<b>TOTAL</b>	<b>284,028,644</b>	<b>149,580,906</b>

## 21. OTHER PAYABLES

This account is composed of the following:

Particulars	2023	2022 (As Restated)
<b>Current Liabilities</b>		
Other Loan Deductions	12,862,584	17,615,670
<b>Non-Current Liabilities</b>		
Other Long-Term Liabilities - SPV-AMC	35,617,022	78,357,448
<b>TOTAL</b>	<b>48,479,606</b>	<b>95,973,118</b>

*Other Loan Deductions* include unremitted salary deductions as of December 31, 2023 due to Provident Fund Office and PSMBAI.

*Other Payables* pertains to the claim of Asset Pool A (SPV-AMC) under Civil Case No. 01 – 1205 before the RTC of Makati.

## 22. GOVERNMENT EQUITY

Under Section 9 of R.A. No. 7354 or the Postal Service Act of 1992, the Corporation shall have an authorized capital stock of P10 billion divided into 45 million Class "A" shares to be subscribed by the Government and 55 million Class "B" shares to be subscribed by private entities with a par value of P100 each.

## 23. SERVICE AND BUSINESS INCOME

This account is composed of the following:

Particulars	2023	2022 (As Restated)
<b>Mail Services Revenue</b>		
Domestic Registered Mail	936,352,619	924,214,570
Domestic Ordinary Mail	348,899,580	406,513,520
International EMS – Merchandise	270,784,847	329,437,505
EMS Delivery Income	169,352,843	164,880,524
Domestic Registered Mail with Return Card	144,801,809	151,511,222
Domestic Ordinary Mail with Proof of Delivery	107,520,401	98,976,093
Terminal Dues Income - Recorded Items	63,199,537	115,879,463
Inward Land Rate Income	62,571,015	52,984,358
International EMS – Documents	41,799,043	39,974,129
Presentation to Customs Fee	34,909,663	41,428,330
International Registered Letters	32,375,898	33,974,605
Domestic EMS – Documents	26,498,847	32,388,903
Direct Access/Entry Income	17,742,117	18,719,923
International Letters	16,462,936	22,285,931
Bulk Stamp Sales	13,545,408	17,074,609
Domestic EMS – Merchandise	8,019,970	13,788,632
International Ordinary Parcel	7,193,330	37,006,369
Cumbersome Cargoes	7,728,412	25,403,597
International Registered Letters with Advice of Receipt	5,835,375	8,676,391
International Registered Small Packet	5,805,871	6,721,641
Postal Station Sales	5,091,655	8,053,931
Domestic Express Pouch	2,122,772	2,769,649
Domestic Air Parcel	1,667,570	10,065,962
Miscellaneous Income - Postal ID Delivery Fee	1,596,904	8,699,727
Domestic Priority Mail	1,472,099	1,319,142
International Ordinary Parcel with Advice of Receipt	1,306,410	3,873,667
Domestic Printed Matters and Magazines	1,078,226	1,203,900
Packaging Services	742,224	703,804
International Registered Small Packet		



Particulars	2023	2022 (As Restated)
with Advice of Receipt	620,857	1,408,613
International Registered Printed Matter with Advice of Receipt	602,790	224,959
International Postcards	370,326	465,353
International Letters – Special Delivery	227,948	526,916
Domestic Subscriptions with Mail Indicia	131,379	15,285
Business Reply Envelope (BRE)	125,871	118,273
International Registered Printed Matters	109,202	405,002
Miscellaneous Income - Mail Bag	83,694	109,791
Domestic Cod Parcel	46,487	3,000
International Printed Matter	24,271	3,208,091
Transit Charges Income – Parcel Post	21,250	0
Sea Rate Income	12,278	9,334
Miscellaneous Income - 2nd Class Mail	6,896	14,206
Domestic Books	6,321	9,954
Fax Mail	4,817	182
International Books	1,092	647,538
Unaddressed Mail	940	42
Discounts on Mailing Services	(862,290)	(3,660,047)
<b>Total Mail Service Revenue</b>	<b>2,338,011,510</b>	<b>2,582,036,589</b>
<b>Postal Payment Service Revenue</b>		
Domestic Postal Money Order Service Fees	4,581,321	5,222,580
Delivery Service Fees - PDIC	2,815,964	3,804,750
Delivery Service Fees - PRC	684,757	1,210,127
Inbound International Postal Money Order Service Fees	457,586	75,863
Delivery Service Fees - Save The Children	155,400	286,257
Commission on Collections - Bayad Center	136,408	396,888
Outbound Intl E-Postal Money Order Service Fees	2,339	0
Miscellaneous Income – MCWD Service		
Commission Fees	1,406	11,113
Domestic E-Postal Money Order Service Fees	741	45
Delivery Service Fees – Senior Citizen	709	0
Delivery Service Fees - PMO	471	0
Commission on Collections - PhilHealth	329	0
Delivery Service Fees - MIWD	0	98,652
Delivery Service Fees - CCT	0	1,161
<b>Total Postal Payment Service Revenue</b>	<b>8,837,431</b>	<b>11,107,436</b>
<b>Other Service Income</b>		
Processing Fees		
Rush Processing Fees	15,826,150	48,728,055

Particulars	2023	2022 (As Restated)
Clearance and Certification Fees		
Certification/Authentication/Revalidation Fees	717,785	1,020,086
Fines and Penalties-Service Income		
Penalties	375,981	330,491
Permit Fees		
Permit Fees	356,559	303,057
Fees and Commissions Income		
Annual Fees/Charge Account	193,818	232,532
Ticketing Office Commission	181,259	1,348
Photo ID Commission Fees	23,647	6,378
Mobile Autoload Commission	1,256	6,093
Photo Service Commission	533	1,145
Commission on Consignment Sales	12	3,022
Collect-On-Delivery Commission	0	125
Cancellation Fees		
Cancelled PID Fees	28,036	323,282
Franchising Fees		
Franchising And Accreditation Fees	15,750	65,238
Other Service Income		
Photo ID Service Fees	3,539	1,897
Photo Service Fees	1,254	89
<b>Total Other Service Income</b>	<b>17,725,579</b>	<b>51,022,838</b>
<b>Business Income</b>		
Postal ID Fees	88,486,318	420,860,876
Rent Income	52,474,559	55,215,247
Interest Income	18,370,157	17,823,485
Philatelic Sales	10,861,925	12,574,271
Income From Joint Venture	6,877,148	75,689,036
Lock Box Rental	3,468,337	4,071,684
Miscellaneous Income - Valuation Fees	2,287,416	2,928,063
Miscellaneous Income - Parking Fees	1,421,229	1,573,397
PHLPost Products Sales	227,121	576,101
Miscellaneous Income - PHLPost Box	115,371	260,133
Handling and Storage Fee	39,218	55,066
Sales Discounts	0	(1,312,572)
<b>Total Business Income</b>	<b>184,628,799</b>	<b>590,314,787</b>
<b>TOTAL</b>	<b>2,549,203,319</b>	<b>3,234,481,650</b>

#### 24. OTHER NON-OPERATING INCOME

Particulars	2023	2022 (As Restated)
Miscellaneous Income - Others	4,924,761	3,608,881
Miscellaneous Income - Service Fees	1,272,376	4,522,981
Miscellaneous Income - Sale of Waste Materials	269,346	422,397
Miscellaneous Income - Photocopy Service Fees	12,920	109,057
Miscellaneous Income- Documentary Stamps	3,947	0

Miscellaneous Income - Pre-Qualification Fee	2,332	0
Miscellaneous Income - Lamination Fees	223	1,207
Miscellaneous Income - Return Cards	0	61,494
<b>TOTAL</b>	<b>6,485,905</b>	<b>8,726,017</b>

## 25. PERSONNEL SERVICES

Particulars	2023	2022 (As Restated)
Salaries and Wages	919,990,858	1,006,162,385
Other Compensation	377,319,077	489,054,977
Personnel Benefit Contributions	137,213,523	145,919,711
Other Personnel Benefits	97,846,488	375,278,175
<b>TOTAL</b>	<b>1,532,369,946</b>	<b>2,016,415,248</b>

### a. Salaries and Wages

Particulars	2023	2022 (As Restated)
Salaries and Wages - Regular	914,350,222	1,001,517,922
Salaries and Wages - Contractual	5,640,636	4,644,463
<b>TOTAL</b>	<b>919,990,858</b>	<b>1,006,162,385</b>

### b. Other Compensation

Particulars	2023	2022 (As Restated)
Personnel Economic Relief Allowance	84,308,106	91,045,657
Mid-Year Bonus	78,051,671	80,284,301
Year End Bonus	77,009,892	85,756,512
Service Recognition Incentive	34,082,000	75,080,000
Clothing/Uniform Allowance	21,070,000	22,338,000
Cash Gift	17,632,250	19,022,250
Productivity Enhancement Incentive (PEI)	17,036,500	18,655,000
Longevity Pay	11,812,500	2,192,500
Representation Allowance (RA)	10,154,875	11,375,500
Letter Carrier's Allowance	9,681,219	11,723,218
Overtime Pay	7,348,977	12,590,464
Transportation Allowance (TA)	6,525,875	7,213,500
Night Differential Pay	1,498,790	1,003,500
Honoraria	1,008,172	719,575
Special Counsel Allowance	98,250	55,000
Performance-Based Bonus	0	50,000,000
<b>TOTAL</b>	<b>377,319,077</b>	<b>489,054,977</b>

### c. Personnel Benefit Contributions



Particulars	2023	2022 (As Restated)
Life and Retirement Insurance Contributions	110,666,612	119,411,408
PhilHealth Contributions	18,101,988	17,391,521
Pag-IBIG Contributions	4,225,288	4,604,611
Employees Compensation (EC) Contributions	4,219,635	4,512,171
<b>TOTAL</b>	<b>137,213,523</b>	<b>145,919,711</b>

d. **Other Personnel Benefits**

Particulars	2023	2022 (As Restated)
Terminal Leave Benefits	97,846,488	375,278,175
<b>TOTAL</b>	<b>97,846,488</b>	<b>375,278,175</b>

*Terminal Leave Benefits* represents the value of allowable leave credits of employees who retired from the service during the current year and those active employees of the current year. The computation is based on the employee's last basic monthly salary.

**26. MAINTENANCE AND OTHER OPERATING EXPENSES**

Particulars	2023	2022 (As Restated)
Labor and Wages	387,348,323	326,533,248
Supplies and Materials Expenses	123,239,840	343,842,279
General Services	104,815,685	111,789,106
Utility Expenses	46,340,641	58,256,926
Professional Services	40,077,756	46,713,659
Traveling Expenses	32,819,234	33,933,257
Communication Expenses	21,714,477	29,349,277
Repairs and Maintenance	19,339,775	19,372,522
Taxes, Insurance, Premiums and Other Fees	16,789,996	19,023,295
Confidential, Intelligence and Extraordinary Expenses	1,847,423	1,660,585
Training and Scholarship Expenses	479,726	1,326,220
Awards/Rewards, Prizes and Indemnities	56,761	63,578
Other Maintenance and Operating Expenses	404,834,043	580,169,740
<b>TOTAL</b>	<b>1,199,703,680</b>	<b>1,572,033,692</b>

a. **Labor and Wages**

Particulars	2023	2022 (As Restated)
Labor and Wages	387,348,323	326,533,248
<b>TOTAL</b>	<b>387,348,323</b>	<b>326,533,248</b>

b. **Supplies and Materials Expenses**

Particulars	2023	2022 (As Restated)
Office Supplies Expenses	66,409,570	79,360,476
Fuel, Oil and Lubricants Expenses	51,225,210	62,882,059
Accountable Forms Expenses	2,972,063	181,611,803
Semi-Expendable Machinery and Equipment Expenses	1,947,034	18,785,945
Semi-Expendable Furniture and Fixtures Expenses	679,862	1,201,996
Non-accountable Forms Expenses	6,101	0
<b>TOTAL</b>	<b>123,239,840</b>	<b>343,842,279</b>

**c. General Services**

Particulars	2023	2022 (As Restated)
Other General Services	58,103,622	51,409,907
Security Services	36,982,419	47,592,392
Janitorial Services	9,729,644	12,786,807
<b>TOTAL</b>	<b>104,815,685</b>	<b>111,789,106</b>

**d. Utility Expenses**

Particulars	2023	2022 (As Restated)
Electricity Expenses	38,002,333	43,301,057
Water Expenses	8,338,308	14,955,869
<b>TOTAL</b>	<b>46,340,641</b>	<b>58,256,926</b>

**e. Professional Services**

Particulars	2023	2022 (As Restated)
Auditing Services	38,597,339	46,373,893
Consultancy Services	1,480,417	339,766
<b>TOTAL</b>	<b>40,077,756</b>	<b>46,713,659</b>

**f. Traveling Expenses**

Particulars	2023	2022 (As Restated)
Travelling Expenses-Local	32,029,786	32,642,506
Travelling Expenses-Foreign	789,448	1,290,751
<b>TOTAL</b>	<b>32,819,234</b>	<b>33,933,257</b>

**g. Communications Expenses**

Particulars	2023	2022 (As Restated)
Internet Subscription Expenses	19,002,151	25,089,839
Telephone Expenses - Landline	2,062,204	3,644,709
Telephone Expenses - Mobile	650,122	614,729
<b>TOTAL</b>	<b>21,714,477</b>	<b>29,349,277</b>

**h. Repairs and Maintenance**

Particulars	2023	2022 (As Restated)
Repairs and Maintenance - Equipment	8,736,554	6,580,186
Repairs and Maintenance - Motor Vehicles	7,066,490	8,425,741
Repairs and Maintenance - Buildings	3,466,273	4,231,307
Repairs and Maintenance - IT Equipment and Software	40,074	124,302
Repairs and Maintenance - Leasehold Improvements - Buildings	20,384	0
Repairs and Maintenance - Furniture and Fixtures	10,000	10,986
<b>TOTAL</b>	<b>19,339,775</b>	<b>19,372,522</b>

**i. Taxes, Insurance, Premiums and Other Fees**

Particulars	2023	2022 (As Restated)
Insurance Expenses	10,549,028	12,449,096
Taxes, Duties and Licenses	4,884,205	5,143,883
Fidelity Bond Premiums	1,356,763	1,430,316
<b>TOTAL</b>	<b>16,789,996</b>	<b>19,023,295</b>

**j. Confidential, Intelligence and Extraordinary Expenses**

Particulars	2023	2022 (As Restated)
Miscellaneous Expenses	1,155,181	1,079,532
Extraordinary Expenses	692,242	581,053
<b>TOTAL</b>	<b>1,847,423</b>	<b>1,660,585</b>

**k. Training and Scholarship Expenses**

Particulars	2023	2022 (As Restated)
Training Expenses	479,726	1,326,220
<b>TOTAL</b>	<b>479,726</b>	<b>1,326,220</b>

**l. Awards/Rewards, Prizes and Indemnities**



Particulars	2023	2022 (As Restated)
Award/Rewards, Prizes and Indemnities	56,761	63,578
<b>TOTAL</b>	<b>56,761</b>	<b>63,578</b>

**m. Other Maintenance and Operating Expenses**

Particulars	2023	2022 (As Restated)
International Conveyance Expenses - Air	143,130,622	212,049,081
EMS Delivery Expenses	87,182,836	83,228,547
Rent Expenses	54,452,603	56,077,076
Domestic Conveyance Expenses	53,325,710	65,910,093
Terminal Dues Expenses – Recorded Items	25,961,770	38,453,086
International Conveyance Expenses – Surface	6,408,687	19,676,086
UPU Membership Dues and Fees	5,589,649	5,338,362
Inward Land Rate Expenses	5,558,652	10,925,061
Subscription Expenses	4,351,169	10,109,293
Leasing Costs	999,174	1,021,530
Documentary Stamp Expenses	955,486	623,729
BOD Reimbursable Expenses	565,231	1,487,079
Advertising and Marketing Expenses	266,811	4,777,723
Gender and Development Expenses	41,722	503,899
Other MOOE - Meetings/Dialogues	4,918,910	6,917,417
Other MOOE - PHLPost Anniversary Celebration	532,143	41,786
Other MOOE - PHLPost Christmas Celebration	939,663	969,762
Other MOOE - Top 20 Income Earner	103,585	0
Other MOOE - Common Usage	26,745	8,796,185
Other MOOE – Donations to Organizations	9,000	0
Other MOOE - Pre-Qualification Advertising	1,540	4,375
Other MOOE - Professional License Renewal	0	19,323
Other MOOE - PHLPost Henyo Program	0	10,527
Other MOOE - Physical/Medical Examinations	0	3,360
Other MOOE - Real Properties Titling	0	2,684
Other MOOE - Others	9,512,335	53,223,676
<b>TOTAL</b>	<b>404,834,043</b>	<b>580,169,740</b>

**27. FINANCIAL EXPENSES**

This account is composed of the following:

Particulars	2023	2022 (As Restated)
Interest Expenses	2,000,000	8,020,090
Bank Charges	394,334	283,861
Other Financial Charges	5,231,206	15,296,672

<b>TOTAL</b>	<b>7,625,540</b>	<b>23,600,623</b>
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*Interest Expenses* refers to interest charges paid/incurred for the use of borrowed money.

*Bank Charges* refers to the charges imposed by the banks for various services in relation to loans or borrowings.

*Other Financial Charges* are expenses not falling under any of the specific financial expense accounts.

## 28. DIRECT COST

<b>Particulars</b>	<b>2023</b>	<b>2022</b> (As Restated)
Cost of Sales	2,605,433	2,848,096
<b>TOTAL</b>	<b>2,605,433</b>	<b>2,848,096</b>

## 29. NON-CASH EXPENSES

This account is composed of the following:

<b>Particulars</b>	<b>2023</b>	<b>2022</b> (As Restated)
Impairment Loss	74,498,254	40,115,781
Depreciation	49,821,886	51,487,446
Amortization	402,797	317,118
<b>TOTAL</b>	<b>124,722,937</b>	<b>91,920,345</b>

### a. Impairment Loss

<b>Particulars</b>	<b>2023</b>	<b>2022</b> (As Restated)
Impairment Loss - Loans and Receivables	74,498,254	40,115,781
<b>TOTAL</b>	<b>74,498,254</b>	<b>40,115,781</b>

### b. Depreciation

<b>Particulars</b>	<b>2023</b>	<b>2022</b> (As Restated)
Depreciation - Buildings	25,064,857	18,724,027
Depreciation - Machinery	10,733,880	11,581,598
Depreciation - Motor Vehicles	7,873,897	8,126,092
Depreciation - Machinery and Equipment	3,039,833	4,703,519
Depreciation - Information and Communication Technology Equipment	2,230,887	6,983,319
Depreciation - Furniture, Fixtures and Books	406,844	909,774
Depreciation - Land Improvements	376,215	376,215
Depreciation - Leased Assets Improvements	67,538	67,538

Particulars	2023	2022 (As Restated)
Depreciation - Other Property, Plant and Equipment	27,935	15,364
<b>TOTAL</b>	<b>49,821,886</b>	<b>51,487,446</b>

c. **Amortization**

Particulars	2023	2022 (As Restated)
Amortization - Intangible Assets	402,797	317,118
<b>TOTAL</b>	<b>402,797</b>	<b>317,118</b>

**30. GAINS**

This account is composed of the following:

Particulars	2023	2022 (As Restated)
Gain on Foreign Exchange (FOREX)	79,743,146	256,359,407
Gain on Sale or Disposal of Assets - PPE	1,778,032	25,158
Gain on Sale or Disposal of Assets - Inventory	4,000	0
<b>TOTAL</b>	<b>81,525,178</b>	<b>256,384,565</b>

**31. LOSSES**

This account is composed of the following:

Particulars	2023	2022 (As Restated)
Loss on Foreign Exchange (FOREX)	94,948,325	192,117,658
Loss of Assets	85,068,565	639
Loss on VAT Exemption	79,797	153,248
Loss on Sale of Property, Plant, and Equipment	18,074	570,871
<b>TOTAL</b>	<b>180,114,761</b>	<b>192,842,416</b>

**32. ACCUMULATED SURPLUS/(DEFICIT)**

Accumulated Surplus/(Deficit) increased by P142 million as a result of the net increase/decrease of income and expense after adjustment of various accounts.

**33. REVALUATION SURPLUS**

*Revaluation Surplus* represents the accumulated amount of appraisal increases as determined by independent appraisers who were hired to conduct appraisal of PHLPost's fixed assets. Appraisal increase is the amount by which the appraised value exceeds the book value of fixed assets and is added to the carrying value of fixed assets.

The changes in the fair value of lots with question on ownership are temporarily not



recognized.

The amount of Revaluation Surplus was reclassified to Accumulated Surplus/(Deficit) making the balance of Revaluation Surplus account to zero in CY 2021.

#### **34. RELATED PARTY DISCLOSURES**

##### **i. Key Management Personnel**

The key management personnel of PHLPost are the Chairman of the Board, the members of governing body, and the members of the senior management group. The governing body consists of members appointed by Chairman of the Board. The senior management group consists of the Postmaster General and Chief Executive Officer, the Assistant Postmaster General for Administration and Finance, Assistant Postmaster General for Operations, Assistant Postmaster General for Management Support Services and the Department Managers.

##### **ii. Key Management Personnel Compensation**

<b>Particulars</b>	<b>Aggregate Remunerations</b>
Salaries and Wages	3,629,656
Other Compensation	1,308,922
Other Personnel Benefits	1,069,730
<b>Total Other Personnel Benefits</b>	<b>6,008,308</b>

The Chairman of the Board which has supervision over the PHLPost is not remunerated by the Corporation.

#### **35. STATEMENT OF FINANCIAL POSITION INCLUDES ACCOUNTS TERMED AS "FOR RECONCILIATION"**

Upon its incorporation in 1992, PHLPost continued using the Postal Services Office (PSO) books of accounts, thus, the unreconciled/unaccounted balances of then PSO were carried over to the PHLPost books of accounts. In 1996, the unreconciled amounts were further increased due to non-reconciliation of balances for lack of supporting documents, as a result of the fire that completely destroyed accounting records on April 21, 1996.

In December 1999, the Corporation engaged the services of an independent auditing firm which recommended the set-up of temporary accounts (Contingent Assets, Contingent Liabilities and Contingent Capital Suspense account) to record the balances of the PSO accounts which remained dormant and other unreconciled/unaccounted balances of the PHLPost books as of December 31, 1998. The temporary accounts were presented in the financial statements from CYs 2000 to 2004.

In 2005, the Contingent Assets, Contingent Liabilities and Contingent Capital Suspense Accounts were written-off from the Central Office Books while in some Regional Books, the balances were transferred to the Due to Central Office account. However, upon the recommendation of the then COA Auditor, the balances of these accounts were restored in 2006 and reclassified as "bad accounts". Since 2006 until 2012, the net differences of the assets and liabilities classified as "bad accounts" were closed to Retained Earnings.

The separation of the account balance into Good and Bad accounts was in compliance with Memorandum Circular No. 0703 dated June 15, 2007 – *Guidelines to Follow for Certain Accounts to Clean Up the Balance Sheets*, a joint memorandum issued both by PHLPPost-OAPMG for Administration and Finance and the COA. The purpose is to reflect the "good" financial statements, the "most likely" true worth of the Corporation pending disposition and other COA actions on the "Bad" accounts.

For CY 2013, to address the "prior years' balances for reconciliation" and to establish the balances to start with, Memorandum-Guidelines dated March 11, 2013 was issued relative to the following:

- a. Opening a new set of Books (General Ledger beginning balances) for all accounts that are properly supported. These new balances, upon consolidation, will present the Corporation's financial position as of January 1, 2013.
- b. Maintenance of the old set of Books separately containing the unsubstantiated balances subject for adjustment once the accounts are validated and properly supported.

Verification and reconciliation of prior years' balances is a continuing activity. During the year, balances which have been identified were adjusted.

### 36. ADJUSTMENT IN THE STATEMENT OF FINANCIAL POSITION

Certain asset and liability accounts were presented at amounts net of account balances which accumulated prior to incorporation and which could not be substantiated. The Statement of Financial Position is presented net of these account balances. *Postage stamps inventory*, for example, reflects the face value instead of printing cost; *Due from Officers and Employees* includes incomplete or unliquidated payroll; *Receivables/Disallowances* include accountabilities/shortages of absconded employees; *Land* includes the booked-up value of properties without titles; *Accounts Payable* includes excess certification or booked-up payables without corresponding disbursement vouchers. These accounts are subject to verification, validation and necessary adjustment in the books. Authority for accounts to be written off will be requested from the Commission on Audit. The accounts with the corresponding amounts which could not be substantiated and subjected for reconciliation are as follows:

Account Name	Debit	Credit
Cash - Collecting Officers - Corporate	4,962,483	
Cash - Collecting Officers - Trust - Manual MO	5,240,396	
Cash - Collecting Officers - Trust - PhilHealth	600	
Cash in Bank - Corporate	10,204,216	
Rental Receivable	81,367	
Due from NGAs, GOCCs, SUCs and LGUs	2,435,430	
Receivables - Disallowances/Charges	35,875,963	
Due from Directors, Officers and Employees	26,938,557	
Merchandise Inventory	1,076,337	
IT Equipment and Software	5,664,815	
Furniture and Fixtures	231,716,033	



Account Name	Debit	Credit
Cash - Disbursing Officers - Corporate	41,907	
Payroll Fund	1,067,100	
Advances to Officers and Employees	20,871	
Guaranty Deposits		266,716
Other Assets	402,820,896	
Due to GSIS	12,004,364	
Other Loan Deductions	4,364,387	
Due to Central Office	26,687,662	
Area Equity		98,835,200
Trust Liabilities – DMO		58,144,958
Trust Liabilities - Bills Payments Collections - PHIC		600
Retained Earnings		613,955,910
<b>TOTAL</b>	<b>771,203,384</b>	<b>771,203,384</b>

### 37. JOINT VENTURE

In 2009, PHLPost and Filmetrics Inc. entered into a Joint Venture Agreement (JVA) to operate the Filmetrics' Biometric Data Service Facilities (BDSF) with their clients. In conformity with its obligations under the JVA, PHLPost entered into an Agency-to-Agency Agreement with Social Security System (SSS), JV client, for use of the BDSF for the issuance of identification cards (IDs) to its members. In 2014, the Partners executed a Memorandum of Agreement to use the same BDSF for the issuance of Postal IDs.

#### Joint Venture Agreement (SSS IDs)

Under the JVA (SSS IDs), PHLPost billed SSS for ID captured and recognized the cost of ID captured as revenue. The amount corresponding to 86.67 percent (85 percent starting October 2019) of the revenue however is remitted to Filmetrics and recorded as expense under Other MOOE.

For the year 2023, PHLPost recognized Income from Joint Venture of P4,585,751.29 million.

#### Joint Venture Agreement (Postal IDs)

Under the JVA (Postal IDs), PHLPost recognizes the selling cost of P504 (VAT inclusive) per ID as revenue. Included in the P504 is the JV-ID fee of P222 (VAT inclusive) which is recorded as Accountable Forms Expense and payable to Filmetrics.

While PHLPost recognizes the whole Postal ID (PID) Fee of P222 as expense, it is also entitled to a share of 13.33 percent (15 percent starting October 2019) of the P222 PID Fee. This is additional revenue but can only be collected from Filmetrics upon remittance of the P222 to the latter.

During the year, PHLPost recognized a share in the profit/revenue of Joint Venture from Filmetrics of P2,291,396.79 of PID Fees.

### 38. DIVIDENDS

Under the Republic Act (RA) No. 7656 and its Revised Implementing Rules and



Regulations, particularly under Section 3 of the said RIRR, all government-owned or -controlled corporations are required to declare and remit at least fifty percent (50%) of their annual net earnings as cash, stock or property dividends to the National Government.

Pursuant to Section 5 of the said RIRR, "In the interest of national economy and general welfare, the percentage of annual net earnings that shall be declared by a government-owned or -controlled corporation may be adjusted by the President of the Philippines upon recommendation by the Secretary of Finance".

For the year 2023, PHLPPost incurred a net income of P135.072 million inclusive of P525 million Subsidy from National Government. For income tax computation purposes, subsidy is excluded resulting to a net loss, hence, no dividends were declared nor paid during the year.

### **39. SUBSIDY FROM THE NATIONAL GOVERNMENT FOR CY 2023**

The Department of Budget and Management (DBM) through the Bureau of the Treasury issued Special Allotment Release Order (SARO)-BMB-C-23-0014842 for the amount of P45 million and SARO-BMB-C-23-0025139 for the amount of P500 million to cover the reimbursement of franking privilege services of PHLPPost.

Likewise, the DBM issued Notice of Cash Allocation (NCA) No. BMB-C-23-0003126 of P45 million and NCA No. BMB-C-23-0015666 of P500 million to cover the cash requirements.

### **40. STATUS OF CASES**

- a. **Civil case for collection of sum of money docketed as Civil Case No. 01-1205 pending before the RTC of Makati, Branch 149 filed by Plaintiff BPI (now substituted by Asset Pool A SPV-AMC, Inc.) against PHLPPost and co-defendant PLFC. From 1996 to 1998, Philippine Postal Leasing & Financing Corporation (PLFC) was granted a loan accommodation from Far East Bank and Trust Company (FEBTC) in an aggregate amount of P254,855,302 for which PHLPPost binds itself, jointly and severally with PLFC in its capacity as surety, for any and all obligations of the latter.**

After some payments, PLFC defaulted on its loan obligation and as of May 22, 2001, BPI as successor-in-interest of FEBTC claimed that the outstanding obligation of PLFC already amounted to P402.137 million, broken down as follows:

Principal	P250.722 million
Interest	151.415 million

On September 27, 2005, Avenue Asia Special Situations Fund (AASSF) III L.P. filed a Motion for Substitution of Party. The AASSF III averred that BPI assigned its credit and accounts from PLFC.

Then, on September 17, 2012, Asset Pool A SPV-AMC, Inc. (present plaintiff) also filed a Motion for Substitution of AASSF III.

As of October 31, 2018, the plaintiff claimed that the above balances including Attorney's Fee reached P2,459,770,356.

After reconciliation, a Compromise Agreement was entered into by the parties by which PHLPost will pay the principal amount of P213,702,131 plus the compromise interest, penalties and attorney's fees of P25,000,000 in accordance with the agreed schedule.

PHLPost initially paid P15,000,000 interest on September 2019 and the monthly installment of P3,728,369 started in October 2019.

As of December 31, 2023, the outstanding payable is 35,617,022.

**b. Civil Case No. 08-318 pending before the RTC of Makati, Branch 146 filed by Allied Banking Corporation (now substituted by Philippine National Bank (PNB) against PHLPost and co-defendant PLFC.**

On April 23, 2008, a Complaint for Sum of Money with Prayer for Issuance of Writ of Preliminary Attachment was filed by then Plaintiff Allied Banking Corporation (ABC) against Defendants PLFC and PHLPost for unpaid loans which were incurred from 1995 to 1998. Plaintiff ABC claimed that Defendant PLFC still owes a principal amount of P44,218,118.88. On the other hand, PHLPost is being sued for its alleged capacity as surety of the PLFC loans.

On October 17, 2011, the Court issued a Decision in favor of Plaintiff bank ordering PLFC to pay the plaintiff the amount of P44,218,811 plus interest at the rate of 12 percent per annum and penalty charge at the rate of 12 percent per annum starting from October 15, 2004 until the obligation is fully paid.

As per PNB's Statement of Account as of April 30, 2019 on PLFC's account, the latter's outstanding obligation already ballooned to P189,990,517.

In the Compromise Agreement entered into, PHLPost shall pay PNB the principal amount of P44,218,811 in accordance with the following schedule:

- a. P5,000,000 first/initial installment upon approval of the Compromise Agreement.
- b. P13,072,706 in three regular installments to be paid within 60 days after every installment.

On top of the P44,218,119 principal amount, PHLPost shall also pay a compromise interest of P6,000,000.

As of December 31, 2023, the parties had yet to finalize the agreement because of the inclusion of provisions and joint manifestation required by the Office of the Government Corporate Counsel.

**c. Petition for Money Claim of FGU Insurance Corporation against PHLPost**

The claim arose from the vehicular incident on November 11, 1994 involving a vehicle of PHLPost. The owner of the other vehicle filed an insurance claim with FGU and



was paid the amount of P287,500. On the other hand, FGU filed a complaint on December 12, 1996 before the RTC of Makati docketed as Civil Case No. 96-2023, for recovery of damages. The Court ordered PHLPost to pay the actual damage of P287,500 plus legal interest thereon from the time of filing of the complaint until full payment; Attorney's fees of P30,000 and cost of the case reached the Court of Appeals but it directed that the claim against PHLPost must be filed before the COA pursuant to Section 26 of P.D. No.1445.

In the COA Decision No. 2018-287, PHLPost was directed to pay FGU the amount of P287,500 plus legal interest of 6 percent per annum computed from the date of filing of the complaint on December 12, 1996 until the judgment became final and executory on November 6, 2007, and 12 percent from finality of the judgment until full payment. Per COA Decision, the Commission cannot determine the exact amount of the claim considering that PHLPost had yet to pay its obligation.

FGU Insurance Corporation filed a Motion for Execution with the Commission on Audit.

As of December 31, 2023, PHLPost received a Notice of Execution from the Commission on Audit but the existence of FGU Insurance is in question.

- d. PHLPost has a payable to Philippine Postal Savings Bank (PPSB) in the amount of P4,545,811 representing the rehabilitation cost of the then PHLPost building destroyed by fire in 2011. On the other hand, PPSB has a payable to the PHLPost for the rental of the former Regional Office, Baguio City Post Office from April 2015 to December 2019. The property is being rented for P50,000 monthly by PPSB for the use of the Philippine Charity Sweepstakes Office.

On November 25, 2016, PHLPost requested PPSB for offsetting its payable of P4,545,811 against the latter's outstanding rental payable and succeeding monthly rental of P50,000 until the amount of P4,545,811.40 is fully paid.

In a letter dated February 2018, PPSB conveyed its approval and acceptance of PHLPost's proposal for offsetting, however, requested to include its PPSB outstanding payable with Mega Manila and succeeding monthly postage consumptions.

As of October 31, 2019, the obligations of both parties were already settled. Offsetting will be recognized in the books upon proper/complete documentation.

As of December 31, 2023, P595,364 out of the P4,545,811 has already been reflected in the books of Central Office. The outstanding balance of Philippine Postal Savings Bank amounted to P3,950,447 which remains to be set for offsetting.

- e. **Case No. SB-17-CRM-2146 for violation of Section 3 (e) of R.A. No. 3019 "Anti-Graft and Corrupt Practices Act" involving former PHLPost officials**

Facts/Background:

PHLPost USA engaged in the business of providing international re-mailing services to residents of the United States of America entered into License Agreement with



PHLPost in April 2000.

For the calendar year 2001, PHLPost USA paid PHLPost the amount of \$1,031,936.03 or P52,772,780 for the terminal dues for mail matters sent to Royal Mail (United Kingdom).

On November 19, 2003, PHLPost refunded to PHLPost USA the \$1,031,936.03 or P53,043,835 upon the request of PHLPost USA for the reason that Royal Mail has not sent invoices/claims for the 2001 terminal dues.

Subsequently, the COA issued an Audit Observation Memorandum (AOM) dated March 29, 2004 which upon evaluation issued Notice of Disallowance dated August 4, 2005 on the ground that the refund has no legal basis, and is not provided for in the License Agreement between PHLPost USA thus, considered as an unnecessary expense.

A case was filed with the Sandigan Bayan against Diomedio Villanueva, then Postmaster General; Antonio R. Siapno, then Assistant Postmaster General, and Leonido T. Basilio, then Acting Director.

In the decision promulgated on February 22, 2019, the Sandigan Bayan, First Division acquitted the accused Villanueva for failure of prosecution to prove his guilt beyond reasonable doubt, and no civil liability is adjudged against him.

The decision applies only to Villanueva. The Court did not rule whether accused Siapno and Basilio are guilty of the charge or not.

- f. The front portion of the Quezon City Post Office lot located at BIR Road, Barangay Pinyahan measuring approximately 640 sq. m. was affected by the Road Widening Project of the Department of Public Works and Highways (DPWH). As such, the existing powerhouse, guard house and perimeter fence and wall, steel entrance were relocated due to the said project. PHLPost is currently in coordination with appropriate offices to determine the exact valuation of the portion affected. The National Government is expected to pay PHLPost an estimated amount of P49 million.

**g. Civil Case for Escheat at RTC, Branch No. 5, Legazpi City**

In the decision dated January 16, 2020, the Court ruled in favor of the PHLPost, excluding from the escheat proceedings, the unclaimed balance of P28,572 of the Postal Services now Philippine Postal Corporation under account number 0132-0104-80 deposited with the Land Bank of the Philippines, Legazpi City Branch.

- h. The Bureau of Internal Revenue Tax Assessment for the taxable year 2021 pursuant to Letter of Authority No. eLA202200015085 dated August 4, 2023 which was received by this office on August 11, 2023 is currently ongoing verification and validation by the BIR.
- i. On September 28, 2023, the Office of the Postmaster General received a letter from Filmetrics Corporation, dated September 27, 2023, as a follow up from a demand letter they sent dated May 30, 2023 and August 24, 2023, demanding PHLPost to pay the Filmetrics Share on the income from Postal Identification Card and Biometrics Capture Projects. Filmetrics Corporation continued its services under the Joint

Venture Agreement by virtue of the extensions signed by the Former Postmaster General Norman Fulgencio which is without Board Approval. The Joint Venture Agreement were to originally end last December 2021. Extension of the contract ended on December 2022. PHLPost entered into a compromise agreement to settle the demand in the amount of P55,153,041.49, or in an amount as may be confirmed by the Commission on Audit.

#### **41. EXEMPTION FROM TAXES, CUSTOMS, AND TARIFF DUTIES ON IMPORTATION**

The Corporation is exempted from all direct and indirect taxes, customs duties, fees, imports and tariff duties, compensating taxes, wharfage fees and other charges and from restrictions on the importation of equipment, machinery, spare parts, accessories, and other materials, including supplies and services used directly in the operations of the Postal System not obtainable locally on favorable terms.

All obligations entered into by the Corporation and any income derived therefrom, including those contracted with private international banking and financial institutions are exempted from all taxes on both principal and interest. The Corporation is also exempted from the payment of capital gains tax, local government imposts and fees after December 31, 1997. Further, the Corporation may offset the full value of capital investments not otherwise funded by the National Government against any income tax due for the same period.

#### **42. SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS NO. 15 - 2010**

On November 25, 2010, the BIR issued RR No.15-2010 which prescribes additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying the tax returns. Under the said RR, companies are required to disclose in the Notes to the Financial Statements, information on taxes, duties and license fees paid or accrued during the taxable year. Following is the required information under RR No. 15-2010 for the year ended December 31, 2023:

1. The amount of output VAT declared during the year and account title and amount/s upon which the same was based.

PHLPost is a VAT-registered corporation with output VAT declaration of P204,936,086 for the year based on the amount of vatable revenues amounting to P1,707,800,719.

The Corporation has zero-rated sales/receipts amounting to P1,472,960 for the year ended December 31, 2023.

The Corporation has exempt sales amounting to P1,529,161 pursuant to the provisions of Section 109 of the National Internal Revenue Code of 1997.

2. The amount of VAT input taxes claimed

- |                                       |            |
|---------------------------------------|------------|
| a. Beginning of the year              | P2,259,813 |
| b. Current year's domestic purchases: |            |

i. Goods other than for resale or manufacture	P13,776,533	
ii. Capital goods subject to amortization	0	
iii. Capital goods not subject to amortization	0	
iv. Services	<u>49,100,477</u>	62,877,010
c. Claims for tax credit/refund and other adjustments		<u>(1,413,063)</u>
d. Balance at the end of year		<u>P63,723,760</u>

3. Withholding taxes

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

a. Tax on compensation and benefits	P27,399,704
b. Expanded withholding taxes	10,707,177
c. Vat withholding taxes	23,153,252

4. Business licenses, permits and other taxes

a. Local government permits, licenses and other fees	P4,241,205
b. BIR annual registration	643,000



## **PART II**

### **AUDIT OBSERVATIONS AND RECOMMENDATIONS**

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

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### A. Financial

#### *Property, Plant, and Equipment - Land*

1. The faithful representation of the balance of the Land account amounting to P1.535 billion as of December 31, 2023, under the Property, Plant and Equipment account with a carrying amount of P2.057 billion was not ascertained due to: (a) absence of Transfer Certificates of Title (TCTs) of 562 parcels of land valued at P1.068 billion; (b) inclusion of 109 land assets totaling P144.358 million which are either tagged as lots occupied by others or titles under the name of a private individual; and (c) derecognition of 38 parcels of land valued at P53.192 million and recognition of 45 parcels of land costing P48.634 million without sufficient supporting documents, contrary to the fair presentation requirement of International Public Sector Accounting Standard (IPSAS) 1 - Presentation of Financial Statements.

- 1.1 Paragraph 27 of IPSAS 1 on the Presentation of Financial Statements states that:

*Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses set out in IPSASs. The application of IPSASs, with additional disclosures when necessary, is presumed to result in financial statements that achieve a fair presentation.*

- 1.2 Paragraph 14 of IPSAS 17 – Property, Plant, and Equipment (PPE) provides the recognition criteria for PPE, thus:

*The cost of an item of property, plant, and equipment shall be recognized as an asset, if and only if:*

- a. *It is probable that future economic benefits or service potential associated with the item will flow to the entity; and*
- b. *The cost or fair value of the item can be measured reliably.*

- 1.3 The Land account has a reported balance of P1.535 billion in the financial statements as of December 31, 2023.

- 1.4 Audit of Land account disclosed the following errors and deficiencies:

- a. **Absence of Transfer Certificates of Title of 562 parcels of land - P1.068 billion**

The Audit Team conducted an inspection of TCTs prior to the fire incident on May 21, 2023, which showed that only 45 land assets valued at P466.834 million are covered with TCTs and the other 562 land assets costing P1.068 billion were without TCTs.

After the fire incident, it was informed that out of 45 land assets with TCTs, only three original copies of TCTs were not gutted by fire as these are in the custody of the Area Offices. As for the remaining TCTs, Management has yet to retrieve what might be left inside the safety vault of the Assets and Property Management Department, where the TCTs are kept, due to its location constraints.

Due to the absence of TCTs, the PHLPost may not enforce its claim of legal ownership and control over these land assets as these become exposed to counterclaims of ownership from third parties, hence, may not enjoy the benefits associated with it. Also, the validity of the recorded land assets could not be verified due to lack of supporting documents.

b. **Inclusion of 109 land assets which are either tagged as lots occupied by others or titles under the name of a private individual - P144.358 million**

Exceptions indicated in the Report on Physical Count of Property, Plant, and Equipment (RPCPPE) over the 109 land assets, are as follows:

Particulars	No. of Lots	Total Value
Lots occupied by others	103	141,652,697
Titled under the name of a private individual	6	2,704,900
<b>Total</b>	<b>109</b>	<b>144,357,597</b>

The 103 land assets that are tagged as occupied by others such as Local Government Units, National Government Agencies, private corporations, and individuals, and the six land assets that are titled under the name of a private individual cast doubt on the Agency's claim of ownership and control over these land assets as it signifies that the economic benefits associated with it may not be enjoyed by the PHLPost. Hence, these recorded land assets do not meet the recognition criteria for PPE as stated in Paragraph 14 of IPSAS 17.

c. **Derecognition and recognition of land assets without supporting documents – P101.826 million**

To reconcile the RPCPPE with the Accounting Records, some land assets were derecognized and recognized without the necessary supporting documents, viz:

Particulars	No. of Parcels of Land	Amount (in millions)
Derecognition of land	38	53.192



Particulars	No. of Parcels of Land	Amount (in millions)
Recognition of land	45	48.634
<b>Total</b>	<b>83</b>	<b>101.826</b>

#### *Derecognition*

Twenty-five (25) parcels of land costing P42.336 million were derecognized from the books based on the report prepared by the Assets and Property Management Division (APMD). Still, no documents were provided to corroborate the report of the APMD that the deeds of donation were already revoked, canceled, or reverted to the Local Government Units or donors; or that the land was already sold.

Likewise, there were 13 land assets costing P10.856 million appearing in Accounting Records but not included in the RPCPPE, which were dropped from the books without supporting documents.

#### *Recognition*

Forty-five (45) land assets costing P48.634 million not reflected in the Accounting Records but included in RPCPPE were recorded in the books without the necessary supporting documents to qualify for recognition.

- 1.5 Due to the absence of TCTs, the inclusion of land assets not within the control of the Agency, and the derecognition and recognition of land assets without supporting documents, the reliability of the balance of the Land account amounting to P1.535 billion as at year-end could not be ascertained.
- 1.6 ***We recommended and PHLPost Head Office Management agreed to:***
  - a. ***Require the Accounting Department, together with the Legal Department and Logistics and Property Management Department (LPMD) to:***
    - i. ***Reconstitute the TCTs of 42 titled land that were destroyed by fire with the Land Registration Authority; and secure the TCTs of land covered by Deed of Donations; and***
    - ii. ***Recover claim of ownership and control over the 109 land assets which are occupied by other entities and titled to private individuals, if possible; and***
  - b. ***Require the Bookkeeping Division and LPMD to gather supporting documents on the recognition of 45 land assets costing P48.634 million and the derecognition of 38 land assets costing P53.192 million.***
- 1.7 Management commented that due to a large number of untitled parcels of land, they could only accomplish a portion by the end of this year, considering the

manpower and financial constraints, locations of the untitled parcels of land, and availability of certain documents needed for securing land titles since the Head Office was gutted by fire last May 2023.

*Property, Plant, and Equipment Except for Land*

2. The existence, completeness, and valuation of Property, Plant, and Equipment (PPE) account, excluding Land account, with carrying amount of P522.024 million as of December 31, 2023, was doubtful due to: (a) discrepancy of P1.537 billion between the Accounting Records and RPCPPE; (b) unrecognized buildings of undetermined amount due to absence of supporting documents; (c) inclusion of PPE items below the capitalization threshold totaling P10.897 million; and (d) non-conduct of physical inventory taking of PPE for CY 2023, contrary to Paragraph 27 of IPSAS 1 and Paragraph 14 of IPSAS 17 – Property, Plant, and Equipment.

- 2.1 Property, Plant and Equipment (PPE) account excluding Land account, with a carrying amount of P522.024 million as of December 31, 2023, is shown below.

PPE Account	Book Value	Accumulated Depreciation	Carrying Amount
Other Land Improvements	18,388,757	15,918,539	2,470,218
Buildings	1,293,574,162	966,454,098	327,120,064
Machinery	112,988,215	84,711,914	28,276,301
Office Equipment	308,003,909	260,477,649	47,526,260
ICT Equipment	74,880,835	54,941,508	19,939,327
Other Equipment	605,542	365,224	240,318
Motor Vehicles	370,112,640	313,713,896	56,398,744
Furniture and Fixtures	644,392,671	610,451,986	33,940,685
Leased Assets Improvements, Buildings	947,531	393,081	554,450
Heritage Assets	3,100,300	1,240,281	1,860,019
Construction in Progress - Building and Other Structures	3,697,968	0	3,697,968
<b>Total</b>	<b>2,830,692,530</b>	<b>2,308,668,176</b>	<b>522,024,354</b>

- 2.2 Audit of the PPE account revealed the following deficiencies:

- a. **Discrepancy between the Accounting Records and RPCPPE – P1.537 billion**

The balance of PPE per Accounting Records and RPCPPE showed an unreconciled amount of P1.537 billion as of December 31, 2023, detailed as follows:

PPE Accounts	Per Accounting Records	Per RPCPPE	Discrepancy
Head Office	1,502,041,513	515,274,613	986,766,900
Postal Area 3 - MEGA	552,471,493	32,648,006	519,823,487
Postal Area 5 - CEVA	124,505,147	94,209,452	30,295,695



PPE Accounts	Per Accounting Records	Per RPCPPE	Discrepancy
Postal Area 6 - WEVA	8,739,001	8,222,491	516,510
<b>Total</b>	<b>2,187,757,154</b>	<b>650,354,562</b>	<b>1,537,402,592</b>

The discrepancy arises from PPE items that are recorded in the Accounting books but not included in the RPCPPE as well as PPE items that are included in the RPCPPE but not recorded in the Accounting books. It also refers to PPE items both recorded/included in the Accounting books and RPCPPE but with different amounts.

The unreconciled discrepancy between the Accounting Records and the RPCPPE casts doubt on the existence, completeness, and valuation of the reported balances of the PPE account as at year-end.

It bears stressing that the PPE account balances per books of the Head Office and Postal Area 3 still include items that were already gutted by fire on May 21, 2023. The Head Office conducted an actual count of PPE items following the fire and prepared an Inventory Report as of November 2023. The Postal Area 3, on the other hand, prepared a List of Burned PPE items. However, the amount of PPE items gutted by fire remained recorded in the books, thus, overstating the PPE account balance by an undetermined amount at year-end.

**b. Unrecognized buildings due to lack of supporting documents – undetermined amount**

Paragraph 14 of IPSAS 17 – Property, Plant and Equipment states that:

*The cost of an item of property, plant, and equipment shall be recognized as an asset if, and only if:*

- (a) It is probable that future economic benefits or service potential associated with the item will flow to the entity; and*
- (b) The cost or fair value of the item can be measured reliably.*

In Postal Area 1, two buildings owned by the Philippine Postal Corporation, located in Banaue, Ifugao, and Lupao, Nueva Ecija which have met the recognition criteria for PPE under Paragraph 14 of IPSAS 17 remained unrecorded in the books due to the absence of records. Economic benefits in the form of rents, postal service, and business revenue are derived by Postal Area 1 from these two buildings thus, the non-recording of these buildings misstated the PPE account by an undetermined amount.

Likewise, building inspections revealed that Postal Area 8 is presently utilizing certain buildings as offices, yet these are not recorded in the PPE account. Despite the submission of photocopies of the Municipality of Medina Resolution No. 89-30 and the Deed of Donation to substantiate the



intended recognition of these buildings, the Audit Team encountered challenges in confirming the authenticity and enforceability of the provided documents.

The non-recognition of buildings that have met the recognition criteria under Paragraph 14 of IPSAS 17 understated the PPE account.

**c. Inclusion of PPE items below the capitalization threshold - P10.897 million**

In Postal Area 4, there were items below the capitalization threshold for PPE of P50,000.00 totaling P10.897 million which remained included in the PPE account, thus, overstating the PPE account and understating the Accumulated Surplus/(Deficit) account both by P10.897 million.

**d. Non-conduct of physical inventory of PPE for CY 2023**

Postal Area 2 – NWLA

It was noted by the Audit Team that although the Area has an Inventory Committee, a physical count of PPE totaling P26.726 million was not conducted in CY 2023 due to the non-issuance of an Order to undertake the said activity.

Postal Area 4 – SLA

A physical inventory of PPE with a carrying amount of P31.695 million was not conducted for CY 2023 due to the non-creation of the Inventory Committee.

Postal Area 9 – WEMA

The existence of PPEs with a total carrying amount of P5.654 million was not verified due to the non-conduct of physical inventory.

- 2.3 Due to the unreconciled discrepancies, non-recognition of buildings, inclusion of PPE items below capitalization threshold, and non-conduct of physical inventory, the existence, completeness, and valuation of the PPE account balance, except for Land account, with a total carrying amount of P522.024 million in the financial statements as of December 31, 2023, was doubtful.

**2.4 We recommended and PHLPost Head Office Management agreed to:**

- a. Require the Inventory Committee to prepare a list or inventory of PPE items gutted by fire by comparing the CY 2022 RPCPPE with the RPCPPE as of November 2023 and determine the value of burned PPE items to be reconciled with the balances per Accounting Records;**
- b. Require the Bookkeeping Division and the APMD to:**

- i. *Reconcile the balances of burned PPE items per Accounting Records and per list or inventory of PPE items gutted by fire, and effect necessary accounting entries to derecognize the burned PPEs; and*
- ii. *Reconcile the balances of remaining PPE in RPCPPE as of November 2023 with the Accounting Records and effect the necessary adjusting entries in the books or corrections in the RPCPPE, where appropriate.*
- c. *Assist the Accounting Section of Postal Area 1 - NELA and Postal Area 8 – CEMA in securing sufficient documents to support for the recognition of Buildings that have met the recognition criteria for PPE account;*
- d. *Require the Accounting Section of Postal Area 4 – SLA to reclassify PPE items with unit cost below P50,000.00 to Accumulated Surplus/(Deficit) account; and*
- e. *Require the Inventory Committee of Postal Area 2 -NWLA, Postal Area 4 – SLA, and Postal Area 9 – WEMA to conduct physical inventory taking.*

- 2.5 Management commented that they will conduct a one-time cleansing of the PPEs in the Head Office and Area Offices this year.

#### *Intra-Agency Payables*

3. The Intra-Agency Payables account with a balance of P1.212 billion as of December 31, 2023, was overstated by P1.212 billion due to existence of the remaining balance of reciprocal accounts Due to Central Office and Due from Area Offices totaling P1.170 billion and non-reciprocal accounts Due from Area 10 and Due from Area 11 totaling P42.439 million, contrary to the fair presentation requirement of IPSAS 1.
  - 3.1 This is a recurring audit observation with our recommendation to reconcile the reciprocal accounts maintained by the PHLPost Head Office and Area Offices.
  - 3.2 The Philippine Postal Corporation has adopted its own Central Office-Area Accounting System, an accounting system wherein reciprocal accounts are maintained in the Central Office and Area Office for all inter-office transactions. Only the Central Office can debit or credit the Due from Area Office account in the books and only the Area Office can debit or credit the Due to Central Office account. At the end of the reporting period, the reciprocal accounts must be eliminated from the books and, thus, should have a zero balance.
  - 3.3 The Intra-Agency Payables account with a reported balance of P1.212 billion as of December 31, 2023, is composed of the following accounts:



Accounts	Amount
<i>Reciprocal Accounts</i>	
Due from Area 01 - Northeastern Luzon	(97,209,979)
Due from Area 02 - Northwestern Luzon	(113,425,130)
Due from Area 03 - Mega Manila	2,416,391,879
Due from Area 04 - Southern Luzon	(394,931,294)
Due from Area 05 - Central and Eastern Visayas	(262,966,571)
Due from Area 06 - Western Visayas	(310,429,279)
Due from Area 07 - Eastern Mindanao	(150,465,676)
Due from Area 08 - Central Mindanao	(116,340,752)
Due from Area 09 - Western Mindanao	(202,419,970)
Due to Central Office	400,829,393
Due to Area 03 - Mega Manila	572,265
Due to Area 05 - Central and Eastern Visayas	(7,120)
<b>Sub-total</b>	<b>1,169,597,766</b>
<i>Non-Reciprocal Accounts</i>	
Due from Area 10 - for ID	54,456,314
Due from Area 11 - Money Order Checks Not Accepted by Bank for Deposit	(12,017,092)
<b>Sub-total</b>	<b>42,439,222</b>
<b>Total</b>	<b>1,212,036,988</b>

- 3.4 Out of the P1.212 billion Intra-Agency Payables account, P1.170 billion represents the remaining balance of the reciprocal accounts Due to Central Office and Due from Area Offices, which should have been eliminated during reconciliation.
- 3.5 Due to the high volume of intra-office transactions and the widespread impact on various accounts, reconciliation is necessary at the end of the reporting period to achieve a zero balance of the reciprocal accounts. However, upon inquiry with accounting personnel, it was revealed that no designated personnel regularly reconciled these accounts, resulting in the accumulation of unreconciled balances. Nevertheless, Management has indicated plans to assign personnel to analyze and reconcile accounts beginning with transactions in CY 2024.
- 3.6 Additionally, the non-reciprocal account Due from Area 10 - *for ID* account amounting to P(54.456) million as at year-end, was categorized under Intra-Agency Payables account as a temporary account for unidentified bank credits from various Area Offices. Similarly, a non-reciprocal account *Due from Area 11 - Money Order Checks Not Accepted by the Bank for Deposits* account with a balance of P12.017 million at year-end was also included in the Intra-Agency Payables account. Since Postal Area 10 and Postal Area 11 are just temporary accounts, pending identification of appropriate Due from Area Office account, these non-reciprocal accounts overstated the Intra-Agency Payables account.
- 3.7 Due to the non-elimination of reciprocal accounts and inclusion of non-reciprocal accounts in Intra-Agency Payables account, the faithful representation of the account balance as at year-end totaling P1.212 billion was not determined.



- 3.8 ***We recommended and PHLPost Head Office Management agreed to require the Bookkeeping Division to analyze and reconcile with the Area Accountants the remaining balance of reciprocal accounts amounting to P1.170 billion and the non-reciprocal accounts totaling P42.439 million to reflect the correct balance of Intra-Agency Payables account.***
- 3.9 Management indicated its plan to create a team that will focus on the reconciliation of the intra-office transactions and shall re-implement its policy guidelines on recording and monitoring of intra-agency transactions per PHLPost Circular No. 18-82.
- 3.10 It was also informed that to eliminate the use of non-reciprocal accounts, they shall communicate with the LBP in securing statement of accounts on time for immediate identification of deposits and they shall craft a standard process to address money orders not accepted by banks.

#### *Cash in Bank*

4. **The reliability of Cash in Bank account with a balance of P1.849 billion as of December 31, 2023, was not ascertained due to: (a) unadjusted book reconciling items totaling P1.157 billion; (b) adjusted recurring book reconciling items amounting to P126.990 million with no supporting documents; (c) existence of negative balances totaling P355,278; and (d) non-preparation and/or non/late-submission of monthly bank reconciliation statements, contrary to Paragraph 27 of IPSAS 1 and Chapter 3 Paragraph 3.10 of the Conceptual Framework for Financial Reporting.**

- 4.1 Chapter 3 Paragraph 3.10 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities states that:

*To be useful in financial reporting, information must be faithful representation of the economic and other phenomena that it purports to represent. Faithful representation is attained when the depiction of the phenomenon is complete, neutral, and free from material error.*

- 4.2 Audit of Cash in Bank account with a year-end balance of P1.849 billion as of December 31, 2023, showed the following exceptions:

**a. Unadjusted book reconciling items – P1.157 billion**

An audit of the account revealed the following book reconciling items totaling P1.157 billion which remained unadjusted and unrecorded in the books:

Office	Book Reconciling Items (in absolute value)
Head Office	197,166,014
Postal Area 1 – NELA	11,554,552
Postal Area 2 – NWLA	2,216,890
Postal Area 3 – MEGA	864,644,479
Postal Area 4 – SLA	63,452,302
Postal Area 5 – CEVA	16,584,489

Office	Book Reconciling Items (in absolute value)
Postal Area 9 – WEMA	1,285,106
<b>Total</b>	<b>1,156,903,832</b>

#### Head Office

Of the P197.166 million reconciling items in Head Office, (see Annex A), P196.899 million pertains to prior years' balances and P266,672 pertains to the current year's balance that remained unadjusted in the books at year-end.

Bank	Reconciling Items	Amount
Banco de Oro (BDO)	For reconciliation from Prior Years	38,833,411
Land Bank of the Philippines (LBP)	MO Issued and cleared - Prior Years	158,065,931
<b>Total</b>		<b>196,899,342</b>

#### Postal Area 1 – NELA

Detailed below are the reconciling items totaling P11.555 million requiring adjustments in the books as of December 31, 2023, of which P7.076 million pertains to the prior year's unrecorded reconciling items for Combo accounts.

Reconciling Items	General Fund Accounts	Trust Fund Accounts	Combo Accounts
Unidentified deposit	184,499	0	0
Unrecorded deposit	35,480	23,484	7,507,673
Unrecorded bank adjustment	17,724	0	5,671
Unrecorded savings deposit	0	17,513	0
Overstatement of fund transfer	78,995	11,427	0
Overstated disbursement	0	0	2,487
Understatement of recorded deposit	18,515	9,677	0
Error in adjustments	6,250	0	1,022,408
Unrecorded interest income	105	93	7,084
Over recorded deposit	57,615	11,427	2,227,393
Unrecorded fund transfer	209,942	61,071	0
Understatement of fund transfer	19,161	9,235	0
Understated disbursement	0	0	0
Unrecorded disbursement	0	0	1,681
Bank charges	0	0	0
Erroneous deposit	7,942	0	0
<b>Sub-total</b>	<b>636,228</b>	<b>143,927</b>	<b>10,774,397</b>
<b>Grand Total</b>			<b>11,554,552</b>

#### Postal Area 2 – NWLA

The following bank accounts with Philippine Postal Savings Bank, Inc. (PPSB), with a total book balance of P2.217 million remained unadjusted in the books despite its acquisition by LBP in CY 2018.

<b>Bank</b>	<b>Type</b>	<b>Balance</b>
PPSB – Rosales, Pangasinan	General Fund	193,421
PPSB – Urdaneta City	General Fund	511,948
PPSB – Asingan, Pangasinan	General Fund	261,980
PPSB – Pozorrubio, Pangasinan	General Fund	44,080
PPSB – Binalonan, Pangasinan	General Fund	31,000
PPSB – Tarlac City	General Fund	1,038,939
PPSB – Rosales, Pangasinan	Trust Fund	1,000
PPSB – Urdaneta City	Trust Fund	44,642
PPSB – Asingan, Pangasinan	Trust Fund	10,194
PPSB – Pozorrubio, Pangasinan	Trust Fund	1,000
PPSB – Binalonan, Pangasinan	Trust Fund	13,983
PPSB – Tarlac City	Trust Fund	64,703
<b>Total</b>		<b>2,216,890</b>

#### Postal Area 3 – MEGA

The recurring book reconciling items totaling P864.644 million (see Annex A) that are mostly related to prior years remained unadjusted in the books as of December 31, 2023.

#### Postal Area 4 – SLA

The BRSs of 30 Post Offices in Albay, Camarines Norte, Camarines Sur, and Catanduanes Provinces showed unadjusted book reconciling items of P63.452 million as of December 31, 2023, to wit:

<b>Post Office</b>	<b>Amount</b>	<b>Reconciling Items</b>
Albay	48,310	Unrecorded deposits and understated credit memos
	5,273,592	Unrecorded sweeping or fund transfer
	153,315	Overstated deposits
Camarines Norte	125,785	Unrecorded deposits and understated credit memos
	26,286	Unrecorded sweeping or fund transfer
	327,111	Overstated deposits
Camarines Sur	240,399	Unrecorded deposits and understated credit memos
	55,340,167	Unrecorded sweeping or fund transfer
	513,927	Overstated deposits
Catanduanes	231,961	Unrecorded deposits and understated credit memos
	1,171,449	Unrecorded sweeping or fund transfer
<b>Total</b>	<b>63,452,302</b>	



#### Postal Area 5 – CEVA

The BRS from January 2023 to March 2023 disclosed the following recurring reconciling items, which have not been taken up in the books.

Reconciling Items	Amount
Unidentified reconciling item - no bank statement	1,877,627
For reconciliation - abnormal balances	9,490,699
For tracing	543,271
Balances for reconciliation - per turned-over working paper	4,407,314
Book beginning balances - for reconciliation	265,578
<b>Total</b>	<b>16,584,489</b>

#### Postal Area 9 – WEMA

Various book reconciling items, some of which pertained to prior years' transactions, remained unadjusted and unrecorded in the books of accounts totaling P1.285 million. Despite the determination of these reconciling items, the Accounting Section did not consider them for adjustment in the books due to the absence of a sweeping schedule.

Cash in Bank Account	Amount
Corporate Fund - Old Bank Accounts	460
Trust Fund - Old Bank Accounts	1,274,858
Corporate Fund - New Bank Accounts	7,618
Trust Fund - New Bank Accounts	2,170
<b>Total</b>	<b>1,285,106</b>

b. **Adjusted recurring book reconciling item without supporting documents – P126.990 million**

It is noteworthy that a recurring book reconciling item amounting to P126.990 million was adjusted in the books, however, we could not verify the correctness of the adjustment made due to a lack of supporting documents and schedules, to wit:

Bank	Reconciling Items	Amount
LBP	For reclass balance beginning 01-01-17	(126,925,250)
Development Bank of the Philippines (DBP)	Recorded RCI in Dec 2021 Req no. 164 not yet encashed	8,227
DBP	Reconciling item - RCI	(72,669)
<b>Total</b>		<b>(126,989,692)</b>

c. **Existence of negative balances - P355,278**

Ten (10) bank accounts maintained by Postal Area 1 – NELA have reported negative account balances totaling P355,278 due to unrecorded deposits and over-recording of fund transfers on various dates.

<b>Bank</b>	<b>Classification</b>	<b>Balance</b>
BDO – Santiago	General Fund	(148,018)
LBP – Claveria	General Fund	(12,868)
LBP – Aritao	General Fund	(9,968)
LBP – Bayombong	General Fund	(4,500)
LBP – Bongabon	General Fund	(3,608)
LBP – Luna	General Fund	(34)
LBP – Cabanatuan	Trust Fund	(73,957)
LBP – People's Gym	Trust Fund	(56,200)
LBP – Santiago	Trust Fund	(34,554)
LBP – Gapan	Trust Fund	(11,571)
<b>Total</b>		<b>(355,278)</b>

d. **Non- preparation of BRS**

The non-preparation of monthly BRSs was also noted, hence any possible adjustment to the account at year-end was not determined.

Head Office

Although complete submission of BRS for CY 2023 was observed, it was submitted late and the reconciling items were merely presented in the BRS without the accompanying schedules.

Postal Area 1 – NELA

Out of the 169 bank accounts maintained with LBP, BDO, and DBP, the BRS of seven LBP accounts were not submitted while the BRS of 22 LBP accounts were not updated due to unavailability of bank statements from the LBP.

Postal Area 2 – NWLA

The Cash in Bank account of P421.639 million was without supporting documents and cannot be traced with the bank statements due to non-enrollment with the weAccess facility of the LBP. Hence, no BRSs were prepared for the affected bank accounts.

Postal Area 3 – MEGA

BRS for one LBP account with a book balance of P397.898 million as of December 31, 2023, was not submitted, which substantially comprises the reported balance of Cash in Bank-Local Currency, Savings Account.

Postal Area 4 – SLA

Of the 352 bank accounts, 77 were with partially submitted BRS while 275 were without BRS. The 175 bank accounts were already enrolled in the LBP weAccess facility while 97 bank accounts were not yet enrolled although the

required documents for enrollment were already sent to the PHLPost Head Office.

Postal Area 5 – CEVA

The submission of BRS has been consistently delayed, ranging from three to nine months, due to delayed bank statements from PHLPost Head Office and their pending enrollment to the LBP weAccess.

Postal Area 9 – WEMA

Of the 93 bank accounts, 62 were with updated BRS as of December 31, 2023, 14 were with BRS as of November 30, 2023 only and the other 17 were without submitted BRS.

- 4.3 Due to the unadjusted book reconciling items, unsupported adjustments, the existence of abnormal balance, non-preparation and/or non/late submission of BRS, the Cash in Bank account balance amounting to P1.849 billion as of December 31, 2023, is unreliable.
- 4.4 ***We recommended and PHLPost Head Office Management agreed to:***
- a. ***Require the Bookkeeping Division to record the current year's book reconciling items, analyze the recurring book reconciling items, and prepare the necessary adjusting entries duly supported with relevant schedules and reconciliation sheet;***
  - b. ***Require the Bookkeeping Division to submit the additional documents and schedules showing the breakdown of adjustments made to the long standing book reconciling items totaling P126.990 million;***
  - c. ***Require the Area Accountant of Postal Area 1 – NELA to analyze the accounts with negative balances and effect the necessary adjustments in its books, if warranted;***
  - d. ***Require the Accounting Department to expedite the enrollment of all its LBP bank accounts, including those in Postal Area Offices, to the LBP weAccess; and***
  - e. ***Require the Bookkeeping Division of the Head Office and the concerned Postal Area Offices to prepare monthly Bank Reconciliation Statements, including the accompanying schedules, within the prescribed period for preparation of BRSs.***
- 4.5 Management commented that they have already requested the LBP weAccess for the electronic statement of account (eSOA) but the LBP was then having problems with this facility that the Area Offices were not able to obtain eSOA, causing the non-preparation/submission of BRS by Area Accountants.



- 4.6 As a rejoinder, we further recommend to follow-up regularly and make representation with LBP for the access facility of the eSOA in the LBP weAccess to facilitate the timely preparation and submission of the bank reconciliation statements.

*Accounts Payable-Mail Remuneration*

5. **The reliability and accuracy of the balance of Accounts Payable-Designated Operators-Mail Remunerations (AP-MR) amounting to P862.509 million as of December 31, 2023, could not be established due to (a) partial/non-revaluation of AP-MR at year-end; (b) unverifiable derecognized value of settled AP-MR; and (c) existence of "for reconciliation" item amounting to P148.915 million, contrary to Paragraph 27 of IPSAS 1 and Paragraphs 24 and 27 of IPSAS 4 – The Effects of Changes in Foreign Exchange Rates.**

- 5.1 As of December 31, 2023, the Accounts Payable-Designated Operators-Mail Remunerations (AP-MR) account has a balance of P862.509 million. It pertains to the amount due to designated operators arising from the services rendered to (a) deliver international postal items from PHLPost, (b) forward and/or redirect dispatches and postal items of PHLPost to destination countries, (c) return undeliverable international postal items of PHLPost, and (d) indemnity paid to senders of international postal items sent to PHLPost.
- 5.2 Monthly reports on weights and quantity of outbound international dispatches sent are prepared by the Offices of Exchanges (OEs) namely: the Airmail Exchange Department, Express Mail Exchange Department, and Surface Mail Exchange Department and submitted to the International Affairs Division (IAD).
- 5.3 The IAD shall then prepare the Monthly Reports of International Payables for outbound international dispatches sent and processed by OEs. The weights and quantity are accounted for in its Special Drawing Right (SDR) value or Euro value with its equivalent US dollar and Philippine peso value based on the Bangko Sentral ng Pilipinas Reference Exchange Rates. The monthly report prepared by the IAD is then forwarded to the Accounting Department for recording in the books of account.
- 5.4 We acknowledge Management's efforts in implementing the Audit Team's prior year's audit recommendation to comply with IPSAS 4 particularly the (a) initial recognition of AP-MR using the average rate for a month; and (b) revaluation of AP-MR at each reporting date, starting from the SDR or Euro value, then converted to US Dollars and Peso equivalents.
- 5.5 However, the following audit observations and recommendations remained unresolved and unimplemented as of December 31, 2023:

**a. Partial/Non-Revaluation of AP-MR at year-end**

The prior year's audit recommendation to revalue the year-end balance of AP-MR as of December 30, 2022, starting from the SDR value and then converted to US Dollars and Philippine peso was not implemented due to the absence of updated, reliable, and complete subsidiary ledgers of each

designated operator. As a result, the beginning balance of AP-MR for CY 2023 remained inaccurate which also affects the reliability of the derecognized peso-value of settled AP-MR in the current year as discussed in finding 2.5.b of this report.

Only the current year accruals denominated in SDR value were included in the year-end revaluation while the accruals denominated in Euro value were inadvertently not revalued at year-end. Also, the prior years' balances of AP-MR both denominated in SDR and Euro values were not revalued due to the absence of complete subsidiary ledgers of each designated operator, contrary to Paragraph 27 of IPSAS 4, on Reporting at Subsequent Reporting Dates, which requires that foreign currency monetary items shall be translated using the closing rate at each reporting date.

Since there is no complete and reliable subsidiary ledger for AP-MR, we could not determine possible errors requiring necessary adjustments in the books.

**b. Unverifiable derecognized value of settled/offsetted AP-MR**

The AP-MR is derecognized/debited upon settlement either through off-setting with receivables from the designated operators or through direct payment to designated operators. As provided under Paragraph 6.10 of the Conceptual Framework for Financial Reporting, the amount to be derecognized should be based on their book value or the initial/subsequent value recognized in the Accounting Records.

Examination of the account disclosed that the derecognized peso-value of the offsetted AP-MR totaling P153.394 million against the collection of AR-MR was determined by converting the SDR value of AP-MR using the closing rate in CY 2022, which is 1.33084 for SDR to USD and P56.1200 for USD to Peso instead of the book value of the AP-MR per subsidiary ledger. However, due to the absence of complete and reliable subsidiary ledger, the book value of derecognized AP-MR could not be verified. Shown below are the AP-MR offsetted from AR-MR for CY 2023.

Date	O.R. No.	Country/Payor	AP-MR	
			In SDR	In PHP
01/06/2023	6797437	Hong Kong Post	62,245	4,648,856
01/12/2023	6797438	Israel Postal Company	165	12,323
02/13/2023	6797440	Servico Postal Mexicano	14	1,079
04/06/2023	6797447	Poczta Polska S.A.	1,645	122,860
04/25/2023	6797448	Thailand Post Co. LTD.	236	17,626
06/08/2023	8270301	United States Postal Service	1,557,097	116,294,498
06/12/2023	8270304	La Poste BSCC	329,533	24,611,725
06/20/2023	8270305	Oesterreichische Post AG	307	22,912
08/15/2023	8240312	Russia Post	2,185	163,216



Date	O.R. No.	Country/Payor	AP-MR	
			In SDR	In PHP
09/25/2023	8270318	Korea Post	57,500	4,294,487
10/16/2023	8270321	Japan Post	42,703	3,189,348
11/10/2023	8270325	Romania	34	2,539
11/29/2023	7870327	Poczta Polska S.A.	170	12,689
<b>Total</b>			<b>2,053,834</b>	<b>153,394,158</b>

Had the ending balance of AP-MR as of December 31, 2022, been revalued using the closing rate in CY 2022, the derecognized peso-value of the AP-MR totaling P153.394 million could have been correct since it would be the amount reflected in the subsidiary ledger as of December 31, 2022.

Likewise, the derecognized peso value of the settled AP-MR could not be ascertained as accurate due to the absence of subsidiary ledgers. The total AP-MR settled during CY 2023 is broken down as follows:

Date	JEV No.	Country / Payor	AP-MR	
			In USD	In PHP
02/23/2023	2023-02-0001	Deutsche Post	65,924	3,428,150
02/23/2023	2023-02-0002	Deutsche Post	66,080	3,436,258
02/23/2023	2023-02-0003	Chrono Post	751	41,902
02/23/2023	2023-02-0004	Chrono Post	365	20,068
02/23/2023	2023-02-0007	Bureau International De l'UPU	3,129	170,700
02/23/2023	2023-02-0008	United Kingdom of Great Britain and Northern Island	222,275	12,804,886
02/23/2023	2023-02-0009	United Kingdom of Great Britain and Northern Island	72,043	5,387,902
02/23/2023	2023-02-0010	Italy	127,921	11,026,988
02/23/2023	2023-02-0011	Cyprus	1,764	551,448
02/23/2023	2023-02-0012	Papua New Guinea	27,383	1,714,670
02/23/2023	2023-02-0013	Taiwan	100,004	19,432,911
02/23/2023	2023-02-0014	Union Postale Universelle	5,423	294,900
<b>Total</b>			<b>693,062</b>	<b>58,310,783</b>

Due to a lack of updated and reliable subsidiary ledgers for each designated operator, we could not ascertain the accuracy of the derecognized peso-value of the offsetted payables from receivables totaling P153.394 million and the settled payables totaling P58.311 million.

Hence, the fair presentation of the balances of Accounts Payable-Designated Operators-Mail Remunerations, as well as the related gain or loss on foreign exchange, in the financial statements as of the reporting date could not be established.



c. **Existence of "For Reconciliation" item – P148.915 million**

The subsidiary ledger and Aging of Accounts Payable, Designated Operators-Mail Remunerations account, disclosed a line item labeled as "for reconciliation" amounting to P148.915 million without supporting documents which adversely affects the accuracy and reliability of the AP-MR balance at year-end.

- 5.6 Due to the absence of updated subsidiary ledgers and the existence of "for reconciliation" balance without supporting documents, the necessary adjustments to the account balance as of December 31, 2023, could not be determined.
- 5.7 ***We recommended and PHLPPost Head Office Management agreed to require the Bookkeeping Division to:***
- a. ***Update and maintain subsidiary ledgers of each designated operator to monitor the movement of book values of payables which shall serve as the basis for the year-end revaluation of the AP-MR balance at each reporting date and for the proper derecognition of the settled AP-MR; and***
  - b. ***Analyze and reconcile the "for reconciliation" balance of P148.915 million and effect necessary accounting entries in the books.***
- 5.8 Management commented that the amount of P148.915 million pertains to transactions from prior years which can no longer be substantiated since the related documents and records are gutted by fire. Nevertheless, they committed to reconstruct the available records and will try to substantiate the said amount and make the necessary adjustments, if any. The reconciliation shall be done within the 3<sup>rd</sup> and 4<sup>th</sup> quarters of CY 2024.

*Receivables*

6. **The existence, completeness and valuation of the balance of Accounts Receivable, Trade and Accounts Receivable, Trade - International Mail (Under Contract) accounts totaling P2.239 billion and P326.591 million, respectively, as of December 31, 2023 under Receivables account with a balance of P4.340 billion, was not established due to: (a) past due receivables totaling P846.132 million ranging from one year to over 10 years without adequate provision for impairment loss; (b) existence of accounts with negative balances totaling P315.898 million; and (c) discrepancy of P6.220 million between the book balance and the confirmed balances from clients, contrary to Paragraph 27 of IPSAS 1 – Presentation of Financial Statements and Paragraph 90 of IPSAS 41 – Financial Instruments.**

*Accounts Receivable, Trade*

- 6.1 Accounts Receivable, Trade (AR – Trade) account refers to the amount due from customers arising from mail services rendered, trading/business transactions, or sale of postage/philatelic items and logistics which are expected to be collected in the regular course of business or over a period of time.

6.2 As of December 31, 2023, the balance of the AR-Trade account amounted to P2.239 billion, with an Allowance for Impairment Loss of P290.593 million.

6.3 Examination of Accounts Receivable, Trade disclosed the following observations:

a. **Past due receivables ranging from one year to over 10 years without adequate provision for impairment loss - P524.323 million**

The Schedule of Aging of Accounts Receivable, Trade as of December 31, 2023, disclosed the accumulation of receivables which are non-moving for one year to over 10 years. Details are as follows:

Office	Receivables Aged 1 to over 10 years
Head Office	179,869,273
Postal Area 1 – NELA	61,019
Postal Area 3 – MEGA	330,868,710
Postal Area 4 – SLA	7,251,189
Postal Area 7 – EMA	6,272,970
<b>Total</b>	<b>524,323,161</b>

These overdue receivables were not provided with adequate impairment loss in accordance with Paragraph 90 of IPSAS 41 which provides that:

*An entity shall measure expected credit losses of a financial instrument in a way that reflects:*

- a. *An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;*
- b. *The time value of money; and*
- c. *Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.*

As a practice, the provision for impairment loss is computed based on the percentages provided in PHLPost Circular No. 16-80 which are no longer reflective of the current status of the Agency's credit loss experience.

Age of Receivables	Percentages
One day to 60 days	1%
61 to 180 days	2%
181 days to 1 year	3%
More than 1 year	5%
Over 10 years	20%

b. **Existence of accounts with negative balances - P315.898 million**

The existence of accounts with negative balance totaling P315.898 million in Postal Area 3 reduces the balance of AR, Trade as of December 31, 2023, which affects the fair presentation of the account at year-end.

c. **Discrepancy between the book balance and the confirmed balances from clients – P6.220 million**

Confirmation letters were sent to clients to establish the correctness of AR-Trade balances. The results of confirmation showed the following discrepancies:

Office	Balance Per Books	Confirmed Balance	Difference
Head Office	8,409,860	7,500,000	909,860
Postal Area 2 – NWLA	3,595,114	2,845,564	749,550
Postal Area 3 – MEGA	6,392,536	2,150,353	4,242,183
Postal Area 5 – CEVA	2,270,304	1,951,539	318,765
<b>Total</b>	<b>20,667,814</b>	<b>14,447,456</b>	<b>6,220,358</b>

Head Office

Of the 31 confirmation letters sent to the clients, only the DOJ and DOST responded, five were returned to sender (RTS) without an RTS card and no replies were received for the other 24 confirmation letters.

Postal Area 2 – NWLA

Of the 37 confirmation letters sent to PCA clients, only 21 replies were received. It is noted that six clients have confirmed account balances higher than the balance recorded in the books.

Postal Area 3 – MEGA

Confirmation letters were sent to 37 postage charge account clients, 10 of which responded while the other 27 clients have not replied. It is noteworthy that DHSUD-NCR and DOST, whose balance per book reported a negative amount, confirmed a zero balance.

Postal Area 5 – CEVA

Verification of the correspondent's replies revealed that the discrepancy is attributed to (a) the latest billing per customer's records was not provided as of December 31, 2023, (b) customers could not provide proof of payment, especially for the period affected by Super Typhoon Yolanda, and (c) customers claim that their contract agreement for postage charge account has already concluded, thus, contesting the postage charges.



*Accounts Receivable – International Mail (Under Contract)*

- 6.4 The Accounts Receivable, Trade-International Mail (Under Contract) refers to charges to corporate clients with contracts for acceptance of bulk mail items for delivery to other countries. The reported year-end balance of the account amounted to P326.591 million consisting of the following:

Client	Type	Balance
1. Company A	Inactive	71,111,599
2. Company B	Inactive	23,728
3. Company C	Active	619,983
4. Company D	Inactive	128,053,825
5. Company E	Inactive	3,769,212
6. Company F	Inactive	102,388,645
7. Company G	Active	17,083,025
8. Company H	Inactive	307,057
9. Company I	Active	3,233,715
<b>Total</b>		<b>326,590,789</b>

- 6.5 Review of the Aging of AR-IMUC revealed that out of the P326.591 million balance of the account, P321.809 million has been outstanding for more than one year. Details are shown below:

Age of AR-IMUC	Amount
More than 1 year to 3 years	154,332,283
More than 3 years to 6 years	167,476,844
<b>Total</b>	<b>321,809,127</b>

- 6.6 Although an allowance for impairment totaling P16.230 million was provided for overdue receivables, the approximation was based on the percentages provided in PHLPost Circular No. 16-80 which no longer reflects the current condition of its credit loss experience, contrary to Paragraph 90 of IPSAS 41.
- 6.7 Due to the non-provision of impairment loss for past due receivables, the existence of negative balance, and the unreconciled discrepancy between book and confirmed balance, the existence, completeness, and valuation of the year-end balance of Accounts Receivable, Trade, and Accounts Receivable-International Mail (Under Contract) accounts, and their corresponding Allowance for Impairment Loss account was not established.
- 6.8 ***We recommended and PHLPost Head Office Management agreed to require the Bookkeeping Division to:***
- Assess the collectability of past due receivables and develop an updated policy on the estimation of provision for an impairment loss in accordance with Paragraph 90 of IPSAS 4;***
  - Analyze the account with negative balances and reconcile with the concerned clients; and effect the necessary adjustments in the books, if warranted; and***

**c. Send confirmation letter to all clients and reconcile variances, and effect the necessary adjusting entries, if warranted.**

- 6.9 Management commented that the long overdue accounts with some of its clients, under Accounts Receivable-International Mail (Under Contract) account, pertain to the bulk mail charges imposed by designated postal operators due to violation of certain Universal Postal Union (UPU) rules and regulations. The collection of receivables from Companies A, D, and F were already endorsed to the Legal Department for appropriate legal action.

*Due from Officers and Employees*

7. The reliability of the year-end balance of Due from Officers and Employees account in the amount of P106.789 million presented under the Other Receivables account, was not determined due to the existence of (a) accounts tagged as "For Reconciliation" and "Suspense Reclass" totaling P30.356 million without supporting documents; and (b) accounts with negative balances totaling P16.722 million, contrary to Paragraph 27 of IPSAS 1 and Conceptual Framework for Financial Reporting.

- 7.1 The nature of transactions of Due from Officers and Employees account mostly pertains to cash shortages of accountable officers. As of December 31, 2023, the balance of the account amounted to P106.789 million.

- 7.2 Audit of the Due from Officers and Employees account disclosed the existence of "for reconciliation and suspense reclass" accounts and accounts with negative balances, as follows:

**a. Accounts tagged as "For Reconciliation" and "Suspense Reclass" without supporting documents - P30.356 million**

"For Reconciliation and Suspense Reclass" accounts totaling P30.356 million are accounts without supporting documents, hence, the accuracy and reliability of Due from Officers and Employees account could not be verified.

Office	Amount
Head Office	8,886,416
Postal Area 2 – NWLA	5,571,883
Postal Area 3 – MEGA	11,462,263
Postal Area 4 – SLA	891,985
Postal Area 5 – CEVA	3,543,642
<b>Total</b>	<b>30,356,189</b>

**b. Accounts with negative balances totaling P16.722 million**

The existence of accounts with negative balances totaling P16.722 million affects the accuracy of the account balance at year-end.

Office	Amount
Head Office	8,886,416
Postal Area 3 – MEGA	7,807,306
Postal Area 4 – SLA	28,386
<b>Total</b>	<b>16,722,108</b>

- 7.3 Aside from the above observations, we also noted dormant accounts totaling P54.553 million which remained uncollected from the concerned employees and accountable officers, as follows:

Offices	Amount
Head Office	15,689,292
Postal Area 1 – NELA	1,192,695
Postal Area 3 – MEGA	28,442,243
Postal Area 5 – CEVA	2,645,754
Postal Area 6 – WEVA	6,576,735
Postal Area 7 – EMA	6,526
<b>Total</b>	<b>54,553,245</b>

- 7.4 Due to the existence of accounts without supporting documents and accounts with negative balances, the reliability of the balance of Due from Officers and Employees account amounting to P106.789 million as of December 31, 2023, was not determined.

- 7.5 ***We recommended and PHLPost Head Office Management agreed to:***

- a. Review and analyze the accounts tagged as “for reconciliation”, “suspense reclass”, and negative balances to determine the necessary adjustments of the account; and***
- b. Send demand letters to concerned officers and employees to settle their accounts and seek assistance from the Legal Department for appropriate legal action, if warranted.***

- 7.6 Management commented that they will be submitting a request for the write-off of suspense reclass accounts receivable.

#### *Inventories*

8. **The existence and valuation of the Inventories account with a balance of P110.201 million as of December 31, 2023, was not established due to: (a) discrepancies totaling P10.273 million between the balance per Report of Physical Count of Inventories (RPCI) and the balance per General Ledger; and (b) non-inclusion of unsold/unused accountable forms as part of Inventory with undetermined amount, contrary to Paragraph 27 of IPSAS 1.**

- 8.1 The Inventory account has a total reported balance of P110.201 million as of December 31, 2023.



- 8.2 Examination of the account disclosed discrepancies between the RPCI and accounting records totaling P10.273 million and non-inclusion of unsold accountable forms by undetermined amount, to wit:

a. **Discrepancies between the balance per RPCI and the general ledger (GL) - P10.273 million**

Comparison of the balance of the Inventories account per RPCI and GL, showed a discrepancy amounting to P10.273 million as of December 31, 2023, which remained unreconciled as of the reporting date due to absence of documents.

Particulars	Per RPCI	Per GL	Variance
Head Office	32,006,749	41,204,700	9,197,951
Postal Area 1 – NELA	1,973,602	2,032,999	59,397
Postal Area 4 – SLA	2,008,128	3,023,612	1,015,484
<b>Total</b>	<b>35,988,479</b>	<b>46,261,311</b>	<b>10,272,832</b>

b. **Non-inclusion of unsold/unused accountable forms as part of Inventory - undetermined amount**

The cost and quantity of accountable forms such as regular postage stamps, gummed tapes, and money orders distributed to various post offices under Postal Area 3 – MEGA and Postal Area 8 - CEMA that are unsold or unused as at year-end were no longer included as part of Inventory, thus, understating the Inventories account by undetermined amount.

- 8.3 Further, the RPCI in Head Office, Area 3 and Area 9 for Accountable Forms, Plates and Stickers Inventory, Other Supplies and Materials Inventory, Fuel, Oil and Lubricants Inventory, Semi-Expendable Other Machinery and Equipment, and Semi-Expendable Furniture and Fixtures were not submitted.

- 8.4 Due to the above deficiencies, the existence and valuation of the balance of the Inventories account totaling P110.201 million as of December 31, 2023, was not established.

- 8.5 ***We recommended and PHLPost Head Office Management agreed to:***

- a. ***Require the Bookkeeping Division to reconcile the variance between the general ledger and RPCI and effect the necessary adjustments, where appropriate; and***
- b. ***Formulate guidelines for the cost of unsold/unused Inventory items distributed to post offices at year-end to include in the balance of the Inventory account.***

- 8.6 Management submitted the causes of variances between the RPCI and GL which will be immediately reconciled.

#### *Due to Officers and Employees*

9. **The reliability and existence of the Due to Officers and Employees account with a balance of P370.356 million as of December 31, 2023 under Financial Liabilities account with a balance of P2.223 billion, is doubtful due to: (a) existence of dormant balance totaling P173.168 million ranging from one year to 10 years; and (b) inclusion of negative/abnormal balances totaling P23.448 million, contrary to Paragraph 27 of IPSAS 1-Presentation of Financial Statements.**

- 9.1 Of the P370.356 million year-end balance of Due to Officers and Employees account, the amount of P173.168 million or 47 percent of the account remained outstanding for over one year to 10 years. Since this amount which is a material portion of the account remained unsettled to date and no claim was made for its settlement, the reliability and existence of Due to Officers and Employees account is doubtful.
- 9.2 Also, the inclusion of abnormal/negative balances totaling P23.448 million renders the reliability of the year-end account balance doubtful.

Offices	Amount
Head Office	18,160,981
Postal Area 4 – SLA	5,287,750
<b>Total</b>	<b>23,448,731</b>

- 9.3 *We recommended and PHLPost Head Office Management agreed to require the Bookkeeping Division to analyze the dormant balances and the existence of negative balances, and effect the necessary adjusting entries, when appropriate.*

#### *Cash Advances*

10. **The balance of Cash Advances amounting to P18.772 million as of December 31, 2023, includes (a) unaccounted cash advances and accounts for reconciliation/verification totaling P6.307 million; and (b) negative balances totaling P1.396 million hence, the faithful representation of the account was not established contrary to Paragraph 27 of IPSAS 1.**

- 10.1 Cash Advances account has a reported balance of P18.772 million as of December 31, 2023, broken down as follows:

Particulars	Amount
Advances for Payroll	4,758,663
Advances to Officers and Employees	3,080,387
Cash - Disbursing Officers - Corporate	8,340,283
Cash - Disbursing Officers - Trust - CCT	1,485,749
Cash - Disbursing Officers - Trust - Manual MO	718,069
Cash - Disbursing Officers - Trust - PRC	20,000
Cash - Disbursing Officers - Trust - SPISC	10,000

Particulars	Amount
Cash - Disbursing Officers - Trust - PDIC	359,328
<b>Total</b>	<b>18,772,479</b>

10.2 Audit of Advances disclosed the following:

a. **Unaccounted cash advances and accounts for reconciliation/verification - P6.307 million**

The existence of unaccounted cash advances and accounts for reconciliation/verification is presented as follows:

Office	Amount
Postal Area 3 – MEGA	1,243,708
Postal Area 4 – SLA	5,063,708
<b>Total</b>	<b>6,307,416</b>

Postal Area 3 – MEGA

Accounts for reconciliation/verification composed of advances for payroll, advances to officers and employees, and cash-disbursing officers-corporate wherein the advances for payroll amounting to P1.067 million have been dormant for more than 10 years.

Postal Area 4 – SLA

The amount of P5.064 million pertains to the unaccounted beginning balance. Inquiry with the concerned personnel disclosed that the amount is unsubstantiated and have no records on hand.

b. **Negative balances - P1.396 million**

In the examination of ledger accounts under Advances, we noted the existence of negative balances, breakdown is as follows:

Office	Amount
Postal Area 3 – MEGA	1,386,916
Postal Area 4 – SLA	8,847
<b>Total</b>	<b>1,395,763</b>

Postal Area 3 – MEGA

The amount of negative balance also includes accounts for verification amounting to P782,434 and accounts that have been dormant for five to 10 years amounting to P14,383.

A negative balance totaling P590,099 pertains to an unexpended balance wherein the related cash advances were already liquidated in full per



liquidation journals. The unexpended balance, however, was again liquidated and credited in the Advances for Payroll account, resulting in a negative balance of the accounts or over liquidation, thus understating the Advances for Payroll by P590.099.

- 10.3 ***We recommended and PHLPost Head Office Management agreed to require the Bookkeeping Division to analyze and reconcile the accounts for reconciliation/verification and effect necessary adjustments where appropriate and accounts with negative balances and unaccounted cash advances.***

## **B. Non-Financial**

### *Procured Delivery Vans*

11. The procurement of 46 delivery vans in December 2021 amounting to P40.020 million disclosed the following deficiencies: (a) deviations from technical specifications of the vehicles; (b) nine (9) out of 46 delivery vans were utilized other than its intended purpose which is not in line with the Authority to Purchase from the Department of Budget and Management (DBM); and (c) incomplete documentary requirements to substantiate payment of motor vehicles, contrary to COA Circular No. 2012-001 dated June 14, 2012.
- 11.1 The Philippine Postal Corporation requested for authority to purchase 46 motor vehicles to be used for transporting and delivering mail nationwide which was later approved by the Department of Budget and Management in a letter dated October 19, 2021.
- 11.2 The procurement of 46 brand-new small delivery vans intended for mail delivery was undertaken through competitive bidding. The complete set of bidding documents was made available starting November 10, 2021. The Terms of Reference are indicated in the Technical Specifications of the Bidding Documents.
- 11.3 On December 23, 2021, the contract for the delivery of small delivery vans was awarded to the winning bidder with a total contract price of P40.020 million. The contract was then executed by and between PHLPost and the winning bidder on December 31, 2021.
- 11.4 The vehicles were delivered on various dates. However, in a letter dated May 26, 2022, the then Acting Manager, Network and Transport Department, informed the winning bidder that PHLPost is returning the 46 units of Suzuki All Purpose Vehicles (APVs) as these were not compliant with the specifications/requirements stated in the Terms of Reference (TOR)/Purchase Request (PR) before PHLPost accept delivery of said vehicles.
- 11.5 On December 13, 2022, the then Chief of Motor Transport Division conveyed to the then Chair of the Inspection Committee that the newly procured Suzuki

vehicles were completely delivered and accepted in accordance with the technical specifications.

- 11.6 The Inspection Committee inspected the 46 small delivery vans on December 29, 2022, and February 17, 2023. The result of which was communicated to the Officer-in-Charge (OIC) Assistant Postmaster General for Administration and Finance, in a letter dated March 27, 2023, which included among others, the following deviations against the technical specifications:

- Doors. - Driver, Passenger, One Sliding Door (RH) without glass panel, One Back Door Liftgate
  - a. The right swing door at the cabin was altered/modified/converted into a sliding door. The quality of the vehicles may be compromised due to these alterations. Rust was beginning to form at the sliding path and welded portions of the door.
  - b. Presence of a left swing at cabin which makes it five doors, instead of four doors as stated in the TOR.
- Stainless Grill Divider (between the driver's side and cabin)
  - a. The stainless grill divider was altered/re-designed to open in half (instead of a full-length grill divider) and likewise, the hinges of the grill door were not rigidly installed, which may affect the stability of the steel barrier.
  - b. The stainless grill divider was altered/re-designed to open in half to have access to the engine. However, the lock of the existing grill divider is difficult to open. The safety of both the passenger and driver as well as the parcels/mails may be compromised should the engine malfunction.
  - c. The position of the grill divider decreases the space in front of the passenger seat, which makes the passenger seat uncomfortable to sit on.
- Others
  - a. The car seat tie-down anchor point, where the back seat was originally fastened, is still installed and not properly covered by a full and thick mat/carpet.

- 11.7 On April 27, 2023, the Acting Chief, Motor Transport Division, informed the Chair of the Inspection Committee that the 46 units of Suzuki vehicles already complied with the specification of the Terms of Reference/Technical Specifications, and on the observations found during the inspection, namely:

- a. Glass window modified to Panel;
- b. 2<sup>nd</sup> and 3<sup>rd</sup> row seats are detached;
- c. Steel Rod is already replaced with Stainless Steel Barrier;
- d. Body numbers are already installed at the front side of the vehicles; and
- e. Swing doors are customized to sliding doors.



- 11.8 Per the Report of Inspection dated June 5, 2023, by the Inspection Committee, the 46 small delivery vans were delivered, inspected, and accepted by the End-User. Likewise, the Acting Manager, Network and Transport Department issued a Certification that the Suzuki vehicles stated in the Property Acknowledgement Receipt (PAR) dated June 5, 2023, are not defective, in good working condition, and in accordance with the Contract dated December 31, 2021. However, deviations in the technical specifications of the vehicles were noted.

**Deviations from technical specifications of the vehicles**

- 11.9 Contrary to the Report of Inspection and Certification dated June 5, 2023, stating that the Suzuki vehicles are in accordance with the Contract, we noted that some vehicles no longer conform with the following technical specifications to date.

Fleet Technical Specifications	Observations
<b>SAFETY FEATURES:</b> ... Stainless Grill Divider ---- Equipped (Between Driver Side and Cabin)	1. The stainless grill divider was detached, defeating the purpose of ensuring the security of parcels/sacks, packages, and mail from unauthorized access.
<b>OTHERS:</b>  The car seat tie-down anchor point, where the back seat was originally fastened, is still installed and not properly covered by a full and thick mat/carpet.	2. The 2nd-row back seat was re-installed.  3. The tie-down anchor points were no longer covered by a full and thick mat/carpet, which could potentially damage packages.

- 11.10 The motor vehicles are intended to transport and deliver mail nationwide. Hence, the technical specifications are determined to ensure the safety and integrity of the packages, parcels, and mail entrusted by the mailing public to the Agency. However, the observations noted above not only compromise the quality of service delivery but also overshadow the purpose of the motor vehicles as some of these vehicles are utilized as passenger vehicles of postal employees. Thus, the technical specifications of delivery vans were modified/alterd to cater to purposes other than for transporting and delivering mail nationwide.

**Nine (9) out of 46 delivery vans were utilized other than its intended purpose**

- 11.11 The Audit Teams conducted an inspection and inquiry on the actual utilization of delivery vans distributed to the Area Offices and Head Office. Results of which disclosed that nine (9) of the 46 Suzuki vehicles are being used as service vehicles of postal employees.



Office	Qty	Observation
Head Office	9	<b>Two MVs</b> are utilized as service vehicles for employees
Postal Area 1 – NELA	2	Used exclusively for transporting mail
Postal Area 2 – NWLA	4	-
Postal Area 3 – MEGA	10	<b>Four MVs</b> are utilized as service vehicles for employees
Postal Area 4 – SLA	4	Only three are being utilized according to their intended purpose while the remaining <b>one unit</b> is primarily used as a service vehicle for administrative and occasionally for transporting and delivering mail
Postal Area 5 – CEVA	3	-
Postal Area 6 – WEVA	6	Utilized for collection/transport of mail and parcel dispatches
Postal Area 7 – EMA	4	<b>One</b> out of four MVs delivered is currently used for delivery of parcels/administrative vehicle
Postal Area 8 – CEMA	2	Utilized for the transportation and delivery of mail
Postal Area 9 – WEMA	2	<b>One MV</b> is being utilized as a service vehicle for employees and the other one is utilized for transporting and delivering mail
<b>Total</b>	<b>46</b>	

11.12 Since the procurement of delivery vans was undertaken with the specific purpose of facilitating mail delivery operations as approved by the DBM, it is imperative that these vehicles be utilized according to their intended function.

11.13 However, it appears that Management made changes/alterations on these delivery vans for purposes other than those approved by the DBM, after the inspection and delivery of vehicles.

#### **Incomplete documentary requirements to substantiate payment of motor vehicles**

11.14 COA Circular No. 2012-002, dated June 14, 2012, provides the documentary requirements for common government transactions. Section 9.1.3.1 particularly enumerates the necessary documents for the payment of motor vehicles.

11.15 Post-audit of the payment made of the motor vehicles revealed that the following documentary requirements were not submitted:

- a. **Original copy of dealer's/supplier's invoices** showing the quantity, description of the articles, unit, and total value, duly signed by the dealer or his/her representative, and indicating receipt by the proper agency official of the following motor vehicles delivered:

Engine Number	Conduction Sticker No.	Cash Sales Invoice		Delivery Receipt	
		No.	Date	No.	Date
1. G16AID323686	G3Q657	01956	29-Apr-22	001906	29-Apr-22
2. G16AID323510	G3P370	01956	29-Apr-22	001906	29-Apr-22
3. G16AID323689	G3P416	01956	29-Apr-22	001906	29-Apr-22
4. G16AID323681	G3P417	01956	29-Apr-22	001906	29-Apr-22
5. G16AID323518	G3P369	01956	20-May-22	001906	20-May-22
6. G16AID323696	G3P415	01956	29-Apr-22	001906	29-Apr-22
7. G16AID323777	G3Q651	01956	29-Apr-22	001906	29-Apr-22
8. G16AID323593	G3P413	01956	29-Apr-22	001906	29-Apr-22
9. -	G3P388	*	*	-	-

\* not attached in the disbursement voucher

Although each motor vehicles were issued with a separate sales invoice, we observed that the sales invoice numbers of the above motor vehicles are all the same, which appears that the sales invoice is tampered with and not the certified true copy of the original.

Additionally, no sales invoice was attached for a motor vehicle with conduction sticker no. G3P388.

- b. **Inspection and Acceptance Report** prepared by the Department/Agency property inspector and signed by the Head of Agency or his authorized representative.

Only a Report of Inspection dated June 5, 2023, was attached to the claim, with no mention of when the motor vehicles were accepted by the Agency. Thus, the correctness of liquidated damages imposed on the supplier amounting to P226,200.00 could not be verified.

**11.16 We recommended that PHLPost Head Office Management:**

- a. *Revert the changes made to the delivery vans according to the specifications indicated in the Terms of Reference/Technical Specifications so it could serve properly its intended purpose of transporting and delivering mail nationwide as per Authority to Purchase from DBM; and*
- b. *Provide the original copy of the dealer's/supplier's invoices and inspection and acceptance report to substantiate the payment of motor vehicles pursuant to Section 9.1.3.1 of COA Circular No. 2012-001.*

11.17 Management commented that the vehicles are still being used for their primary purpose of transporting and delivering mail as stated and in compliance with the Authority to Purchase from the DBM but are also being used for administrative purposes once the vehicle is done transporting and delivering mail due to lack of proper service vehicles. Also, they shall submit the lacking documentary requirements once submitted by the respective/concerned accountable officers.

11.18 As a rejoinder, we maintain our stand that the delivery vans be used for their intended purpose. We wish to emphasize that in preparing the technical specifications, it is presumed that the procuring entities have carefully



considered the necessity and underlying reason for the procurement of goods based on their needs. Since the procurement of motor vehicles is intended for delivery and transporting mail nationwide, the PHLPPost specified the minimum requirements in its Technical Specifications to ensure the safety and security of mail, parcels, and packages entrusted by the mailing public. However, the alterations/modifications to the delivery vans to accommodate passengers, contradict the underlying reason for the procurement of motor vehicles and the Authority to Purchase from the DBM.

#### *Unserviceable PPE*

**12. The unserviceable PPE items costing P43.393 million remained not disposed of, contrary to Section 79 of P.D. No. 1445 and National Budget Circular (NBC) No. 425.**

**12.1 Section 79 of P.D. No. 1445 on Destruction or sale of unserviceable property states that:**

*When government property has become unserviceable for any cause, or is no longer needed, it shall, upon application of the officer accountable therefor, be inspected by the head of the agency or his duly authorized representative in the presence of the auditor concerned and, if found to be valueless or unsalable, it may be destroyed in their presence. If found to be valuable, it may be sold at public auction to the highest bidder under the supervision of the proper committee on award or similar body in the presence of the auditor concerned or other duly authorized representative of the Commission, after advertising by printed notice in the Official Gazette, or for not less than three consecutive days in any newspaper of general circulation, or where the value of the property does not warrant the expense of publication, by notices posted for a like period in at least three public places in the locality where the property is to be sold. In the event that the public auction fails, the property may be sold at a private sale at such price as may be fixed by the same committee or body concerned and approved by the Commission.*

**12.2 Section A, Part I of NBC No. 425 or the Manual on Disposal of Government Property provides that "xxx the disposal proceedings on the unserviceable property should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value."**

**12.3 Review of the Report on Physical Count of Property, Plant, and Equipment as of December 31, 2023, disclosed that motor vehicles, office equipment, and ICT equipment totaling P43.393 million were already tagged as unserviceable and beyond economic repair but yet to be disposed of, hence, exposing these items to further deterioration and decline in value. Also, the unserviceable assets occupy space that could be alternatively used as storage/office space for the Agency. The details are as follows:**



Office	PPE	Amount
Head Office	Motor Vehicle	19,382,998
	ICT Equipment	124,286
	Office Equipment	370,565
	Furniture and Fixtures	402,370
Postal Area 1 - NELA	Motor Vehicle	6,875,489
	Office Equipment	396,477
Postal Area 6 - WEVA	Motor Vehicle	8,245,453
	Office Equipment	281,409
	ICT Equipment	212,140
Postal Area 7 - EMA	Motor Vehicle	7,101,325
<b>Total</b>		<b>43,392,512</b>

- 12.4 ***We recommended and PHLPost Head Office Management agreed to require the Disposal Committees to expedite the disposal of all unserviceable properties.***

#### *Unliquidated Cash Advances*

13. **Cash advances totaling P11.332 million remained unliquidated as of December 31, 2023 contrary to COA Circular No. 97-002 dated February 10, 1997.**

- 13.1 Cash advances are granted to designated disbursing officers/employees for payment of salaries/wages/allowances, special and time-bound undertaking, and authorized official expenditures or pay-out to designated beneficiaries.

- 13.2 Of the P18.772 million balance of the Advances account as of December 31, 2023, the amount of P11.332 million remained unliquidated at year-end, as shown below:

Office	Amount
Head Office	3,407,126
Postal Area 2 – NWLA	1,899,313
Postal Area 3 – MEGA	3,824,204
Postal Area 5 – CEVA	2,201,635
<b>Total</b>	<b>11,332,278</b>

#### Head Office

A review of the general ledger and the semestral report on unliquidated cash advances disclosed that 33 accountable officers with unliquidated cash advances totaling P2,704,045 were already separated from the service, of which P1,229,911 pertaining to Conditional Cash Transfers (CCT) Pantawid Pamilya for pay-out to various areas have been dormant since 2015. Further, six accountable officers with an unliquidated cash advance of P703,081 were still active in the service.

Demand letters were sent to various resigned/retired employees in CY 2014, and some of the accounts were forwarded to the Legal Department to issue demand letters. However, no subsequent demand letters were issued. On the other hand,

no letters were issued to active employees with unliquidated cash advances demanding liquidation or an explanation for non-liquidation.

#### Postal Area 2 – NWLA

The unliquidated balance represents cash advances granted to various Postmasters for the payment of salaries and wages of the contract of service workers, motor allowances, traveling expenses, and refunds of GSIS loans from May to December 2023.

Inquiry with the Accountant disclosed that the concerned accountable officers have not been submitting their liquidation documents on time despite frequent follow-ups, thereby causing a delay in recording and exposing the fund to possible misuse/misapplication.

#### Postal Area 3 – MEGA

A review of the general ledger and the semestral report on unliquidated cash advances disclosed that the majority of accountable officers with unliquidated cash advances totaling P3,758,401 are still active in service. However, no letter was issued demanding liquidation or explanation for non-liquidation.

For retired/resigned/dropped from service employees with an unliquidated cash advance of P65,803, demand letters were returned due to the recipients having moved out or no longer living at their last known addresses.

- 13.3 For guidance, we emphasize that a cash advance must be reported as soon as the purpose for which it was given has been served. All cash advances must be fully liquidated at the end of each year, as provided in Sections 4.1.3 and 5.8 of COA Circular No. 97-002.
- 13.4 In addition, the non-liquidation of cash advances constitutes a valid reason for withholding the employee's salary.
- 13.5 ***We recommended and PHLPost Head Office Management agreed to:***
  - a. ***Require the employees with unliquidated cash advances to submit their liquidation documents to the Accounting Department in accordance with the guidelines set in COA Circular No. 97-002; otherwise, withhold the salary of the concerned accountable officer for non-liquidation; and***
  - b. ***For the unliquidated cash advances of resigned/retired employees:***
    - i. ***Exhaust all remedies to collect the unliquidated cash advances and seek legal assistance as final recourse; and***
    - ii. ***If a settlement could no longer be ascertained and the accounts have been dormant for 10 years or more, determine whether these advances are qualified to be written-off and gather necessary***



***supporting documents for filing a request for authority to write-off pursuant to COA Circular No. 2016-005.***

**C. Gender and Development (GAD)**

- 14. The PHLPost GAD Agenda was not submitted to PCW contrary to Section 8 of PCW Memorandum Circular No. 2018-04 dated September 19, 2018.**

- 14.1** Section 8 of PCW Memorandum Circular No. 2018-04 states that:

*The GAD Agenda, progress and end-term reports shall be submitted by agencies to PCW for the purpose of monitoring, evaluation, reporting of GEWE results and as necessary, provision of technical assistance on its implementation.*

- 14.2** Inquiry with the PCW Policy Development, Planning, Monitoring, and Evaluation Department (PDPMED) disclosed that PHLPost has yet to submit a GAD Agenda to PCW for the proper provision of the right guidelines and procedures in the formulation, implementation, monitoring, and evaluation of the multi-year GAD Agenda as the basis for the Annual GAD Plans and Budgets of agencies.

- 14.3** Interview with the PHLPost HRMD personnel disclosed that they are not aware that the GAD Agenda has to be submitted to PCW for monitoring and evaluation.

- 14.4** *We recommended and PHLPost Head Office Management agreed to submit its GAD Agenda to PCW pursuant to PCW Memorandum Circular No. 2018-04*

- 15. The GAD Accomplishment Reports (ARs) for FY 2023 and FY 2024 GAD Plan and Budget (GPB) were not prepared within the prescribed period for review, endorsement, and submission to DBM in time for the budget submission in contravention of Section 4 of PCW Memorandum No. 2023-02 dated September 11, 2023 and Section 1.1 of PCW Memorandum No. 2023-05 dated December 19, 2023.**

- 15.1** Section 4 of PCW Memorandum No. 2023-02 provides that:

*November 6, 2023 Deadline of encoding and submission to PCW of FY 2024 GPBs of GOCCs through the GMMSW"*

- 15.2** Section 1.1 of PCW Memorandum No. 2023-05 states that:

*Submission of FY 2023 GAD Accomplishment Report*

*1 March 2024 Deadline for submission of Government-Owned-and/or-Controlled Corporations (GOCCs) to PCW.*

- 15.3** Inquiry with the Human Resource Management Department (HRMD) personnel disclosed that there are no GAD-related documents submitted to PCW for CY 2023 and PHLPost could not create a GAD Plan and Budget due to the unforeseen fire on May 21, 2023. Since their normal day-to-day operations were



disrupted, including the preparation and submission of GAD reports, they are focused on retrieving and reconstructing the necessary documents to comply with all regulatory requirements.

- 15.4 The absence of FY 2024 GPB and GAD AR for FY 2023 may impede efforts to promote gender equality and may result in missed opportunities for empowerment and development essential for organizations and institutions to prioritize the development and implementation of comprehensive GAD strategies to ensure that gender considerations are integrated into all aspects of their work.
- 15.5 ***We recommended and PHLPost Head Office Management agreed to strictly observe the timelines for the preparation and submission of GAD Plans and Budget and Accomplishment Report to the PCW, pursuant to the Memorandum Circular of PCW.***
16. **PHLPost failed to comply with the mandatory requirements of allocating at least five percent of the total Corporate Operating Budget for GAD Programs, Activities, and Projects (PAPs) contrary to Section 1.2.2.1.3 of PCW Memorandum Circular No. 2023-02 dated September 11, 2023.**
  - 16.1 Section 1.2.2.1.3 of PCW-MC-2023-02 dated September 11, 2023 states that, *the computation of the minimum five percent (5%) GAD budget shall be based on the agency's Corporate Operating Budget (COB).*
  - 16.2 The DBM-approved Corporate Operating Budget of PHLPost for FY 2023 amounted to P5,100,254,000, of which five percent amounted to P255,012,700, the amount that should have been budgeted for the implementation of GAD PAPs.
  - 16.3 However, PHLPost deemed it necessary to allocate the five percent GAD budget for recovery efforts after the fire to continue their daily operations.
  - 16.4 ***We recommended and PHLPost Head Office Management agreed to provide a budget or allocation for GAD activities equivalent to five percent of the Corporate Operating Budget in compliance with PCW Memorandum Circular No. 2023-02.***
17. **PHLPost GAD Focal Point System (GFPS) does not maintain a GAD database contrary to Section 36 (c) Chapter VI of the Implementing Rules and Regulations of Republic Act No. 9710.**
  - 17.1 Section 36 (c), Chapter VI of the IRR RA No. 9710 or the Magna Carta of Women provides that:

*(c) Generation and Maintenance of GAD Database. All departments, including their attached agencies, offices, bureaus, state universities and colleges, government-owned and-controlled corporation, local government units and other government instrumentalities shall develop and maintain a GAD database containing gender statistics and sex-disaggregated data that have been systematically gathered,*

*regularly updated, and subjected to gender analysis for planning, programming, and policy formulation.*

- 17.2 The GAD database is an essential tool for tracking progress, ensuring accountability, and promoting effective gender-responsive policies and programs.
- 17.3 Verification disclosed that PHLPost still has not established a GAD database to serve as the basis for gender-responsive planning, programming, and policy formulation.
- 17.4 Inquiry with the HRMD personnel revealed that the Human Resource Information System (HRIS) project for the GAD database was put on hold this year due to a fire incident. Accordingly, PHLPost prioritized projects that it deemed to be more important.
- 17.5 ***We recommended and PHLPost Head Office Management agreed to require the GFPS to institutionalize the GAD database with adequate and systematically gathered sex-disaggregated data which will provide the bases for gender analysis, planning, programming, and policy formulation and undertake gender analysis to identify and confirm existing gender issues and ensure that programs, projects, and activities are responsive to the said issues.***

#### **D. Compliance with Tax Laws**

The dates of filing and remittance of Value-Added Tax (VAT), Withholding Tax on Compensation, Expanded Withholding Tax, and VAT and Other Percentage Tax Withheld for January to December 2023 were within the prescribed deadlines in adherence to the provisions outlined in Section 58 (A) and 114 of R.A. No. 8424, referred to as the National Internal Revenue Code of 1997, as amended.

Further, VAT amounting to P19,812,947; Withholding Tax on Compensation amounting to P1,720,153; Expanded Withholding Tax amounting to P1,663,410; and VAT and Other Percentage Tax Withheld amounting to P3,902,448 for December 2023 were duly remitted to the BIR in January 2024 within the prescribed deadlines.

#### **E. Compliance with GSIS, Pag-IBIG and PhilHealth Deductions and Remittances**

PHLPost Head Office, Postal Area 2 – NWLA, Postal Area 5 – CEVA, Postal Area 7 - EMA, and Postal Area 9 - WEMA have substantially complied with RA No. 9679 or Home Development Mutual Fund (HDMF)/Pag-IBIG Fund Law of 2009, RA No. 8291 otherwise known as the Government Service Insurance System (GSIS) Law and RA No. 7875 and its Implementing Rules and Regulations of the National Health Insurance Act of 1995, as amended by RA No. 9241 on withholding of premiums and loan amortizations from employees' compensation and in the remittances thereof together with the government share within the prescribed period. Summarized below is the remittance of mandatory contributions/deductions to the following:



<b>Mandatory Deductions</b>	<b>Amount Remitted</b>
GSIS	112,346,459
Pag-IBIG	6,860,348
PhilHealth	9,149,487
<b>Total</b>	<b>128,356,294</b>

*Compliance by Other Postal Area Offices*

Postal Area 3 – MEGA

The amounts withheld for GSIS, PhilHealth, and Pag-IBIG premiums and loan amortizations totaling P879,671, P228, and P26,525, respectively, were not remitted at year-end.

Postal Area 4 – SLA

The remittances to PhilHealth and Pag-IBIG were late for the months of August, September, October, and November of CY 2023.

Postal Area 6 – WEVA

The mandatory deductions withheld were under/(over) remitted to the following Government Agencies.

<b>Agency</b>	<b>Total Amount Withheld</b>	<b>Amount Remitted</b>	<b>Under/(Over) Remittances</b>
GSIS	32,895,841	32,409,623	486,218
PhilHealth	2,334,512	2,335,803	(1,291)
Pag-IBIG	2,392,740	2,396,885	(4,145)

The material variance in GSIS remittances was mainly attributable to the changes in the salary rates brought about by the implementation of the Compensation and Position Classification System (CPCS) which were not yet updated in the GSIS system.

Postal Area 8 – CEMA

Non-compliance with Sections 14.1, 14.2, and 14.3 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act No. 8291 resulted in GSIS unpaid premiums of P25,672 and loan arrearages of Postal Area 8 totaling P95,485.

HDMF and PhilHealth monthly premium contributions of employed members and Contractual were remitted to the Pag-IBIG and PhilHealth within the prescribed schedule.



## F. Status of Suspensions, Disallowances and Charges

The summary of audit suspensions, disallowances, and charges issued for transactions ending December 31, 2023, is shown as follows:

Particulars	Beginning Balance	This Period (Jan. 1 to Dec. 31, 2023)		Ending Balance
	Jan. 1, 2023	Amount Issued	Amount Settled	Dec. 31, 2023
<b>Notice of Suspension (NS)</b>				
Central Office	17,864,278	0	0	17,864,278
Area 1-NELA	0	0	0	0
Area 2-NWLA	50,348	0	0	50,348
Area 3-MMAC	0	0	0	0
Area 4-SLA	0	0	0	0
Area 5-CEVA	0	0	0	0
Area 6-WEVA	267,841	0	148,956	118,885
Area 7-EMA	0	0	0	0
Area 8-CEMA	197,422	0	197,422	0
Area 9-WEMA	0	0	0	0
<b>Sub-total</b>	<b>18,379,889</b>	<b>0</b>	<b>346,378</b>	<b>18,033,511</b>
<b>Notice of Disallowance (ND)</b>				
Central Office	45,455,201	0	19,989	45,435,212
Area 1-NELA	0	76,500	12,000	64,500
Area 2-NWLA	123,224	0	0	123,224
Area 3-MMAC	3,087,804	0	4,000	3,083,804
Area 4-SLA	193,046	0	23,847	169,199
Area 5-CEVA	38,555	0	0	38,555
Area 6-WEVA	0	0	0	0
Area 7-EMA	0	0	0	0
Area 8-CEMA	1,120,049	0	42,097	1,077,952
Area 9-WEMA	0	0	0	0
<b>Sub-total</b>	<b>50,017,879</b>	<b>76,500</b>	<b>101,933</b>	<b>49,992,446</b>
<b>Notice of Charge (NC)</b>				
Central Office	0	0	0	0
Area 1-NELA	0	0	0	0
Area 2-NWLA	0	0	0	0
Area 3-MMAC	0	0	0	0
Area 4-SLA	0	0	0	0
Area 5-CEVA	0	0	0	0
Area 6-WEVA	0	0	0	0
Area 7-EMA	0	0	0	0
Area 8-CEMA	0	0	0	0
Area 9-WEMA	0	0	0	0
<b>Sub-total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Grand Total</b>	<b>68,397,768</b>	<b>76,500</b>	<b>448,311</b>	<b>68,025,957</b>

## **PART III**

### **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 45 audit recommendations contained in the 2022 Annual Audit Report, 14 were implemented, 23 were not implemented, and eight were closed, as discussed in the table below:

Reference	Observation/s	Recommendation/s	Status / Actions taken
CY 2022 AAR, Audit Observation No. 1, pages 60 to 64	The faithful representation of Property, Plant, and Equipment with a total carrying amount of P3.363 billion as of December 31, 2022, was not ascertained due to:	Require the:	
	(a) discrepancy of P1.781 billion between the accounting records and physical inventory report;	1. Bookkeeping Division and Assets and Property Management Division to reconcile the discrepancy amounting to P1.781 billion between the accounting records and physical inventory report and effect the necessary adjustments in the books or corrections in the physical inventory report, where appropriate;	Not implemented  Reiterated in Audit Observation No. 2 of this AAR
		2. Legal Department to secure the land titles of the 422 donated lots and the four purchased lands, and the legal documents to support the claim of ownership of 83 lots;	Not implemented  Reiterated in Audit Observation No. 1 of this AAR
	(b) recognized land assets totaling P1.231 billion without transfer certificate of titles or legal documents and properties amounting to P199.082 million without supporting documents; and	3. Bookkeeping Division to analyze properties totaling P199.082 million tagged as "for recon", gather sufficient documents to support these, and effect the necessary adjustments in the books, if any;  4. Bookkeeping Division to determine the fair value of	Not Implemented  Incorporated in Audit Observation No. 2 of this AAR



Reference	Observation/s	Recommendation/s	Status / Actions taken
	<p>(c) unrecognized land and buildings of undetermined amount due to the absence of supporting documents,</p> <p>contrary to the fair presentation requirement of the International Public Sector Accounting Standard (IPSAS) 1 - Presentation of Financial Statements.</p>	<p>a piece of land with a lot area of 173 square meters located in Cauayan, Isabela under Transfer Certificate of Title No. T-24xx71 and prepare necessary entry to record the land asset;</p> <p>5. Bookkeeping Division to assist the Accounting Section in Postal Area 1 – NELA in securing the necessary documents to support the recognition of its buildings in Banaue, Ifugao and Lupao, Nueva Ecija;</p> <p>6. Bookkeeping Division to instruct the Accounting Section of Postal Area 4 – SLA to reclassify PPE items with unit cost below P50,000 that are issued to end-users totaling P16.987 million to Accumulated Surplus/(Deficit); and</p> <p>7. Inventory Committee of Postal Area 3 – MEGA and Postal Area 9 – WEMA to submit complete physical inventory reports of PPE and require the Inventory Committee of Postal Area 8 – CEMA to conduct physical inventory count of PPE.</p>	<p>Implemented</p> <p>Not Implemented</p> <p>Reiterated in Audit Observation No. 2 of this AAR</p> <p>Not Implemented</p> <p>Reiterated in Audit Observation No. 2 of this AAR</p> <p>Not Implemented</p> <p>Reiterated in Audit Observation No. 2 of this AAR</p>
CY 2022 AAR, Audit Observation No. 2, pages 64 to 67	The faithful representation of the balances of Accounts Receivable-Mail Remuneration (AR-MR) and Accounts Payable-Mail Remuneration (AP-MR) amounting to		

Reference	Observation/s	Recommendation/s	Status / Actions taken
	<p>P1.556 billion and P954.899 million, respectively, as of December 31, 2022, was not ascertained due to the following:</p> <p>(a) initial recognition using 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;</p> <p>(b) derecognition of collections and payments of international mail related to mail remunerations at the translated amount using the spot exchange rate at the date of disbursement instead of its book value; and</p> <p>(c) inappropriate revaluation at year-end, contrary to Paragraph 27 of IPSAS 1 and Paragraphs 24 and 27 of IPSAS 4 – The Effects of Changes in Foreign Exchange Rates.</p>	<p>Require the Bookkeeping Division to:</p> <p>8. Comply with IPSAS 4 on the initial recognition of AR-MR and AP-MR, using the average rate for a month when transactions occurred which is readily available on the BSP website;</p> <p>9. Update and maintain subsidiary ledgers for AR-MR and AP-MR in order to monitor the movement of book values of receivables and payables which shall serve as the basis for proper derecognition of the collected AR-MR and settled AP-MR; and</p> <p>10. Revalue AR-MR and AP-MR, at each reporting date, starting from the SDR or Euro value, then converted to US Dollars and eventually to Peso equivalent.</p>	<p>Implemented</p> <p>Not Implemented</p> <p>Reiterated in Audit Observation No. 5 of this AAR</p> <p>Not Implemented</p> <p>Reiterated in Audit Observation No. 5 of this AAR</p>
CY 2022 AAR, Audit Observation No. 3,	The Intra-agency Payables with a balance of P1.160 billion as at year-end includes (a) the	<p>Require the Bookkeeping Division to:</p> <p>11. Analyze and reconcile with the Area Accountants the</p>	Not Implemented

Reference	Observation/s	Recommendation/s	Status / Actions taken
pages 67 to 69	remaining balance of P1.015 billion of the reciprocal accounts Due to Central Office and Due from Area Offices which remained unreconciled; and (b) non-reciprocal accounts Due from Area 10 and Due from Area 11 amounting to P157.167 million and (P12.017) million, respectively, thus, the faithful representation of the account balance as at December 31, 2022 was not ascertained.	remaining balance of reciprocal accounts amounting to P1.015 billion and the non-reciprocal accounts totaling P145.150 million.	Reiterated in Audit Observation No. 3 of this AAR
CY 2022 AAR, Audit Observation No. 4, pages 69 to 72	The faithful representation of the balance of Cash in Bank in the financial statements as of December 31, 2022, amounting to P2.198 billion was not ascertained due to unadjusted and unrecorded book reconciling items totaling P1.246 billion that are mostly related to the prior year's balances contrary to Paragraph 27 of IPSAS 1 and Conceptual Framework for Financial Reporting.	Require the: 12. Bookkeeping Division to record all current year's book reconciling items, analyze the recurring book reconciling items, and prepare the necessary adjusting entries; and 13. Cash Section of the concerned Postal Area Offices to prepare and submit the complete monthly Bank Reconciliation Statements within the prescribed period.	Not Implemented Reiterated in Audit Observation No. 4 of this AAR  Not Implemented Reiterated in Audit Observation No. 4 of this AAR
CY 2022 AAR, Audit Observation No. 5,	The validity and reliability of the balance of Accounts Receivable, Trade in the amount of P1.035	Require the Bookkeeping Division to:	



Reference	Observation/s	Recommendation/s	Status / Actions taken
pages 72 to 75	<p>billion as of December 31, 2022, was not established due to:</p> <p>(a) past due receivables totaling P588.154 million ranging from one year to over 10 years not provided with adequate provision for impairment loss;</p> <p>(b) unreconciled variance of P25.672 million between the book balance and the confirmed balance of clients; and</p> <p>(c) non-recognition of receivables totaling P21.195 million pertaining to income already earned as of year-end,</p> <p>contrary to Paragraph 27 of IPSAS 1 – Presentation of Financial Statements and Paragraph 40 of IPSAS 41-Financial Instruments.</p>	<p>14. Provide adequate Allowance for Impairment Loss on the past due accounts by aligning PHLPost Circular No. 16-80 with paragraph 90 of IPSAS 4;</p> <p>15. Send confirmation letter to all clients and reconcile variances, and effect necessary adjusting entries; and</p> <p>16. Restate the opening balance of Accounts Receivable, Trade, and Income accounts for the earliest prior period presented to properly reflect the unrecorded receivables of P21.195 million earned in CY 2022.</p>	<p>Not Implemented</p> <p>Reiterated in Audit Observation No. 6 of this AAR</p> <p>Implemented</p> <p>Closed</p>
CY 2022 AAR, Audit Observati on No. 6, pages 75 to 76	<p>The balance of the Deferred Credits account amounting to P63.521 million as of December 31, 2022, includes the Other Deferred Credits account with a negative balance of P116.308 million due</p>	<p>Require the Accounting Section of Postal Area 4 – SLA to:</p> <p>17. Obtain the necessary and valid supporting documents on the adjustments made to the Other Deferred Credits account, and effect any</p>	<p>Not Implemented</p> <p>Ongoing</p>

Reference	Observation/s	Recommendation/s	Status / Actions taken
	to adjustments made without supporting documents contrary to Paragraph 27 of IPSAS 1, hence the faithful representation of the account balance as at reporting date was not ascertained.	adjustment to present the correct balance of the account.	
CY 2022 AAR, Audit Observation No. 7, pages 76 to 79	<p>The reliability and existence of the Inventories account with a total amount of P196.386 million as of December 31, 2022, was not established due to:</p> <p>(a) Discrepancies totaling P114.717 million between the balance per physical inventory report and the balance per General Ledger;</p> <p>(b) inclusion of issued semi-expendable properties totaling P48.378 million; and</p> <p>(c) non-inclusion of unsold/unused inventory items of undetermined amount,</p> <p>contrary to Paragraph 27 of IPSAS 1.</p>	<p>Require the:</p> <p>18. Bookkeeping Division to reconcile the noted variance between the general ledger and physical inventory report and effect the necessary adjustments, where appropriate;</p> <p>19. Bookkeeping Division to derecognize issued semi-expendable properties amounting to P48.378 million;</p> <p>20. Accounting Section of Postal Area Offices to include in the balance of the Inventory account the cost of unsold/unused inventory items distributed to post offices at year-end; and</p> <p>21. Reclassify inventory items recorded as Office Supplies Inventory totaling P8.739 million to Accountable Forms, Plates</p>	<p>Not Implemented</p> <p>Reiterated in Audit Observation No. 8 of this AAR</p> <p>Implemented</p> <p>Not Implemented</p> <p>Reiterated in Audit Observation No. 8 of this AAR</p> <p>Not Implemented</p> <p>On-going</p>

Reference	Observation/s	Recommendation/s	Status / Actions taken
		and Stickers Inventory or Non-Accountable Forms Inventory or Merchandise Inventory.	
CY 2022 AAR, Audit Observation No. 8, pages 80 to 81	<p>The reliability of the year-end balance of Due from Officers and Employees in the amount of P96 million, presented under Other Receivables, was not established due to the inclusion of the following, contrary to Paragraph 27 of IPSAS 1 and Conceptual Framework for Financial Reporting.</p> <p>(a) Accounts tagged as "For recon" and "Suspense Reclass" totaling P21,848 million without supporting documents;</p> <p>(b) Accounts with negative balances totaling P14,524 million; and</p> <p>(c) Disallowed premiums on GPAI totaling P0.630 million not reclassified to Receivables-Disallowances/Charges.</p>	<p>Require the Bookkeeping Division to:</p> <p>22. Review and analyze the accounts tagged as "for reconciliation" and "suspense reclass" and negative balances to determine the necessary adjustments to the account; and</p> <p>23. Reclassify the disallowed amount of P0.630 million to Receivables-Disallowances/Charges.</p>	<p>Not Implemented</p> <p>Reiterated in Audit Observation No. 7 of this AAR</p> <p>Implemented</p>
CY 2022 AAR, Audit Observation No. 9,	The reliability of the balance of Accounts Receivable, Trade - International Mail (Under Contract),	Require the Bookkeeping Division to:	



Reference	Observation/s	Recommendation/s	Status / Actions taken
pages 81 to 83	<p>presented under Receivables account, as of December 31, 2022, totaling P444.844 million was not established due to:</p> <p>(a) Variance totaling P22.092 million between book balance and confirmed balance of two clients;</p> <p>(b) Existence of a negative balance of P1.777 million; and</p> <p>(c) Initial recognition of AR-IMUC using the exchange rate when the transaction is recorded or the month-end rate when the transactions occurred, instead of the exchange rate at the date of the transaction or the average rate for a month when the transactions occurred, contrary to IPSAS 4.</p>	<p>24. Coordinate and reconcile with the international clients the confirmed balances with zero amount but with balances per books of PHLPost;</p> <p>25. Analyze the accounts with negative balances and prepare the necessary entries to present the correct balance of the account; and</p> <p>26. Recognize the Accounts Receivable-IMUC by applying the spot exchange rate of foreign currency at the date of the transaction or the average rate for a week or a month for all foreign transactions occurring during that period in compliance with IPSAS 4.</p>	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>
CY 2022 AAR, Audit Observati on No. 10, pages 83 to 86	The 85 percent JV revenue of PPC-PSP JV and the revenue share of PHLPost to Filmetrics amounting to P54.917 million P29.855 million,	<p>Require the Bookkeeping Division to:</p> <p>27. Reclassify from Due from Subsidiary/ Joint Ventures/ Associates/ Affiliates account to Accounts</p>	Closed



Reference	Observation/s	Recommendation/s	Status / Actions taken
	account as at reporting date.		
CY 2022 AAR, Audit Observation No. 12, pages 88 to 89	The balance of Leave Benefits Payable, presented under Provisions, amounting to P1.467 billion as of December 31, 2022, did not include the money value of the accumulated earned leave credits of the 238 active regular postal employees in Postal Area 7 – EMA, contrary to Paragraph 22 of IPSAS 19-Provisions, Contingent Liabilities and Contingent Assets, resulting in the understatement of Leave Benefits Payable by at least P65.597 million.	Instruct the Accounting Section of Postal Area 7 – EMA to:  31. Compute the monetary value of accumulated earned leave credits of its 238 active employees and record the provision thereof in the books.	Implemented
CY 2022 AAR, Audit Observation No. 13, page 89	Accrued interest income from prior years amounting to P1.679 million was not reversed contrary to Paragraph 27 of IPSAS 1 and Conceptual Framework for Financial Reporting, resulting in the overstatement of Interest Receivable account and Accumulated Surplus/(Deficit) account by P1.679 million as at December 31, 2022.	Require the Bookkeeping Division to:  32. Prepare the necessary entry to correct the overstatement of Interest Receivable and restate the opening balance of the account at the earliest prior period presented.	Implemented



Reference	Observation/s	Recommendation/s	Status / Actions taken
CY 2022 AAR, Audit Observati on No. 14, pages 89 to 91	The CY 2021 comparative figures presented in CY 2022 Financial Statements were not restated to reflect prior years' errors and adjustments thus, affecting the fair presentation of the Accumulated Surplus/(Deficit) and the other affected accounts, contrary to Paragraphs 27 and 47 of IPSAS 3-Accounting Policies, Changes in Accounting Estimates and Errors.	Require the Bookkeeping Division to:  33. Present prior period errors and adjustments by restating the comparative balance of affected accounts to comply with the provisions of IPSAS 3.	Implemented
CY 2022 AAR, Audit Observati on No. 15, pages 91 to 93	Receivables from the Land Bank of the Philippines amounting to P97.719 million representing the unpaid service fees of PHLPost, as a conduit for the Conditional Cash Transfer (CCT) Program, also known as the Pantawid Pamilyang Pilipino Program (4Ps) of the Department of Social Welfare and Development (DSWD), remain uncollected pending compliance with the submission of Response Files as required by the Land Bank of the Philippines (LBP) pursuant to the Memorandum of Agreement it entered into with PHLPost on March 20, 2012 and December 12, 2013.	Require the Accounting Department to:  34. Submit all the documents required for the release of the unpaid service fees amounting to P97.719 million from the Land Bank of the Philippines.	Closed

Reference	Observation/s	Recommendation/s	Status / Actions taken
CY 2022 AAR, Audit Observation No. 16, page 93	The unserviceable PPE items in the amount of P35.938 million remained not disposed of, contrary to Section 79 of P.D. No. 1445 and National Budget Circular (NBC) No. 425, thus exposing these items to further deterioration and decline in value.	Require the Disposal Committee of PHLPPost Head Office and Postal Area 1 – NELA to:  35. Expedite the disposal of all unserviceable properties.	Not Implemented  Reiterated in Audit Observation No. 12 of this AAR
CY 2022 AAR, Audit Observation No. 17, pages 94 to 99	No Board approval for the extension of the Joint Venture Agreement for BDSF from September 15, 2021, to December 31, 2022, and Implementing Memorandum of Agreement (IMOA) on Postal ID from September 7, 2021 to December 31, 2022; and the execution of Service Agreement with Social Security System (SSS) for the period September 15, 2021 to September 15, 2022.	Require the PHLPPost Head Office Management to:  36. Submit the legal bases on the extension of the Joint Venture Agreement on BDSF from September 15, 2021, to December 31, 2022, and Implementing Memorandum of Agreement on Postal ID from September 7, 2021, to December 31, 2022; and, the execution of the Service Agreement with Social Security System for data capture services for the period September 15, 2021 to September 15, 2022 without express approval of the PHLPPost Board of Directors.	Closed
CY 2022 AAR, Audit Observation No. 18, page 100	Resources contributed by Philippine Postal Corporation to the PPC-PSP JV were not compensated contrary to Section 6 of the Joint Venture Agreement thus, depriving the agency of funds that could be used for its operations.	Require the Bookkeeping Division to:  37. Compute and collect the cost of PHLPPost's resources utilized by the PPC-PSP JV pursuant to Section 6 of the JVA.	Closed

Reference	Observation/s	Recommendation/s	Status / Actions taken
CY 2022 AAR, Audit Observati on No. 19, pages 100 to 101	The Postal ID Marketing Expenses totaling P0.987 million reimbursed by PHLPPost to Filmetrics Corporation is contrary to Section 7.3 of the Implementing Memorandum of Agreement entered into by and between Philippine Postal Corporation (PHLPPost) and Filmetrics Corporation on August 20, 2014.	Require the Accounting Department to:  38. Require Filmetrics to refund the reimbursed Joint Venture Marketing expenses totaling P0.987 million.	Closed
CY 2022 AAR, Audit Observati on Nos. 20 to 25, pages 102 to 107	Gender and Development:  (a) The PHLPPost Gender and Development (GAD) Agenda was not submitted to PCW contrary to Section 8 of Philippine Commission on Women Memorandum (PCW) Circular No. 2018-04 dated September 19, 2018;  (b) PHLPPost failed to comply with the mandatory requirement of allocating at least five percent (5%) of the total appropriations for GAD Programs, Activities and Projects (PAPs) contrary to Section	Require the:  39. GAD Focal Point System (GFPS) to submit its GAD Agenda to PCW pursuant to PCW Memorandum Circular No. 2018-04;  40. GFPS to allocate at least five percent of the total approved COB to the GAD budget;	Not Implemented  Reiterated in Audit Observation No. 14 of this AAR  Not Implemented  Reiterated in Audit Observation No. 16 of this AAR



Reference	Observation/s	Recommendation/s	Status / Actions taken
	1.2.2.1.3 of PCW Memorandum Circular No. 2021-04 dated August 24, 2021;		
	(c) PHLPPost GAD Focal Point System (GFPS) does not maintain a GAD database contrary to Section 36 (C) Chapter VI of the Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9710;	41. GFPS to institutionalize the GAD database with adequate and systematically gathered sex-disaggregated data and undertake gender analysis to identify and confirm existing gender issues and ensure that programs, projects, and activities are responsive to the said issues;	Not Implemented  Reiterated in Audit Observation No. 17 of this AAR
	(d) PHLPPost has not yet created a Responsibility Center (RC) for the GAD Focal Point System (GFPS) contrary to COA Circular No. 2021-008 dated September 06, 2021;	42. Accounting Department to create Responsibility Codes or assign subsidiary ledger code for GAD-related expenses and other financial transactions;	Implemented
	(e) Programs, activities and projects (PAPs) in the PHLPPost GPB for CY 2022 were not fully implemented and the budget allotted was not fully utilized, defeating the purpose of PAPs in pursuing women's empowerment, contrary to Paragraphs 1, 1.1,	43. GFPS to ensure effective and efficient implementation of GAD PAPs and maximize the utilization of GAD Budget; and	Not Implemented

Reference	Observation/s	Recommendation/s	Status / Actions taken
	<p>and 1.2 Section 1 of Executive Order (EO) No. 273 dated September 8, 1995;</p> <p>(f) The Accomplishment Reports (ARs) for CY 2022 and GAD Plan and Budget (GPB) for CY 2023 were not submitted to the PCW and to the COA Audit Team within the prescribed period for review contrary to relevant PCW issuances.</p>	<p>44. GFPS to ensure timely submission of GAD-related reports to the PCW and the COA Audit Team, pursuant to the Memorandum Circulars of PCW.</p>	<p>Not Implemented</p> <p>Reiterated in Audit Observation No. 15 of this AAR</p>
<p>CY 2022 AAR, Audit Observation No. 21, pages 108 to 109</p>	<p>The monthly taxes withheld on compensation were computed using the annualized withholding tax method contrary to Sections 2.79 (B)(1) and 2.79(B)(5)(9) of Revenue Regulations (RR) No. 2-98, as amended by RR No. 11-2018.</p>	<p>Require the Accounting Department to:</p> <p>45. Create a new system to align the computation of withholding tax on compensation based on monthly withholding tax table pursuant to Section 27.9 of Revenue Regulations No. 2-98, as amended by Revenue Regulations No. 11-2018.</p>	<p>Implemented</p>

## **PART IV**

## **ANNEX**



## Book Reconciling Items

Head Office

Bank Account No.	Amount	Description of Discrepancy
BDO xxxx-xx218-xx	38,833,411	For reconciliation from Prior Years
LBP xxxx-xx79-xx	158,065,931	MO Issued and cleared - PYs
LBP xxxx-xx44-xx	266,672	Unrecorded bank debits – CY 2023
<b>Total</b>	<b>197,166,014</b>	

Postal Area 3 – MEGA

Bank Account No.	Amount	Description of Discrepancy
LBP-COE	294,066,503	Could not be determined due to unavailability of BRS
LBP-Regional PCA	4,662,880	Discrepancy of balance per GL/TB and per Statement of Financial Position
LBP-GF	47,777,489	Unreconciled balance from prior years
LBP-Old Accounts	1,900,588	Unreconciled balance from prior years
LBP-SPISC	60,480,000	Unreconciled balance from prior years
LBP-Bulacan	2,818,334	Unreconciled balance from prior years
LBP-Batanes	10,000.00	Unreconciled balance from prior years
BDO-GF	77,094,504	Unreconciled balance from prior years
DBP-GF	3,374,516	Could not be determined due to insufficient data
PPSBI-COE	52,569,470	Unreconciled book balance from prior years; closed bank account
PPSBI-GF	106,289,114	Unreconciled book balance from prior years; closed bank account
PPSBI-Regional	121,365,185	Unreconciled book balance from prior years; closed bank account
DBP-MOF	310,589	Could not be determined due to insufficient data
BDO-MOF	22,823,946	Unreconciled balance from prior years
LBP-MOF	43,067,657	Unreconciled balance from prior years
LBP-CCT	10,000	Unreconciled balance from prior years
PPSBI-MOF	25,115,384	Unreconciled book balance from prior years; closed bank account
PPSBI-GLOBE	880,040	Unreconciled book balance from prior years; closed bank account
PPSBI-Consignment	28,280	Unreconciled book balance from prior years; closed bank account
<b>Total</b>	<b>864,644,479</b>	

## LIST OF ACRONYMS

<b>Acronym</b>	<b>Definition</b>
APMD	Assets and Property Management Division
APV	All Purpose Vehicle
AP-MR	Accounts Payable – Mail Remuneration
AR	Accomplishment Report
AR-IMUC	Accounts Receivable-International Mail (Under Contract)
AR-MR	Accounts Receivable – Mail Remuneration
AR-Trade	Accounts Receivable - Trade
BDO	Banco de Oro
BIR	Bureau of Internal Revenue
BRS	Bank Reconciliation Statement
CCT	Conditional Cash Transfer
CEMA	Central Mindanao Area (Postal Area 8)
CEVA	Central Visayas Area (Postal Area 5)
COA	Commission On Audit
COB	Corporate Operating Budget
CPCS	Compensation and Position Classification System
CY	Calendar Year
DBM	Department of Budget and Management
DBP	Development Bank of the Philippines
DHSUD-NCR	Department of Human Settlements and Urban Development – National Capital Region
DOST	Department of Science and Technology
EMA	Eastern Mindanao Area (Postal Area 7)
eSOA	Electronic Statement Of Account
FY	Fiscal Year
GAD	Gender and Development
GEWE	Gender Equality and Women's Empowerment
GFPS	Gender and Development Focal Point System
GL	General Ledger
GOCC	Government-Owned and Controlled Corporation
GPB	GAD Plan and Budget
GSIS	Government Service Insurance System
HDMF	Home Development Mutual Fund
HRIS	Human Resource Information System
HRMD	Human Resources Management Department
IAD	International Affairs Division
ICT	Information and Communication Technology
ID	Identification
IPSAS	International Public Sector Accounting Standard
IRR	Implementing Rules and Regulations
JEV	Journal Entry Voucher

<b>Acronym</b>	<b>Definition</b>
LBP	Land Bank of the Philippines
LPMD	Logistics and Property Management Department
MEGA	Mega Manila Area (Postal Area 3)
MO	Money Order
NBC	National Budget Circular
NC	Notice of Charge
ND	Notice of Disallowance
NELA	North East Luzon Area (Postal Area 1)
NS	Notice of Suspension
NWLA	North West Luzon Area (Postal Area 2)
OE	Office of Exchange
OIC	Officer-in-Charge
PAPs	Programs, Activities and Projects
PAR	Property Acknowledgement Receipt
PCA	Postage Charge Account
PCW	Philippine Commission on Women
P.D.	Presidential Decree
PDIC	Philippine Deposit and Insurance Commission
PDPMED	Policy Development, Planning, Monitoring and Evaluation Department
PhilHealth	Philippine Health Insurance Corporation
PHLPost	Philippine Postal Corporation
PHP	Philippine Peso
PPE	Property, Plant and Equipment
PPSB	Philippine Postal Savings Bank
PR	Purchase Request
PRC	Professional Regulation Commission
SPISC	Social Pension Program for Indigent Senior Citizens
RA	Republic Act
RCI	Report of Check Issued
RIRR	Revised Implementing Rules and Regulations
RPCI	Report on Physical Count of Inventories
RPCPPE	Report on Physical Count of Property, Plant and Equipment
RTS	Return To Sender
SDR	Special Drawing Right
SLA	Southern Luzon Area (Postal Area 4)
TCT	Transfer Certificate of Title
TOR	Terms of Reference
UPU	Universal Postal Union
USD	US Dollar
VAT	Value-Added Tax
WEMA	Western Mindanao Area (Postal Area 9)
WEVA	Western Visayas Area (Postal Area 6)