



Republic of the Philippines  
**COMMISSION ON AUDIT**  
**National Government Sector**  
Cluster 2 – Oversight and Public Debt Management Agencies  
Commonwealth Avenue, Quezon City

15 May 2018

**MR. FERDINAND JESUS A. PECSON**  
Executive Director  
Public-Private Partnership Center of the Philippines  
8th Floor, One Cyberpod Centris  
EDSA cor. Quezon Avenue, Brgy. Pinyahan, Quezon City

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**Dear Director Pecson:**

We are pleased to transmit the Annual Audit Report on the **Public-Private Partnership Center of the Philippines** for the Calendar Year 2017 prepared by the team headed by Ms. Melinda R. Barcial, as Audit Team Supervisor, and Ms. Elenita T. Manaois, Audit Team Leader, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was made to ascertain the propriety of financial transactions, compliance of the Agency with prescribed laws, rules and regulations and the fairness of presentation of the financial statements (FS). Furthermore, the audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs). We believe that our audit provides a reasonable basis for rendering an unqualified opinion on the fairness of the presentation of the FS.

The audit findings include accounting errors and deficiencies which did not materially affect the fair presentation of the FS.

The attached report consists of the Executive Summary, the Independent Auditor's Report, the audited FS, the Observations and Recommendations, which were discussed with the concerned Management officials and staff, and the Status of Implementation of Prior Year's Audit Recommendations.

We request a status report on the actions taken on the audit recommendations within sixty (60) days from the date of receipt hereof, pursuant to Section 88 of the General Provisions of the General Appropriations Act of FY 2017 (Republic Act No. 10924), using the attached Agency Action Plan and Status of Implementation (AAPSI).

We express our appreciation for the valuable support and cooperation extended by the officials and staff of the Agency.

Very truly yours,

*Coralea*  
**CORA LEA A. DELA CRUZ**

*mm* Director IV *CD*

## EXECUTIVE SUMMARY

### A. Introduction

The *Build-Operate and Transfer (BOT) Center* was reorganized and renamed as the Public-Private Partnership Center of the Philippines (PPPCP) by virtue of Executive Order (EO) No. 8, series of 2010. It was transferred as an attached agency from the Department of Trade and Industry to the National Economic and Development Authority (NEDA). The PPPCP shall cover all Public-Private Partnership (PPP) programs and projects including all the variants or arrangements under Republic Act (RA) No. 7718, otherwise known as the *BOT Law*.

Under EO No. 8, the PPPCP exercises, among others, the following powers and functions:

- a. Conduct project facilitation and assistance to the national implementing agencies, including government owned and controlled corporations and Local Government Units (LGUs) in addressing impediments or bottlenecks in the implementation of PPP programs and projects;
- b. Provide advisory services, technical assistance, trainings and capacity development to agencies/LGUs in PPP project preparation and development;
- c. Recommend plans, policies and implementation guidelines related to PPP in consultation with appropriate oversight committees, implementing agencies, LGUs and the private sectors;
- d. Manage and administer a revolving fund to be known as the Project Development and Monitoring Facility (PDMF) for the preparation of business case, pre-feasibility and feasibility studies and tender documents of PPP programs and projects; and,
- e. Perform such other function, which may be critical in expediting and implementing effectively the PPP programs and projects of the government.

### **Project Development and Monitoring Facility**

As part of its functions, the PPPCP manages and administers the PDMF, formerly known as the Project Development Facility (PDF) which was established as a revolving fund under EO No. 44, s. 2002. The funds are for the conduct of business case, pre-feasibility and feasibility studies, and preparation of tender documents of PPP programs and projects in a timely manner, and ensure effective monitoring of PPP project implementation.

The PDMF Committee, composed of the representatives from the NEDA, Department

of Finance, Department of Budget and Management (DBM) and PPPCP, approves applications for availment. Subject to the approval of the PPP Governing Board, the PDMF Committee is mandated to formulate, prescribe and recommend policies, procedures and guidelines for the use of the PDMF for the development of PPP projects and recovery of costs charged to the fund. The PPPCP also serves as the Secretariat of the PDMF Committee.

The PPPCP is headed by Executive Director and has 116 plantilla positions comprised of 100 filled positions and five items under Contract of Service with a total of 105 personnel complements as of 31 December 2017, summarized as follows:

Office of the Executive Director	3
Corporate Planning and Development Division	4
Office of the Deputy Executive Director– Office 1 and 2	6
Project Development Service	16
Project Development and Monitoring Service	12
Legal Service	11
Administrative Service	19
Policy Formulation, Project Evaluation and Monitoring Service	16
Capacity Building and Knowledge Management Service	18
<b>Total</b>	<b><u>105</u></b>

## B. Financial Highlights

The financial position, financial performance and the sources and application of funds of the PPPCP (General Fund and PDMF), for Calendar Year (CY) 2017 with corresponding figures for CY 2016, are summarized below:

Particulars	2017	2016	Increase/ (Decrease)
<b>Financial Position</b>			
Assets	₱3,559,050,277.30	₱3,458,767,506.98	₱ 100,282,770.32
Liabilities	8,940,751.12	62,000,486.58	(53,059,735.46)
Net Assets/Equity	3,550,109,526.18	3,396,767,020.40	153,342,505.78
<b>Financial Performance</b>			
Revenue	57,725,459.30	30,829,992.08	26,895,467.22
Net Financial Assistance/Subsidy	235,913,901.01	1,551,335,080.64	(1,315,421,179.63)
Gains on Foreign Exchange	9,406,981.90	20,231,393.80	(10,824,411.90)
Sub-total	303,046,342.21	1,602,396,466.52	(1,299,350,124.31)
Expenses	146,173,580.48	132,891,083.02	13,282,497.46
<b>Surplus (Deficit) for the Period</b>	<b>₱ 156,872,761.73</b>	<b>₱1,469,505,383.50</b>	<b>(₱1,312,632,621.77)</b>

For CY 2017, the agency has a total appropriation of ₱156.311 million under RA No. 10924. The agency received total allotments of ₱179.461 million, of which total obligations incurred amounted to ₱152.586 million, thereby leaving a balance of ₱26.875 million.

Sources of Funds	Allotments	Obligations Incurred	Unobligated Balance
Regular Appropriation	₱165,883,093	₱145,214,096	₱20,668,997
Continuing Appropriation	13,577,575	7,371,895	6,205,680
<b>Total</b>	<b>₱179,460,668</b>	<b>₱152,585,991</b>	<b>₱26,874,677</b>

The PDMF currently gets financing support through the Capacity Development Technical Assistance administered by the Asian Development Bank (ADB), under TA No. 7796: Republic of the Philippines – Strengthening Public-Private Partnership in the Philippines (TA 7796-PHI). The TA is a grant in its entirety co-financed by ADB, the Government of Australia, through the Australian Agency for International Development, and the Government of Canada, through the Canada International Development Agency.

The PDMF status of funds as at 31 December 2017 in US dollar is summarized as follows:

Particulars	GOP	ADB	Total
Total PDMF Funds	\$83,927,751.80	\$18,000,000.00	\$101,927,751.80
Committed/Earmarked funds	50,109,214.73	15,710,668.69	65,819,883.42
Cost sharing rate effective March 2014	80%	20%	100%
<b>Fund balance, 31 December 2017</b>	<b>33,818,537.07</b>	<b>2,289,331.31</b>	<b>36,107,868.38</b>
Reflows:			
Actual for CY 2017	366,961.76	91,740.44	458,702.20
<b>Adjusted Fund balance for CY 2016</b>	<b>\$ 366,961.76</b>	<b>\$ 91,740.44</b>	<b>\$ 458,702.20</b>

### C. Operational Highlights

The agency has satisfactorily accomplished their objectives, however, some components did not surpass the physical targets under its CY 2017 Major Final Output (MFO).

General Appropriations Act for CY 2017 (RA No. 10924) provided the agency with one MFO – PPP Project Advisory, Management and Monitoring Services with a total budget of ₱76.600 million, of which ₱56.094 million was utilized, leaving a balance of ₱20.506 million. The MFO has four components with the corresponding budget allocation and utilization for the year presented in the next page:

No. of Components	Particulars	MFO Budget		Actual Utilization	Delivery Rate
		Amount	% Share		
1	Project Development and Advisory Assistance	₱10,562,000.00	13.79%	₱10,056,059.42	95.21%
2	Management Administration of the Project Development and Monitoring Facility	8,757,000.00	11.43	8,072,346.28	94.14
3	PPP Policy Formulation and Advocacy and Project Monitoring and Evaluation	13,935,000.00	18.19	11,105,293.43	79.69
4	Provision of Capacity Building, Knowledge Management Services, Legal Services and Information Systems and Technology Development and Maintenance	43,346,000.00	56.59	26,859,969.09	61.97
<b>Total</b>		<b>₱76,600,000.00</b>	<b>100%</b>	<b>₱56,093,668.22</b>	<b>73.23%</b>

Annex “C” presents the PPPCP CY 2017 Agency Performance Measures which showed satisfactory accomplishments with favorable variances.

#### **D. Scope of Audit**

The audit covered the financial audit of the accounts of the PPPCP for the year ended 31 December 2017. The audit was conducted to: (a) verify the level of assurance that may be placed on Management’s assertions on the financial statements; (b) recommend agency’s improvement opportunities; (c) determine the propriety of transactions as well as the extent of compliance with pertinent laws, rules and regulations; and (d) determine the extent of implementation of prior year’s audit recommendations.

#### **E. Independent Auditor’s Report on the Financial Statements**

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements.

#### **F. Summary of Significant Audit Observations and Recommendations**

Among, the audit observations and corresponding recommendations discussed in detail in Part II of this report, the significant observations are summarized as follows:

1. The unreconciled discrepancy of ₱330,548.89 between the books of the PPPCP and the Procurement Service (PS) – DBM, due to various accounting errors, had affected the completeness and accuracy of the *Due from NGAs* account balance.

**We recommended and Management agreed to require the Accountant to: (a) analyze the unaccounted and unreconciled balances in prior years so that adjustments could be made; (b) coordinate with the PS-DBM all the variances observed in the books for reconciliation by both agencies; and, (c) henceforth, monitor closely the *Due from NGAs*, particularly, that from the PS-DBM, to reflect the correct balance of the account.**

2. The balances of the *Due from NGAs* and *Due from GOCCs* accounts continued to increase by ₱376.548 million and ₱126.134 million, respectively, from CYs 2015 to 2017 due to terminated projects as of 31 December 2017, and with noted discrepancies between the books of the PPPCP and the IAs.

**We recommended and Management agreed to: (a) enforce the provision of the TAA on the payment to the PPPCP by the Implementing Agencies (IAs) concerned of project development costs for the terminated projects, plus the 10 per cent administrative cost; and, (b) require the Accountant to coordinate with the IAs concerned for the reconciliation of both accounts.**

3. The Accounting Division did not maintain Supplies Ledger Cards (SLCs) and Property, Plant and Equipment Ledger Cards (PPELCs) for *Inventory* and *PPE* with balances of ₱1.598 million and ₱34.546 million, respectively, hence the difficulty in ascertaining the accuracy of the General Ledger (GL) balances. Moreover, the Property Division did not update the Property Cards (PCs).

**We recommended and Management agreed to require: (a) the Accountant to maintain SLCs and PPELCs for all inventory and PPE items, respectively, in the prescribed format, and reconcile with the GL controlling accounts, and with the Report of Physical Count of Inventories and Report of Physical Count of Property, Plant and Equipment; and, (b) the Property Officer to: (i) update regularly the PCs and reconcile periodically the property records with the accounting records; and, (ii) attach property tag on each and every PPE items for control and easy identification.**

The aforementioned observations and recommendations were discussed with concerned Management officials in an exit conference on 9 March 2018. Management's views and comments were incorporated in the report, where appropriate.

#### **G. Status of Settlement of Audit Suspensions, Disallowances, and Charges**

The balances of Notice of Suspensions (NSs), Disallowances (NDs), and Charges (NCs) as of year-end are summarized in the next page:

<b>Nature</b>	<b>Balances, 31 Dec 2016</b>	<b>Issued in CY 2017</b>	<b>Settlement</b>	<b>Balances, 31 Dec 2017</b>	<b>Status/remarks</b>
NSs	₱ -	₱ -	₱ -	₱ -	
NDs	8,936,852.90	-	745,122.03	8,191,730.87	COA issued seven Notices of Finality of Decision and seven COA Orders of Execution and two Commission Proper COA Decisions.
NCs	-	-	-	-	
<b>Total</b>	<b>₱8,936,852.90</b>	<b>₱ -</b>	<b>₱745,122.03</b>	<b>₱8,191,730.87</b>	

**We recommended that Management require the Accountant to:**

- a) Intensify/ensure the prompt settlement of the amount disallowed, particularly, those which were already rendered final and executory; and**
- b) Locate the whereabouts of the former employees and pursue collections efforts.**

#### **H. Status of Implementation of Prior Years' Audit Recommendations**

Out of seven prior years' audit recommendations, four were fully implemented and three were partially implemented. The details are discussed on Part III of this report.

**We enjoin Management to ensure full implementation of all audit recommendations to improve the financial and operational efficiency of the agency.**



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## **INDEPENDENT AUDITOR'S REPORT**

### **The Executive Director**

Public-Private Partnership Center of the Philippines  
National Economic and Development Authority  
Quezon City

### ***Unqualified Opinion***

We have audited the financial statements of **Public-Private Partnership Center of the Philippines**, which comprise the Statement of Financial Position as at 31 December 2017, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash flows, Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to Financial Statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the **Public-Private Partnership Center of the Philippines** as at 31 December 2017, and its financial performance, changes in net assets/equity, cash flows, comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies in accordance with Philippine Public Sector Accounting Standards (PPSASs).

### ***Basis for Unqualified Opinion***

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance 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 requirements.



### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PPSASs, 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.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

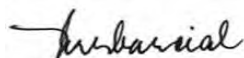
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee 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.

Our audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **COMMISSION ON AUDIT**

**By:**



**MELINDA R. BARCIAL**  
**State Auditor IV**  
OIC-Supervising Auditor  
NEDA Audit Group

12 March 2018

**PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES**  
**STATEMENT OF FINANCIAL POSITION**  
**ALL FUNDS**  
**AS AT DECEMBER 31, 2017**  
(In Philippine Peso)

	<u>Note</u>	<u>2017</u>	<u>2016</u> (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	4	2,109,240,980.57	2,053,367,944.92
Receivables	5	1,393,296,424.84	1,342,339,232.41
Inventories	6	1,598,320.58	1,648,009.39
Other Current Assets	7	10,743,291.01	9,265,470.94
<b>Total Current Assets</b>		<b>3,514,879,017.00</b>	<b>3,406,620,657.66</b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	8	34,546,186.26	40,635,376.43
Intangible Assets	9	9,625,074.04	11,511,472.89
<b>Total Non - Current Assets</b>		<b>44,171,260.30</b>	<b>52,146,849.32</b>
<b>Total Assets</b>		<b>3,559,050,277.30</b>	<b>3,458,767,506.98</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	10	644,615.59	11,764,685.62
Inter-Agency Payables	11	7,182,508.33	21,973,301.34
Other Payables	12	1,113,627.20	28,262,499.62
<b>Total Current Liabilities</b>		<b>8,940,751.12</b>	<b>62,000,486.58</b>
<b>Total Liabilities</b>		<b>8,940,751.12</b>	<b>62,000,486.58</b>
<b>Total Assets Less Total Liabilities</b>		<b>3,550,109,526.18</b>	<b>3,396,767,020.40</b>
<b>NET ASSETS / EQUITY</b>			
Accumulated Surplus (Deficit)			
<b>Total Net Assets / Equity</b>		<b>3,550,109,526.18</b>	<b>3,396,767,020.40</b>

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*This statement should be read in conjunction with the accompanying notes.*

**PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES**  
**STATEMENT OF FINANCIAL PERFORMANCE**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Philippine Peso)

	<u>Note</u>	<u>2017</u>	<u>2016</u> (As Restated)
<b>Revenue</b>			
Service and Business Income	14	57,351,898.37	22,844,409.37
Shares, Grants and Donations	15	<u>373,560.93</u>	<u>7,985,582.71</u>
<b>Total Revenue</b>		<u>57,725,459.30</u>	<u>30,829,992.08</u>
<b>Less: Current Operating Expenses</b>			
Personnel Services	16	78,492,533.62	72,194,470.73
Maintenance & Other Operating Expenses	17	53,047,278.26	47,796,929.21
Financial Expenses	18	1,056.50	958.73
Non-Cash Expenses	19	<u>14,632,712.10</u>	<u>12,898,724.35</u>
<b>Total Current Operating Expenses</b>		<u>146,173,580.48</u>	<u>132,891,083.02</u>
<b>Surplus/(Deficit) from Current Operations</b>		<b>(88,448,121.18)</b>	<b>(102,061,090.94)</b>
Net Financial Assistance / Subsidy	20	235,913,901.01	1,551,335,080.64
Gains	21	9,418,733.53	20,231,393.80
Losses	22	<u>(11,751.63)</u>	<u>-</u>
<b>Surplus/(Deficit) for the period</b>		<u><u>156,872,761.73</u></u>	<u><u>1,469,505,383.50</u></u>

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*This statement should be read in conjunction with the accompanying notes.*

**PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES**  
**STATEMENT OF CHANGES IN NET ASSETS/EQUITY**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Philippine Peso)

	<u><b>2017</b></u>	<u><b>2016</b></u> (As Restated)
<b>Balance at January 1</b>	<u><b>3,396,767,020.40</b></u>	<u>1,875,394,396.09</u>
<b>Add/(Deduct):</b>		
<b>Changes in Net Assets/Equity for the Calendar Year</b>		
Surplus for the period	<b>156,872,761.73</b>	1,469,505,383.50
Others	<u><b>(3,530,255.95)</b></u>	<u>51,867,240.81</u>
<b>Total recognized revenue and expense for the period</b>	<u><b>153,342,505.78</b></u>	<u>1,521,372,624.31</u>
<b>Balance at December 31</b>	<u><u><b>3,550,109,526.18</b></u></u>	<u><u>3,396,767,020.40</u></u>

**PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES**  
**STATEMENT OF CASH FLOWS**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Philippine Peso)

	<u>2017</u>	<u>2016</u>
<b>Cash Flows from Operating Activities</b>		
<b>Cash Inflows</b>		
Receipt of Notice of Cash Allocation	283,789,177.98	2,952,666,540.49
Collection of Income/Revenues	4,436,741.27	8,820,625.46
Collection of Receivables	22,878,869.46	229,709,448.87
Other Receipts (Refund of Excess Cash Advance)	128,812.16	89,200.08
<b>Total Cash Inflows</b>	<u>311,233,600.87</u>	<u>3,191,285,814.90</u>
<b>Cash Outflows</b>		
Remittance to National Treasury	4,347,341.35	4,247,473.24
Payment of Expenses	100,649,191.61	108,077,647.46
Purchase of Inventories	2,606,227.96	2,335,072.38
Grant of Cash Advances	153,627.58	2,529,736.91
Prepayments	4,247,413.44	519,792.64
Payment of Accounts Payable	9,350,230.09	72,299,150.16
Remittance of Personnel Benefits Contributions and		
Mandatory Deductions	28,352,108.92	5,827,978.28
Grant of Financial Assistance/Subsidy	46,100,000.00	1,394,636,554.28
Advances for Project Costs	51,123,864.76	454,865,413.76
Reversal of Unutilized NCA	1,448,223.75	6,694,905.57
Adjustments	6,526.24	-
<b>Total Cash Outflows</b>	<u>248,384,755.70</u>	<u>2,052,033,724.68</u>
<b>Net cash Provided by (Used in) Operating Activities</b>	<u>62,848,845.17</u>	<u>1,139,252,090.22</u>
<b>Cash Flows from Investing Activities</b>		
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and		
Equipment	5,568,784.69	4,951,350.55
Purchase of Intangible Assets	1,512,118.30	1,405,487.25
<b>Total Cash Outflows</b>	<u>7,080,902.99</u>	<u>6,356,837.80</u>
<b>Net cash Provided by (Used in) Investing Activities</b>	<u>(7,080,902.99)</u>	<u>(6,356,837.80)</u>
<b>Increase / (decrease) in Cash and Cash Equivalents</b>	55,767,942.18	1,132,895,252.42
<b>Effects of Exchange Rate Changes on Cash and</b>		
<b>Cash Equivalents</b>	105,093.47	20,231,393.80
<b>Cash and Cash Equivalents, January 1</b>	<u>2,053,367,944.92</u>	<u>900,241,298.70</u>
<b>Cash and Cash Equivalents, December 31</b>	<u>2,109,240,980.57</u>	<u>2,053,367,944.92</u>

**PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS**  
**ALL FUNDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**  
(In Philippine Peso)

Expenses	Note	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		

**RECEIPTS**

Services and Business Income	14.4	108,000.00	108,000.00	108,000.00	-
Reimbursement of Project Costs	22	52,707,000.00	52,707,000.00	23,197,487.66	29,509,512.34
<b>Total Receipts</b>		<b>52,815,000.00</b>	<b>52,815,000.00</b>	<b>23,305,487.66</b>	<b>29,509,512.34</b>

**PAYMENTS**

Personnel Services	22	81,420,000.00	86,477,843.00	78,553,515.58	7,924,327.42
Maintenance and Other Operating Expenses	22	74,953,577.00	160,778,849.41	100,823,600.26	59,955,249.15
Capital Outlay		20,253,998.00	20,253,998.00	7,296,329.05	12,957,668.95
Financial Expenses		-	303,673.69	303,673.69	-
<b>Total Payments</b>		<b>176,627,575.00</b>	<b>267,814,364.10</b>	<b>186,977,118.58</b>	<b>80,837,245.52</b>

<b>NET RECEIPTS/PAYMENTS</b>		<b>(123,812,575.00)</b>	<b>(214,999,364.10)</b>	<b>(163,671,630.92)</b>	<b>(51,327,733.18)</b>
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**PUBLIC-PRIVATE PARTNERSHIP CENTER OF THE PHILIPPINES**  
**NOTES TO FINANCIAL STATEMENTS**  
**As of December 31, 2017**

**1. General Information/Agency Profile**

The Public-Private Partnership Center of the Philippines (PPPCP), *formerly Build-Operate and Transfer (BOT) Center*, was reorganized and renamed as such by virtue of Executive Order (EO) No. 8, series of 2010. On 28 May 2013, EO No. 8 was amended by EO No. 136 clarifying certain provisions for a more efficient implementation of Public-Private Partnership (PPP) programs and projects. Its attachment from the Department of Trade and Industry was transferred to the National Economic and Development Authority (NEDA) for budgetary purposes and administrative supervision. The PPPCP reports directly and acts as Secretariat to the PPP Governing Board that was created as the over-all policy-making body for all PPP related matters, including the Project Development and Monitoring Facility (PDMF). Since PPP is one of the key strategies in economic development, the PPPCP is included as a member of the NEDA Infrastructure Committee – Technical Board and the NEDA Investment Coordination Committee – Technical Board.

The PPPCP is the main driver of the PPP Program and serves as the government's facilitator and catalyst in pursuing and delivering PPP projects. Under EO No. 8, the PPPCP shall cover all the PPP programs and projects including all the variants or arrangements under Republic Act No. 7718, otherwise known as the *BOT Law*. The PPPCP exercises the following powers and functions:

- a. Conduct project facilitation and assistance to the national implementing agencies, including government corporations, and Local Government Units (LGUs) in addressing impediments or bottlenecks in the implementation of PPP programs and projects;
- b. Provide advisory services, technical assistance, trainings and capacity development to agencies/LGUs in PPP project preparation and development;
- c. Recommend plans, policies and implementation guidelines related to PPP in consultation with appropriate oversight committees, implementing agencies, LGUs and the private sectors;
- d. Manage and administer a revolving fund to be known as the PDMF for the preparation of business case, pre-feasibility and feasibility studies and tender documents of PPP programs and projects;
- e. Monitor and facilitate the implementation of the priority PPP programs and projects of the agencies/LGUs which shall be formulated by respective agencies/LGUs in coordination with the NEDA Secretariat;

- f. Establish and manage a central database system of PPP programs and projects;
- g. Recommend improvements to timelines in processing PPP programs and project proposals, and monitor compliance of all agencies/LGUs;
- h. Prepare reports on the implementation of the PPP programs and projects of the government for submission to the President at the end of each year; and,
- i. Perform such other functions which may be critical in expediting and implementing effectively the PPP programs and projects of the government.

## **2. Statement of Compliance and Basis of Preparation of Financial Statements**

The Financial Statements have been prepared in accordance with and comply with the Philippine Public Sector Accounting Standards (PPSAS) issued by the Commission on Audit (COA) per COA Resolution No. 2014-003 dated 24 January 2014.

The financial statements have been prepared on the basis of historical cost. The Statement of Cash Flows is prepared using the direct method.

## **3. Summary of Significant Accounting Policies**

### **3.1 Basis of Accounting**

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

### **3.2 Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.



### **3.3 Inventories**

The PPPCP measures inventory at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions, the cost of the inventory is its fair value at the end of acquisition.

The cost of inventories comprises all costs of purchase, cost of conversion, and other costs incurred in bringing the inventories to their present location and condition.

Inventories are recognized as an expense when deployed for utilization or consumption or the related service is rendered in the ordinary course of operations of the PPPCP.

### **3.4 Property, Plant and Equipment**

At recognition, the PPPCP measures Property, Plant and Equipment (PPE) at its cost. An item of PPE is recognized as an asset when it is tangible; held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and are expected to be used during more than one reporting period.

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

After recognition, all PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the PPPCP recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

The PPPCP begins to depreciate its asset when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by Management. The agency adopts the straight line method of depreciation using the Schedule on the Estimated Useful Life of PPE by classification prepared by COA and a residual value of five per cent of the cost.

The PPPCP 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 from its continuing use. Any gain or loss arising on derecognition of

the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

### **3.5 Intangible Assets**

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; 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.

The PPPCP recognizes intangible assets at cost and begins to amortize when the items are already available for use. The straight line method is adopted in the amortization based on the useful life or over the period of expected future benefit of the assets.

### **3.6 Contingent Liabilities**

The PPPCP does not recognize a contingent liability, but discloses details of any contingencies in the notes to the financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

### **3.7 Budget Information**

The annual budget is prepared on a cash basis and is published in the government website. The PPPCP adopts the cash basis for budgeting purposes and presents a separate Statement of Comparison of Budget and Actual Amounts showing the basis, timing or entity differences. Explanatory comments are provided in the notes to the annual financial statements.

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

The PPPCP recognizes the effects of changes in accounting policy retrospectively and applies them prospectively.

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

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- 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.

### 3.9 Employees Benefits

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

The PPPCP recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as liability after deducting the amount paid.

## 4. Cash and Cash Equivalents

The account consists of the following:

Accounts	2017			2016
	General Fund	PDMF Fund	Total	
Cash - Collecting Officer	₱ -	₱ 23,197,487.66	₱ 23,197,487.66	₱ -
Petty Cash	29,329.10	-	29,329.10	33,984.75
Cash in Bank - Local Currency, Current Account	939,271.63	2,038,680,608.18	2,039,619,879.81	2,045,205,514.53
Cash in Bank - Foreign Currency, Savings Account	-	46,394,284.00	46,394,284.00	8,128,445.64
Cash - Modified Disbursement System (MDS), Regular	-	-	-	-
<b>Total</b>	<b>₱968,600.73</b>	<b>₱2,108,272,379.84</b>	<b>₱2,109,240,980.57</b>	<b>₱2,053,367,944.92</b>

4.1 The details of the *Cash in Bank – Local Currency, Current Account* is as follows:

#### General Fund (GF)

Entity	Amount	Purpose
LBP – EDSA NIA Road	₱235,700.00	Trusts – Proceeds from sale of bid and eligibility documents
LBP – EDSA NIA Road	703,571.63	ATM Payroll System for PPPCP employees
<b>Total</b>	<b>₱939,271.63</b>	

#### PDMF Fund

Entity	Amount	Purpose
LBP – EDSA NIA Road	₱2,004,354,439.23	Account for NCAs received for Government of the Philippines counterpart to the PDMF
LBP – EDSA NIA Road	27,443,021.42	Revolving fund and reimbursement of amount advanced for the payment of transaction advisory fees for the preparation of pre-feasibility and/or feasibility studies and tender documents of PPP projects.
LBP – EDSA NIA Road	6,883,147.53	
<b>Total</b>	<b>₱2,038,680,608.18</b>	

- 4.2 The balance of the ATM Payroll System account includes the amount withheld from former employees corresponding to the refund of the Cost Economy measure Award (CEMA) incentives disallowed in audit in 2011 and 2012.
- 4.3 The *Cash in Bank – Foreign Currency, Savings Account* balance represents the Peso equivalent of the grant received for the Asian Development Bank (ADB) Capacity Development Technical Assistance (CDTA) for Strengthening Public – Private Partnership in the Philippines (TA NO. 7796-PHI) deposited at the Land Bank of the Philippines (LBP) EDSA-NIA Road branch. The peso value of US\$927,885.68 as of 31 December 2016 was revalued at the exchange rate of \$1 to ₱50.00.

## 5. Receivables

Accounts	2017			2016
	GF	PDMF Fund	Total	
Accounts Receivable	₱ -	₱ -	₱ -	₱ 6,380.00
Due from NGAs	3,173,087.67	679,029,843.82	682,202,931.49	329,093,975.47
Due from GOCCs	26,624.00	166,812,812.43	166,839,436.43	89,796,370.53
Receivables - Disallowances/Charges	4,532,368.35	-	4,532,368.35	4,169,282.36
Due from Officers and Employees	19,147.58	-	19,147.58	5,341.84
Other Receivables	23,552.52	539,678,988.47	539,702,540.99	919,267,882.21
<b>Total</b>	<b>₱7,774,780.12</b>	<b>₱1,385,521,644.72</b>	<b>₱1,393,296,424.84</b>	<b>₱1,342,339,232.41</b>

- 5.1 *Due from NGAs* amounting to ₱682,202,931.49 comprise of ₱3,173,087.67 under the GF and ₱679,029,843.82 under the PDMF Fund. The amount under GF represents the fund transferred to Procurement Service, Department of Budget and Management (DBM) for the common used supplies and equipment and airfare ticket for official travel under the Government Fares Agreement (GFA). For PDMF, the amount represents the receivables from NGAs who availed the PDMF funds for the conduct of feasibility studies on their projects, but were terminated or not pursued.
- 5.2 *Due from GOCCs* amounting to ₱166,839,436.43 comprise of ₱26,624.00 booked in the GF and ₱166,812,812.43 under the PDMF Fund. The amount under GF represents the balance of the fund transferred to the Philippine International Trading Corporation for the procurement of various items for the implementation of BOT Center's Information Systems Strategic Plan. For PDMF, the amount represents the receivables from GOCCs which availed of the PDMF Funds, but were terminated or not pursued.
- 5.3 The details and aging of the *Due from NGAs* and *Due from GOCCs* under the PDMF Fund is as follows:

Implementing Agencies/ Projects	Current (Less than one year)	Over 1 Year	Over 2 Years	3 yrs and above	Total
<b>Due From NGAs</b>					
<b>Department of Transportation</b>					
1. Automatic Fare Collection System Project	₱ -	₱ -	₱ 29,937,600	₱ -	₱ 29,937,600
2. North-South/Integrated Luzon Railway Project	205,797,911	-	-	-	205,797,911
3. LRT 1 Extension to Dasmariñas, Cavite	115,180,525	-	-	-	115,180,525
4. Mactan-Cebu International Airport New Passenger Terminal	-	-	-	27,607,025	27,607,025
5. Manila-Makati-Pasay-Taguig Mass Transport Loop Project	-	-	11,852,160	-	11,852,160
6. Puerto Princesa Airport	-	254,393	37,834,500	-	38,088,893
7. Clark International Airport	-	-	28,688,009	-	28,688,009
<b>Department of Public Works and Highways</b>					
8. Improvement/ Rehabilitation of Quirino Highway Project	-	-	-	18,432,685	18,432,685
9. NAIA Expressway-Phase 2	-	-	-	4,045,156	4,045,156
10. Plaridel By-Pass Toll Road Project	-	43,705,200	-	-	43,705,200
11. Laguna Lakeshore Expressway Diike Project	-	151,842,480	-	-	151,842,480
<b>Department of Health</b>					
12. Vaccine Self-Sufficiency Project (VSSP)	-	-	-	3,852,200	3,852,200
<b>Sub-total</b>	<b>₱320,978,436</b>	<b>₱195,802,073</b>	<b>₱108,312,270</b>	<b>₱53,937,066</b>	<b>₱679,029,844</b>
<b>Due from GOCCs</b>					
<b>Metropolitan Waterworks &amp; Sewerage System</b>					
13. Rehabilitation, Operation and Maintenance of the Angat Hydro-Electric Power Plant Turbines	₱ 5,653,342	₱ -	₱ -	₱11,306,633	₱ 16,959,975
14. New Centennial Water Source Project	13,512,063	87,556,038	-	-	101,068,101
<b>Philippine National Oil Company</b>					
15. Batangas –Manila Natural Gas Pipeline Project	-	48,784,736	-	-	48,784,736
<b>Sub-total</b>	<b>₱ 19,165,405</b>	<b>₱136,340,774</b>	<b>₱ -</b>	<b>₱11,306,633</b>	<b>₱166,812,812</b>
<b>Total</b>	<b>₱340,143,841</b>	<b>₱332,142,847</b>	<b>₱108,312,270</b>	<b>₱65,243,699</b>	<b>₱845,842,656</b>

- 5.4 *Receivables-Disallowances/Charges* reported comprise of disallowances that have become final and executory and accounts forwarded from BOT Center transactions that were not settled in view of the involuntary separation of former BOT Center officials and employees as a result of the reorganization pursuant to EO No. 8. The account was increased due to the recognition of COA Notice of Finality of Decision dated 4 September 2017 with COA Order of Execution No. 2017-092 dated 6 October 2017 enforcing Decision No. 22016-420 dated 27 December 2016 regarding the disallowance of the grant of CEMA in 2012. The amount of ₱745,622.03 was also recognized for the settlement through deduction from the separation pay of former officials and employees and installment refund through salary deduction of existing concerned employees of the Center.
- 5.5 *Due from Officers and Employees* account refers to the unremitted refund of excess cash advance of Director Feroisa F. T. Concordia as of 31 December 2017.
- 5.6 *Other Receivables* account under the GF refers to the overpayment of salaries and allowances of Ms. Mary Joy Manahan who resigned on 1 February 2017.
- 5.7 *Other Receivables* of ₱539,678,988.47 under the PDMF refers to the payment of consultancy services for Transaction Advisors/Consultants that will be reimbursed by either the winning bidder or the implementing agency depending on the outcome of the project.

<b>Project</b>	<b>Amount</b>
Integrated Transport System Project	₱ 27,604,703.76
Laguindingan Airport Development (O&M) Project	62,465,558.71
LRT Line 6 Project	19,774,273.08
NAIA Development Project	100,261,394.55
New Bohol (Panglao) Airport Development Project	46,892,237.23
O&M of Iloilo, Davao and Bacolod Airports Project	146,748,302.17
Regional Prison Facilities through PPP project	41,489,283.25
Road Transport IT Infrastructure Project	81,032,461.97
San Ramon Newport Project	13,410,773.75
<b>Total</b>	<b>₱539,678,988.47</b>

## 6. Inventories

<b>Accounts</b>	<b>2017</b>	<b>2016</b>
Office Supplies Inventory	₱ 392,685.98	₱715,519.59
Other Supplies Inventory	4,154.80	4,154.80
Semi-Expendable Office Equipment	142,199.44	112,532.64
Semi-Expendable Information and Communications Technology Equipment	62,604.00	-
Semi-Expendable Firefighting Equipment	90,048.40	90,048.40

<b>Accounts</b>	<b>2017</b>	<b>2016</b>
Semi-Expendable Furniture and Fixtures	906,627.96	725,753.96
<b>Total</b>	<b>₱1,598,320.58</b>	<b>₱1,648,009.39</b>

In 2017, tangible items below the capitalization threshold of ₱15,000.00 were recognized as semi-expendable property. Semi-expendable items remain as inventory until issuance to the end-user.

## 7. Other Current Assets

7.1 The account consists of the following:

<b>Accounts</b>	<b>2017</b>	<b>2016</b>
Advances to Officers and Employees	₱ 134,480.00	₱ -
Prepayments		
Prepaid Rent	8,948,166.26	8,948,166.26
Prepaid Insurance	82,718.87	94,358.77
Other Prepaid Expenses	1,469,130.23	114,150.26
Deposits		
Guaranty Deposits	108,795.65	108,795.65
<b>Total</b>	<b>₱10,743,291.01</b>	<b>₱9,265,470.94</b>

7.2 *Advances to Officers and Employees* account refers to the unliquidated cash advances for attendance to training of six PPPCP personnel amounting to ₱134,480.00.

7.3 *Prepaid Rent* amounting to ₱8,948,166.26 accounts for the payments made to Eton Properties for the lease of 2,000.15 sqm. space located at One Cyberpod Centris, EDSA, Eton Centris, Barangay Pinyahan, Quezon City.

7.4 *Prepaid Insurance* account amounting to ₱82,718.87 represents the balance of the payment to the GSIS for the insurance coverage of PPPCP motor vehicles.

7.5 *Other Prepaid Expenses* amounting to ₱1,469,130.23 refers to the unexpired portion of the fidelity bond premium with the Bureau of the Treasury (BTr) and ICT licenses and subscription expenses as follows:

<b>Payee</b>	<b>Particulars</b>	<b>Balance as of 31 December 2017</b>
BTr	Fidelity Bond premium of bonded officials and employees	₱ 90,281.25
Columbia Technologies	Dell Sonicwall Subscription	14,698.82
Imax Technologies	Anti-Spam and email security/antivirus subscription	594,166.65

<b>Payee</b>	<b>Particulars</b>	<b>Balance as of 31 December 2017</b>
Imax Technologies	Antivirus subscription for 160 users	523,563.31
Asia Pacific Circulation	Forbes Asia Print and Digital Subscription	2,756.25
GMO Globalsign	PPP Domain Subscription	243,663.95
<b>Total</b>		<b>₱1,469,130.23</b>

7.6 *Guaranty Deposits* account amounting to ₱108,795.65 represents the meter deposit for the Meralco service in the old office that is due for refund in view of the transfer to new office. The PPPCP was transferred to the new office location in February 2015. The agency had already requested a permanent disconnection of the account dated 28 January 2015. As of to date, Meralco had been reconciling their accounts with the PPPCP about the outstanding balance left by the latter.

## 8. Property, Plant and Equipment

<b>2017</b>					
	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Furniture, Fixtures and Books</b>	<b>Leased Assets Improvements</b>	<b>Total</b>
Carrying Amount, Jan. 1, 2017	₱18,074,235.52	₱ 5,364,467.76	₱4,139,475.50	₱13,057,197.65	₱40,635,376.43
Additions	5,942,345.62	-	-	-	5,942,345.62
Total	24,016,581.14	5,364,467.76	4,139,475.50	13,057,197.65	46,577,722.05
Reclassification/ Disposals	(105,894.73)	(28,900.00)	-	-	(134,794.73)
Depreciation	(6,048,935.75)	(1,387,000.08)	(480,087.24)	(3,980,717.99)	(11,896,741.06)
<b>Carrying Amount, Dec. 31, 2017</b>	<b>₱17,861,750.66</b>	<b>₱ 3,948,567.68</b>	<b>₱3,659,388.26</b>	<b>₱ 9,076,479.66</b>	<b>₱34,546,186.26</b>
Gross Cost	₱36,649,038.08	₱10,798,000.00	₱5,053,549.90	₱21,063,452.96	₱73,564,040.94
Accumulated Depreciation	(18,787,287.42)	(6,849,432.32)	(1,394,161.64)	(11,986,973.30)	(39,017,854.68)
<b>Carrying Amount, Dec. 31, 2017</b>	<b>₱17,861,750.66</b>	<b>₱ 3,948,567.68</b>	<b>₱3,659,388.26</b>	<b>₱ 9,076,479.66</b>	<b>₱34,546,186.26</b>

<b>2016</b>					
	<b>Machinery and Equipment</b>	<b>Transportation Equipment</b>	<b>Furniture, Fixtures and Books</b>	<b>Leased Assets Improvements</b>	<b>Total</b>
Carrying Amount, Jan. 1, 2016	₱16,383,778.59	₱ 3,846,207.12	₱4,619,562.74	₱16,724,726.59	₱41,574,275.04
Additions	5,916,899.53	2,841,000.00	-	415,642.37	9,173,541.90
Total	24,016,581.14	5,364,467.76	4,139,475.50	13,057,197.65	46,577,722.05
Depreciation	(4,226,442.60)	(1,322,739.36)	(480,087.24)	(4,083,171.31)	(10,112,440.51)
<b>Carrying Amount, Dec. 31, 2016</b>	<b>₱18,074,235.52</b>	<b>₱ 5,364,467.76</b>	<b>₱4,139,475.50</b>	<b>₱13,057,197.65</b>	<b>₱40,635,376.43</b>
Gross Cost	₱32,567,278.14	₱11,376,000.00	₱5,053,549.90	₱21,063,452.96	₱70,060,281.00
Accumulated Depreciation	(14,493,042.62)	(6,011,532.24)	(914,074.40)	(8,006,255.31)	(29,424,904.57)



	2016				
	Machinery and Equipment	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvements	Total
Carrying Amount, Dec. 31, 2016	₱18,074,235.52	₱ 5,364,467.76	₱4,139,475.50	₱13,057,197.65	₱40,635,376.43

The additions amounting to ₱5,942,345.62 refer to the purchases or acquisitions made in 2017 including the ICT equipment acquired through direct payment made by the ADB under the Capacity Development Assistance Program for the PPP Knowledge Portal in the amount of ₱373,560.93.

## 9. Intangible Assets

Computer Software	2017	2016
Carrying Amount, January 1	₱11,511,472.89	₱ 8,136,554.07
Additions – Purchased/acquired thru exchange or non-exchange transaction	1,512,118.30	6,161,202.66
Total	13,023,591.19	14,297,756.73
Amortization recognized	3,398,517.15	(2,786,283.84)
<b>Carrying Amount, December 31</b>	<b>₱ 9,625,074.04</b>	<b>₱11,511,472.89</b>
Gross Cost	₱18,897,570.42	₱17,602,853.72
Less: Accumulated Amortization	(9,272,496.38)	(6,091,380.83)
<b>Carrying Amount, December 31</b>	<b>₱ 9,625,074.04</b>	<b>₱11,511,472.89</b>

## 10. Financial Liabilities

Financial Liabilities consist of *Payables* broken down as follows:

Accounts	2017	2016
Due to Officers and Employees	₱168,818.71	₱ 32,491.68
Accounts Payables	475,796.88	11,732,193.94
<b>Total</b>	<b>₱644,615.59</b>	<b>₱11,764,685.62</b>

10.1 *Due to Officers and Employees* account pertains to the EME, RATA, Initial Salary and Salary Differential due to certain PPPCP employees amounting to ₱168,818.71.

10.2 The details of *Accounts Payable* are as follows:

Payee	Amount	Particulars
Atty. Johanna V. Jambalos	₱ 72,556.40	First milestone payment for services rendered in the Local Water PPP Guide
Converge ICT Solutions, Inc.	35,000.00	Primary Internet Connection for December 2017

<b>Payee</b>	<b>Amount</b>	<b>Particulars</b>
JJJ Newspaper & Magazines	5,355.00	Newspaper Subscription for September 2017
Las Casas Filipinas de Acuzar (Marivent Resort Hotel)	18,700.00	Lease of venue and accommodation for Legal Service Year-end performance Assessment Workshop on 12-13 December 2017
M& M Water Refilling Station	2,875.00	Purified drinking water for December 2017
Petawealth Gasoline Station	17,104.98	Gasoline consumption & other vehicle maintenance for 18-22 December 2017
Philippine Long Distance Co.	32,581.83	Secondary Internet Connection for the period of 1-31 December 2017.
See Manufacturing Contractor	184,274.00	Supply, delivery of four drawer lateral filing cabinet, four drawer vertical filing cabinet, and three drawer mobile pedestal cabinets.
Triple 7 Manpower Services	107,349.67	Driving services for 16-31 December 2017
<b>Total</b>	<b>₱475,796.88</b>	

## 11. Inter-Agency Payables

<b>Accounts</b>	<b>2017</b>			<b>2016</b>
	<b>GF</b>	<b>PDMF Fund</b>	<b>Total</b>	
Due to BIR	₱2,082,153.01	₱4,571,854.69	₱6,654,007.70	₱21,526,140.41
Due to GSIS	507,180.39	-	507,180.39	435,311.68
Due to Pag-IBIG	11,932.74	-	11,932.74	4,786.75
Due to PhilHealth	9,387.50	-	9,387.50	7,062.50
<b>Total</b>	<b>₱2,610,653.64</b>	<b>₱4,571,854.69</b>	<b>₱7,182,508.33</b>	<b>₱21,973,301.34</b>

11.1 *Due to BIR* are the taxes withheld from employees, suppliers and service providers.

11.2 *Due to GSIS, Due to Pag-IBIG* and *Due to PhilHealth* represents the amount deducted from the salaries of PPPCP employees that are due for remittance in January 2018.

## 12. Other Payables

Account	2017			2016
	GF	PDMF Fund	Total	
Other Payables	₱1,113,627.20	₱ -	₱1,113,627.20	₱28,262,499.62

*Other Payables* account under GF include unpaid portion of contracts for internet subscription and the amount withheld from payment of terminal leave and other benefits of former PPPCP employees as refund for the CEMA incentives pending resolution of the appeal for disallowances issued in calendar years 2012 and 2013.

Particulars	Amount
Innove Communication, Inc.	₱ 48,430.91
Unclaimed tax refund of former PPPC Employees	15,994.25
Unpaid last salaries and benefits of former employees	93,804.72
CEMA refund	955,397.32
<b>Total</b>	<b>₱1,113,627.20</b>

## 13. Contingent Liabilities

The PPPCP has contingent liabilities amounting to ₱769,675,887.41 representing the balance of contracted amount for consultancy services not yet rendered/delivered for the PDMF funded Feasibility Studies being conducted by the Transaction Advisors/Consultants.

## 14. Service and Business Income

Accounts	2017			2016
	GF	PDMF Fund	Total	
Interest Income	₱ -	₱ 3,974,623.17	₱ 3,974,623.17	₱ 2,810,326.00
Other Service Income	-	53,269,275.20	53,269,275.20	19,999,083.37
Other Business Income	108,000.00	-	108,000.00	35,000.00
<b>Total</b>	<b>₱108,000.00</b>	<b>₱57,243,898.37</b>	<b>₱57,351,898.37</b>	<b>₱22,844,409.37</b>

14.1 *Interest Income* represents the interest earned on the fund deposited at LBP Local and Foreign Currency Account.

14.2 *Other Business Income* amounting to ₱108,000.00 refers to the sale of bid documents that is deposited at PPPCP Trust Account at LBP.

14.3 *Other Service Income* under the PDMF represents the administrative fee included in the reimbursement of the project development costs from the winning bidder and implementing agencies.

## 15. Shares, Grants and Donations

Account	2017	2016
Income from Grants and Donations In Kind	<b>₱373,560.93</b>	<b>₱7,985,582.71</b>

*Income from Grants and Donations in Kind* represents the amount directly paid to the suppliers corresponding to the share of the ADB in the procurement of IT equipment for the PPPC Knowledge Management Portal Project.

## 16. Personnel Services

This consists of the following:

Accounts	2017	2016
Salaries and Wages – Regular	₱50,863,900.27	₱44,221,149.76
Other Compensation	15,747,428.24	13,412,101.89
Personnel Benefit Contributions	6,632,583.27	5,827,978.28
Other Personnel Benefits	5,248,621.84	8,733,240.80
<b>Total</b>	<b>₱78,492,533.62</b>	<b>₱72,194,470.73</b>

## 17. Maintenance and Other Operating Expenses

Accounts	GF	PDMF Fund	2017 Foreign Grant	Total	2016
Traveling Expenses	₱ 2,011,798.10	₱ -	₱ 126,605.15	₱ 2,138,403.25	₱ 1,857,207.99
Training and Scholarship Expenses	3,508,655.11	-	177,068.54	3,685,723.65	1,316,817.10
Supplies and Materials Expenses	1,659,109.76	-	169,359.61	1,828,469.37	3,820,292.71
Utility Expenses	1,813,454.24	-	-	1,813,454.24	1,980,739.65
Communication Expenses	2,510,511.73	-	-	2,510,511.73	3,270,888.31
Confidential, Intelligence and Extraordinary Expenses	879,671.99	-	-	879,671.99	547,391.01
Professional Services	2,709,163.64	-	3,997,223.75	6,706,387.39	4,189,341.99
General Services	5,343,985.24	-	-	5,343,985.24	5,047,280.41
Repairs and Maintenance	425,886.70	-	-	425,886.70	508,904.45
Taxes, Duties and Licenses	422,315.61	786,855.89	-	1,209,171.50	980,824.61
Other Maintenance and Operating Expenses	25,909,277.20	-	596,336.00	26,505,613.20	24,277,240.98
<b>Total</b>	<b>₱47,193,829.32</b>	<b>₱786,855.89</b>	<b>₱5,066,593.05</b>	<b>₱53,047,278.26</b>	<b>₱47,796,929.21</b>

### 17.1 Traveling Expenses

Accounts	2017			2016
	GF	Foreign Grant	Total	
Traveling Expenses	₱1,411,380.96	₱126,605.15	₱1,537,986.11	₱ 513,964.54
– Local				
Traveling Expenses	600,417.14	-	600,417.14	1,343,243.45
– Foreign				
<b>Total</b>	<b>₱2,011,798.10</b>	<b>₱126,605.15</b>	<b>₱2,138,403.25</b>	<b>₱1,857,207.99</b>

*Traveling Expenses* account covers transportation, daily subsistence allowance, pre-travel and other related expenses incurred by PPPCP officials and employees in the course of official travel such as speaking engagement in PPP orientation and conferences, participation in investment promotions and roadshows, and attendance in seminars, workshops and training on PPP matters. The increase of ₱281,195.26 in local travel expenses is due to frequent visits to LGUs for PPP project development technical advisory assistance, monitoring of on-going and completed projects and the Cities Development Initiative For Asia funded travels for LGU capacity building program.

### 17.2 Training and Scholarship Expenses

Account	2017			2016
	GF	Foreign Grant	Total	
Training Expenses	₱3,508,655.11	₱177,068.54	₱ 3,685,723.65	₱1,316,817.10

*Training Expenses* account includes the costs incurred for the conduct of orientation and learning sessions for LGUs and NGAs, internal planning and assessment workshops, learning and development seminars, cultural and sports activities, activities related to Gender and Development (GAD), and participation/attendance of PPPCP employees in seminars, conventions and conferences organized by other professional organizations. The increase amounting to ₱2,368,906.55 is due to the conduct of in-house skills development seminars, knowledge sharing sessions, and participation of PPPC employees in highly-technical trainings during the year.

### 17.3 Supplies and Materials Expenses

Accounts	GF	2017		2016
		Foreign Grant	Total	
Office Supplies Expenses	₱ 916,418.74	₱ 42,050.09	₱ 958,468.83	₱ 722,441.49
Fuel, Oil and Lubricants Expenses	660,844.02	-	660,844.02	543,273.55
Semi-Expendable Machinery and Equipment Expenses	59,737.75	127,309.52	187,047.27	590,933.58
Semi-Expendable	17,400.00	-	17,400.00	1,963,644.09

Accounts	GF	2017 Foreign Grant	Total	2016
Furniture, Fixtures and Books Expenses				
Other Supplies and Materials Expenses	4,709.25	-	4,709.25	-
<b>Total</b>	<b>₱1,659,109.76</b>	<b>₱169,359.61</b>	<b>₱1,828,469.37</b>	<b>₱3,820,292.71</b>

The *Supplies and Materials Expenses* account includes the costs of office supplies used, fuel and lubricants consumed for PPPCP vehicles and semi-expendable items issued to the end-users.

#### 17.4 Utility Expenses

Accounts	2017	2016
Water Expenses	₱ 107,752.62	₱ 248,830.46
Electricity Expenses	1,705,701.62	1,731,909.19
<b>Total</b>	<b>₱1,813,454.24</b>	<b>₱1,980,739.65</b>

#### 17.5 Communication Expenses

Accounts	2017	2016
Postage and Courier Services	₱ 79,251.00	₱ 105,920.00
Telephone Expenses	1,187,245.89	1,186,069.94
Internet Subscription Expenses	1,244,014.84	1,978,898.37
<b>Total</b>	<b>₱2,510,511.73</b>	<b>₱3,270,888.31</b>

#### 17.6 Confidential, Intelligence and Extraordinary Expenses

Account	2017	2016
Extraordinary and Miscellaneous Expenses	₱879,671.99	₱547,391.01

#### 17.7 Professional Services

Accounts	GF	2017 Foreign Grant	Total	2016
Legal Services	₱ 3,450.00	₱ -	₱ 3,450.00	₱ 15,212.00
Consultancy Services	1,349,052.65	3,997,223.75	5,346,276.40	100,000.00
Other Professional Services	1,356,660.99	-	1,356,660.99	4,074,129.99
<b>Total</b>	<b>₱2,709,163.64</b>	<b>₱3,997,223.75</b>	<b>₱6,706,387.39</b>	<b>₱4,189,341.99</b>

The *Professional Services* account significantly increased by ₱2,517,045.40 due to the engagement of consultants for ISO Quality Management Systems

Manual preparation, IT Audit and Foreign Investment Framework (FIF) project.

#### 17.8 General Services

Accounts	2017	2016
Janitorial Services	₱1,151,853.10	₱1,150,390.24
Security Services	792,755.44	738,190.29
Other General Services	3,399,376.70	3,158,699.88
<b>Total</b>	<b>₱5,343,985.24</b>	<b>₱5,047,280.41</b>

The increase in *General Services* account amounting to ₱296,704.83 is due to cost of overtime services and the wage increase effected during the year.

#### 17.9 Repairs and Maintenance

Accounts	2017	2016
Repairs and Maintenance – Buildings	₱ 4,457.50	₱ 26,467.00
Repairs and Maintenance – Machinery and Equipment	2,514.00	26,086.00
Repairs and Maintenance – Transportation Equipment	418,810.20	434,745.45
Repairs and Maintenance – Furniture and Fixtures	105.00	21,606.00
<b>Total</b>	<b>₱425,886.70</b>	<b>₱508,904.45</b>

#### 17.10 Taxes, Insurance Premiums and Other Fees

Accounts	2017			2016
	GF	PDMF Fund	Total	
Taxes, Duties and Licenses	₱ 27,633.78	₱786,855.89	₱ 814,489.67	₱600,991.23
Fidelity Bond Premiums	148,093.75	-	148,093.75	139,812.50
Insurance Expenses	246,588.08	-	246,588.08	240,020.88
<b>Total</b>	<b>₱422,315.61</b>	<b>₱786,855.89</b>	<b>₱1,209,171.50</b>	<b>₱980,824.61</b>

### 17.11 Other Maintenance and Operating Expenses

Accounts	2017			2016	
	GF	Foreign Grant	Total		
Advertising Expenses	₱ -	₱ -	₱ -	₱	9,408.00
Printing and Publication Expenses	647,246.50	-	647,246.50		321,300.00
Representation Expenses	1,428,489.92	596,336.00	2,024,825.92		1,936,740.70
Rent/Lease Expenses	23,297,288.83	-	23,297,288.83		21,813,094.86
Transportation and Delivery Expenses	52,151.00	-	52,151.00		-
Subscription Expenses	239,257.85	-	239,257.85		191,342.42
Other Maintenance and Operating Expenses	244,843.10	-	244,843.10		5,355.00
<b>Total</b>	<b>₱25,909,277.20</b>	<b>₱596,336.00</b>	<b>₱26,505,613.20</b>		<b>₱24,277,240.98</b>

The increase of ₱2,228,372.22 in *Other Maintenance and Operating Expenses* account is due to the price escalation of the rental of office space, rental cost for additional units of copying machines and meeting expenses for FIF project funded by the United Kingdom grant.

## 18. Financial Expenses

Accounts	2017			2016	
	GF	PDMF Fund	Total		
Bank Charges	₱ -	₱1,056.50	₱1,056.50		₱958.73
Other Financial Charges	-	-	-		-
<b>Total</b>	<b>₱ -</b>	<b>₱1,056.50</b>	<b>₱1,056.50</b>		<b>₱958.73</b>

The *Financial Expenses* account refers to charges deducted by the bank for foreign currency transactions.

## 19. Non-Cash Expenses

### 19.1 Depreciation

Accounts	2017	2016
Depreciation – Machinery and Equipment	₱ 5,386,389.64	₱ 4,226,442.60
Depreciation – Transportation Equipment	1,387,000.08	1,322,739.36
Depreciation – Furniture, Fixtures and Books	480,087.24	480,087.24
Depreciation- Other Leased Assets Improvements	3,980,717.99	4,083,171.31
<b>Total</b>	<b>₱11,234,194.95</b>	<b>₱10,112,440.51</b>



## 19.2 Amortization

Account	2017	2016
Amortization-Intangible Assets	<b>₱3,398,517.15</b>	<b>₱2,786,283.84</b>

## 20. Net Financial Assistance/Subsidy

Particulars	2017			2016	
	GF	PDMF Fund	Foreign Grant	Total	
Subsidy from National Government	₱182,797,488.18	₱94,149,819.78	₱5,066,593.05	₱282,013,901.01	₱2,945,971,634.92
Less: Financial Assistance/Subsidy to NGAs, LGUs, GOCCs	46,100,000.00	-	-	46,100,000.00	1,394,636,554.28
<b>Net Financial Assistance/Subsidy</b>	<b>₱136,697,488.18</b>	<b>₱94,149,819.78</b>	<b>₱5,066,593.05</b>	<b>₱235,913,901.01</b>	<b>₱1,551,335,080.64</b>

20.1 The actual amount received from the DBM for PDMF Fund includes the amount of **₱47,118,691.08** as replenishment of the working fund for the ADB's CDTA for Strengthening Public-Private Partnership in the Philippines (TA No. 7796). Details of the releases under the Special Account-Foreign Assisted/Foreign Grants Fund (04) are as follows:

Source	Date	NCA No.	Amount in US\$	Amount in ₱
ADB	4/17/2017	BMB-A-17-0005678	939,648.84	47,118,691.08
United Kingdom	8/14/2017	BMB-A-17-0013124	-	4,815,254.00
Germany	8/17/2017	BMB-A-17-0013125	-	380,400.00
<b>Total</b>			<b>939,648.84</b>	<b>52,314,345.08</b>

20.2 The amount of **₱46,100,000.00** was transferred from the GF to the PDMF Revolving Fund for the prior years' unreleased allotment.

## 21. Net Gain

Account	2017	2016
Gain on revaluation of foreign currency (PDMF)	<b>₱9,418,733.53</b>	<b>₱20,231,393.80</b>

The *Gain on Foreign Exchange* recognized during the year refers to the adjustment on the value of receivables collected from the Implementing Agencies based on the foreign exchange rate at the time of collection and the revaluation of the outstanding balance of receivables and Foreign Currency Savings Account at year-end using the exchange rate of \$1 to ₱50.00.

## 22. Net Loss

Account	2017	2016
Loss of Assets	₱11,751.63	₱ -

The *Loss of Assets* recognized during the year refers to the carrying amount of one unit laptop computer that was stolen and relief of accountability by the concerned employee was granted by the COA per NGS-Cluster 2 Decision No. 2017-03 dated 7 June 2017.

## 23. Statement of Comparison of Budget and Actual Amount

23.1 The budget that was approved by virtue of RA No. 10924 covers the fiscal period 1 January 2017 to 31 December 2017.

23.2 The difference between the final budget and actual amount are shown as follows:

Items	Amount	Remarks
Receipts	₱29,509,512.34	The amount constitutes the uncollected reimbursements from the winning bidders and implementing agencies.
Personnel Services	7,924,327.42	₱7,828,099.41 was reverted to the GF for unobligated allotment and ₱96,228.01 unpaid obligations.
Maintenance and Other Operating Expenses	61,955,249.15	Current year's total unobligated allotment reverted to the GF amounting to ₱2,854,235.31 due to savings in procurement, savings due to implementation of cost-economy measures and utilization of additional subsidies from foreign grants. Unpaid obligations for the GF

Items	Amount	Remarks
		amounting to ₱16,317,117.04 and for PDMF totaling ₱38,108,754.06. Balance of 2016 Continuing appropriations in the amount of ₱4,675,142.74 was reverted to the GF.
Capital Outlay	12,957,668.95	Unpaid obligations – ₱9,917,579.42 while unobligated allotment of ₱3,040,089.53 due to failures in procurement.

## 24. Statement of Changes in Net Assets/Equity

- 24.1 The beginning balance of Net Assets/Equity was restated due to the adjustment in the receivables and payable accounts for the PDMF as follows:

PDMF Revolving Fund:

Increase in Other Receivables ₱47,699,244.63

Decrease in Accounts Payables 344,547.05

- 24.2 Other adjustments are the following:

Particulars	General Fund	PDMF Revolving Fund	Total
Closing of Cash Treasury/Agency Deposit, Regular for remittances to BTr	(₱ 164,312.16)	(₱4,183,029.19)	(₱4,347,341.35)
Recognition of Prior Years' Disallowances	1,108,708.02	-	1,108,708.02
Receivables written off	( 11,655.77)	-	( 11,655.77)
Adjustment in Due to BIR	( 583,305.36)	-	( 583,305.36)
Adjustment in Prior Year's Depreciation	( 662,546.11)	-	( 662,546.11)
Adjustment in Accounts Payables	965,884.62	-	965,884.62
<b>Total</b>	<b>₱ 652,773.24</b>	<b>(₱4,183,029.19)</b>	<b>(₱3,530,255.95)</b>

## OBSERVATIONS AND RECOMMENDATIONS

### Financial Audit

#### *Accounting Errors*

- 1. The unreconciled discrepancy of ₱330,548.89 between the books of the PPPCP and the PS-DBM, due to various accounting errors, had affected the completeness and accuracy of the *Due from NGAs* account balance.**

Chapter 3, Volume III, Government Accounting Manual (GAM), prescribes the *Due from NGAs* account to record advances for purchase of goods/services as authorized by law, fund transfers to the National Government Agencies (NGAs) for implementation of projects, and other receivables from NGAs.

The balance of the account shall, at all times, be reconciled periodically with the related accounts maintained in other government agency/ies to facilitate prompt adjustment/correction of any discrepancies.

In Calendar Year (CY) 2017, the *Receivables* totalling ₱1.393 billion includes ₱3.173 million pertaining to advances to the Procurement Service – Department of Budget and Management (PS-DBM) under the *Due from NGAs* account. Confirmation with the PS-DBM showed a discrepancy of ₱330,548.89, summarized as follows:

**Table 1. Comparative Summary of *Due from NGAs* – PS-DBM Balances**

Particulars	Per PPPCP Books	Per PS-DBM Books	Variance
Beginning Balance, 1 January 2017	₱ 381,562.55	₱ 370,077.58	₱ 11,484.97
Advances to PS-DBM	6,611,541.79	6,470,055.90	141,485.89
Deliveries	(3,820,016.67)	(3,997,594.70)	177,578.03
<b>Ending Balance</b>	<b>₱3,173,087.67</b>	<b>₱2,842,538.78</b>	<b>₱330,548.89</b>

The reconciliation of the ₱330,548.89 discrepancy reveals that the amount of ₱31,075.74 and ₱299,473.15 are for adjustment in the books of the PPPCP and the PS-DBM, respectively, as shown in *Table 2*.

**Table 2. *Due from NGAs* Account – PS-DBM Reconciliation**

	Per PPPCP	Per PS-DBM	Remarks
Balance, 31 Dec 2017	₱3,173,087.67	₱2,842,538.78	
<i>Adjustments:</i>			
Unaccounted and unreconciled amount before CY 2016	(11,484.97)	-	

	Per PPPCP	Per PS-DBM	Remarks
Advances in CY 2017 not yet recorded by PS-DBM	-	268,091.04	Payment dated 28 December 2017 not reflected in the PS-DBM books as of 31 December 2017
Unrecorded PAL Invoices/ Replenishment Reports	(25,393.01)	-	No basis for recording as invoices were received through email only. Adjustments made in CY 2018 per Journal Entry Voucher No. 2018-02-073.
Cancelled tickets and charges/PAL Invoices	-	31,382.11	Cancellations were made within the prescribed period but not adjusted by the PS-DBM
Erroneous recording/ adjustments (net)	5,802.24	-	Adjustments made to record the amount per JEV No. 2018-02-073
<b>Total adjustments</b>	<b>(31,075.74)</b>	<b>299,473.15</b>	
<b>Reconciled Balance, 31 December 2017</b>	<b>₱3,142,011.93</b>	<b>₱3,142,011.93</b>	

Management commented that all discrepancies will be discussed in a meeting set on 26 April 2018 between the PPPCP and the PS-DBM to address these reconciling issues, specifically those requiring adjustments from the PS-DBM end.

**We recommended and Management agreed to require the Accountant to: (a) analyze the unaccounted and unreconciled balances in prior years so that adjustments could be made; (b) coordinate with the PS-DBM all the variances observed in the books for reconciliation by both agencies; and, (c) henceforth, monitor closely the *Due from NGAs*, particularly, that from the PS-DBM, to reflect the correct balance of the account.**

#### *Accounting Deficiencies*

- The balances of the *Due from NGAs* and *Due from GOCCs* accounts continued to increase by ₱376.548 million and ₱126.134 million, respectively, from CYs 2015 to 2017 due to terminated projects as of 31 December 2017, and with noted discrepancies between the books of the PPPCP and the IAs.**

Among the powers and functions of the PPPCP is to manage and administer the Project Development and Monitoring Facility (PDMF), formerly known as the Project Development Facility (PDF) established as a revolving fund under Executive Order (EO) No. 44, s. 2002.

The PDMF currently gets financing support through the Capacity Development Technical Assistance (CDTA) administered by the Asian Development Bank (ADB), Technical Assistance (TA) No. 7796: Republic of the Philippines – Strengthening Public-Private Partnership in the Philippines (TA 7796-PHI). The TA is a grant in its entirety, co-financed by the ADB, the Government of Australia,

through the Australian Agency for International Development, and the Government of Canada, through the Canada International Development Agency.

The PDMF Guidelines approved by the PDMF Board (now PDMF Committee), provide, among others, the following:

- (a) On successful completion of the bidding process, the project development cost (PDC) will be recovered by the PPPCP from the successful bidder, plus an administrative fee of 10 per cent.
- (b) The reimbursement of the PDC will be a condition precedent for contract award to the private sector proponent or concessionaire.
- (c) The Implementing Agency/Local Government Unit (IA/LGU) will repay the project development cost in full, plus the administrative fee, when due to reasons within the IA/LGU's responsibility, it fails to:
  - Bid out the project;
  - Conclude the bidding process and/or;
  - Sign the contract with the winning bidder
- (d) When the failure is due to reason beyond IA/LGU's responsibility or control, it will repay PPPCP the 50 per cent of the PDC, plus the administrative fee.
- (e) The cost of concluding such pre-feasibility or feasibility study will be reimbursed by the IA to the PDMF, thru the budgetary process, when:
  - The pre-feasibility or feasibility study of a Project approved for PDMF funding demonstrates that the project will not be feasible; or
  - The project fails to obtain the Investment Coordination Committee (ICC) or National Economic and Development Authority (NEDA) Board approval and will no longer be pursued.
- (f) These repayment procedures are stipulated in the Technical Assistance Agreement (TAA) that will be executed between the PPPCP and the IA/LGU prior to initiation of consultant selection.

Prior to 17 March 2014, the cost sharing ratio of the Government of the Philippines (GOP) and the grantor is 44 per cent and 56 per cent, respectively. Effective 17 March 2014, the new cost sharing arrangement is 80 per cent for the GOP and 20 per cent for the grants. This cost sharing will apply to each invoice from the consultants on a gross basis.

Table 3 shows the composition of the agency's *Receivable* accounts under the PDMF fund totaling ₱1.385 billion as of 31 December 2017.

**Table 3. Composition of the Receivable account under PDMF fund**

Accounts	Revolving Fund	Grants	Total
<i>Due from NGAs</i>	₱ 561,381,430.54	₱117,648,413.28	₱ 679,029,843.82
<i>Due from GOCCs</i>	123,315,292.51	43,497,519.92	166,812,812.43
<i>Other Receivables</i>	436,888,194.65	102,790,793.82	539,678,988.47
<b>Total</b>	<b>₱1,121,584,917.70</b>	<b>₱263,936,727.02</b>	<b>₱1,385,521,644.72</b>

As shown in *Table 3*, the *Due from NGAs* and *Due from GOCCs* accounts had total balances of ₱679.030 million and ₱166.813 million, respectively, representing uncollected PDC for terminated projects, aged as follows:

**Table 4. Aging of Due from NGAs and Due from GOCCs accounts**

Accounts	Current (Less than one year)	Over 1 Year	Over 2 Years	3 years and above	Total
<i>Due From NGAs</i>	₱320,978,436	₱195,802,073	₱108,312,270	₱53,937,066	₱679,029,844
<i>Due From GOCCs</i>	19,165,405	136,340,774	-	11,306,633	166,812,812
<b>Total</b>	<b>₱340,143,841</b>	<b>₱332,142,847</b>	<b>₱108,312,270</b>	<b>₱65,243,699</b>	<b>₱845,842,656</b>

From CYs 2015 to 2017, the uncollected PDC for terminated projects had significantly increased, as follows:

**Table 5. Comparative Balances from CYs 2015 to 2017**

Accounts	2015	2016	2017	Increase (2015-2017)
<i>Due from NGAs</i>	₱302,481,845.12	₱328,712,412.92	₱679,029,843.82	₱376,547,998.70
<i>Due from GOCCs</i>	40,678,391.17	89,769,746.53	166,812,812.43	126,134,421.26
<b>Total</b>	<b>₱343,160,236.29</b>	<b>₱418,482,159.45</b>	<b>₱845,842,656.25</b>	<b>₱502,682,419.96</b>

Termination of the projects is made by the IAs by sending letters of termination to the PPPCP, stating the status and the reasons for the cancellation/termination of the projects. In view of this, as per PDMF Guidelines, the concerned IAs has the responsibility to reimburse 100 per cent of the project development cost incurred by the PPPCP, plus 10 per cent administrative cost. However, the IAs had not reimbursed the PPPCP despite their notification to the latter of the project termination. The reasons of termination, among others, are as follows:

- No contract variation or amendment was executed to extend the term of contract;
- Fund shifting from PPP to Official Development Assistance (ODA);
- The Project, as structured/packaged, cannot be implemented through PPP;
- NEDA – ICC decided to defer the project;
- Possible security issues raised by Department of National Defense - Philippine Air Force;
- Protracted preparation and development of the project;
- Per amended TA agreement dated 6 November 2012, PDMF funds advanced

to pay the TA's fee will be fully reimbursed by the Department of Public Works and Highways (DPWH) once the TA's final deliverables is paid;

- No re-confirmation and endorsement was made by the DPWH to the NEDA-ICC for the 2nd pass approval; and,
- Vaccine Self Sufficiency Project, Phase 2 was not pursued through PPP in view of Department of Health's (DOH) decision to use its own budget under the Health Facilities Enhancement Program following the procurement procedures under the Republic Act (RA) No. 9184.

Moreover, according to the PPPCP website, another reason for project termination was the policy directions set by the new administration, changing of funding scheme from PPP to ODA. In CY 2017, the ICC NEDA has endorsed the change in financing mode from PPP to ODA, for such projects as the New Centennial Water Source of the DPWH and North-South Railway Project of Department of Transportation (DOTr).

We recognized the effort of the agency in pursuing the collection of its receivables from IAs thru continuous sending of collection/demand letters, together with supporting documents, follow-up, and even going to the offices' location of IAs, but still a very low or non-collection of the long outstanding receivables was noted. For CY 2017, the agency has collected only ₱23.197 million (US\$458,702.20) from the DOTr for the PDC incurred for the Motor Vehicle Inspection System project, while no collection was received from other IAs.

Moreover, results of confirmation of the account balances from CYs 2016 to 2017 showed discrepancies between the PPPCP books and the concerned IAs/agencies, as follows:

**Table 6. Comparative Summary of Balances per Books and Per Confirmation Amounts (in million ₱)**

Agency	2016			2017		
	Per Books	Per IAs/PS	Difference/Remarks	Per Books	Per IAs/PS	Difference/Remarks
<b><i>Due from NGAs:</i></b>						
DOTr	58.472	-	No reply	457.152	-	No reply
DPWH	166.388	-	166.388	218.025	-	218.025
DOH	3.852	-	3.852	3.852	-	3.852
<b><i>Due from GOCCs</i></b>						
Philippine National Oil Company	-	-	-	48.785	-	No reply
Manila Waterworks & Sewerage System	89.768	97.693	IAs figure was as of June 2017	118.028	-	No reply

Table 6 showed that the DPWH and the DOH both confirmed that as per their records, they have no outstanding payables to the PPPCP, because no obligations were made by their Finance Divisions to record the said payable accounts. This is an indication that the IA's Finance Divisions were not informed of



their obligations to the PPPCP despite the presence of signed TAAs with these agencies.

Due to the various terminated contracts as of 31 December 2017, the *Due from NGAs* and *Due from GOCCs* accounts had significantly increased from CYs 2015 to 2017 by ₱376.548 million and ₱126.134 million, respectively, or a total of ₱502.682 million. This, despite the provision in the PDMF Guidelines that the PPPCP shall be reimbursed by the IA, thru the budgetary process, in case of termination of contracts beyond the control of the IA. Moreover, due to the unreconciled balance of subject inter-agency accounts between the PPPCP and the IAs concerned, the accuracy of the balances of the *Due from NGAs* and *Due from GOCCs* cannot be fully established.

**We recommended and Management agreed to: (a) enforce the provision of the TAA on the payment to the PPPCP by the IAs concerned of PDC for the terminated projects, plus the 10 per cent administrative cost; and, (b) require the Accountant to coordinate with the IAs concerned for the reconciliation of both accounts.**

- 3. The Accounting Division did not maintain SLCs and PPELCs for *Inventory* and *PPE* with balances of ₱1.598 million and ₱34.546 million, respectively, hence the difficulty in ascertaining the accuracy of the GL balances. Moreover, the Property Division did not update the PCs.**

The Agency's *Inventories* and *PPE* have balances of ₱1.598 million and ₱34.546 million, respectively, as of 31 December 2017.

Section 17, Chapter 8, Volume I, GAM prescribed the use of Supplies Ledger Card (SLC) to record materials received, issued, and the balances, both in quantity and amount, at any time, which shall be maintained by the Accounting Division/Unit for each kind of supplies and materials. Appendix 57, Volume III of the GAM, also prescribed the instructions in the preparation and maintenance of the SLC, to wit:

- a. The SLC is a form used in the Accounting Division/Unit for each type of supplies to record all receipts and issues made. It shall be maintained by fund cluster.
- b. Transactions shall be posted promptly from source documents.
- c. The agency shall conduct physical count of inventories every semester. The semestral physical inventory of supplies shall be reconciled with the SLCs and controlling accounts and Supply and/or Property records. Any discrepancies shall be immediately verified and adjusted.

Section 42, Chapter 10, Volume I, GAM further requires the Chief Accountant to maintain Property, Plant and Equipment Ledger Card (PPELC) for each category of PPE, which shall be used to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal, and other information about the asset. On the other hand, the Property and Supply Office/Unit shall maintain Property Cards (PCs) for PPE in their custody to account for the receipt and disposition of the same.

In the process of our verification on the accuracy of the General Ledger (GL) balances and comparison of the Inventories and PPE items in the Report of Physical Count of Inventories (RPCI) and Report of Physical Count of PPE (RPCPPE), respectively, with the accounting records, we noted that the Accounting Division did not maintain SLCs and PPELCs to support the GL balances of the *Inventories* and *PPE* accounts.

Likewise, we observed during our test count of PPE that not all PCs were updated by the Property Officer and almost all PPE items have no property tags for proper identification, which resulted in difficulty locating various PPE items.

**We recommended and Management agreed to require: (a) the Accountant to maintain SLCs and PPELCs for all inventory and PPE items, respectively, in the prescribed format, and reconcile with the GL controlling accounts, and with the RPCI and RPCPPE; and, (b) the Property Officer to: (i) update regularly the PCs and reconcile periodically the property records with the accounting records; and, (ii) attach property tag on each and every PPE items for control and easy identification.**

## **Compliance Issues**

### *Gender and Development (GAD)*

- 4. The agency spent ₱1.462 million, or only 35 per cent of the allocated funds of ₱4.234 million for GAD, which contributed to the non-accomplishment of four out of 11 planned GAD activities. Moreover, the GPB was not endorsed by the PCW.**

Section 30 of RA No. 10924 or the General Appropriations Act (GAA) of 2017, requires, among others, the concerned agencies to formulate a GAD Plan designed to address gender issues within their concerned sectors or mandate, which shall be endorsed by the Philippine Commission on Women (PCW), pursuant to PCW-NEDA-DBM Joint Circular No. 2012-01.

For CY 2017, the agency allocated budget of ₱4.234 million for its GAD activities. Of this amount, only ₱1.462 million or 35 per cent was actually spent for the implementation of these activities.

In addition, the Audit Team noted that the GAD Plan and Budget (GPB) of the agency was not endorsed by the PCW due to some revisions made on the GPB until the last quarter of 2017. Based on their online conversation with the PCW System Administrator dated 10 January 2018, the PPPCP has requested extension to revise their GPB for CY 2017 where they intend to include PDMF GAD-related activities. However, the PCW Monitoring and Evaluation Division informed the PPPCP that they could no longer grant an extension because the review and endorsement process for the said GPB had already lapsed.

Despite the non-endorsement by the PCW, the validated PPPCP Accomplishment Report (AR) showed that seven out of 11 GAD activities were accomplished. These, together with the four activities which were not accomplished, with the budget and amount spent, are shown in the *Table 7*.

**Table 7. GAD Accomplishment Report for CY 2017**

GAD Activity	Budget Amount	Actual Expenditures	Reason for Non-accomplishment
<b><i>Client Focused</i></b>			
1) Conduct PPPC capacity building modules as component of a PPP project study/proposal	₱ 920,450.00	₱1,402,500.00	Completed
<b><i>Organization-Focused</i></b>			
2) Uploading contents using developed templates/links in the database and information system for sex-disaggregated data within PPPCP	9,000.00	9,000.00	Completed
3) Conduct review of existing policies to ensure gender integration	130,000.00	-	- Partial review of existing policies and guidelines that integrate gender analysis, unrecognized GAD activities
4) Set tighter qualification in hiring	2,940,000.00	-	- No hiring of consultants because no project for feasibility study received
5) Conduct capacity development program training for newly-hired PPPCP personnel	4,800.00	1,869.00	Completed
6) Conduct capacity development programs of the GAD Focal Point System members in leading gender mainstreaming efforts	56,000.00	21,391.38	Completed
7) Establish a regular meeting update for GAD Committee coordination and reporting on GAD Plan implementation	56,000.00	21,391.38	Completed
8) Conduct lecture-based workshop on use of Harmonized GAD Guidelines (HGDG) on actual projects being developed by the PPPCP	30,000.00	-	- Limited skills in monitoring compliance with HGDG due to lack of Resource Person and conflict of schedules of target participants
9) Conduct trainings on the use of HGDG on PPP Contracts	28,500.00	-	- Conflict of schedule, PPP Governing Board meetings, and high turnover of Legal Service Staff
10) Conduct briefings to promote	45,000.00	3,963.50	Completed

GAD Activity	Budget Amount	Actual Expenditures	Reason for Non-accomplishment
aware-ness on GAD issues/legislation			
11) Participate in activities/events to promote awareness on GAD issues and legislation	14,000.00	1,886.50	Completed
<b>Total</b>	<b>₱4,233,750.00</b>	<b>₱1,462,001.76</b>	

We recommended and Management agreed to: (a) coordinate closely with the PCW and effect required corrections on the GPB for its timely endorsement; and, (b) consider the problems encountered in the formulation of subsequent year's GPB to improve the accomplishment rate on the planned GAD activities.

### Compliance with Other Mandatory Accounts/Areas

#### *Senior Citizens and Persons with Disability (PWD)*

5. The PPPCP has implemented programs and activities intended to address the concerns and needs of Senior Citizens and PWD in compliance with Section 31 of the General Provisions of the GAA for FY 2017.

Section 31 of RA No. 10924, requires, among others, that all agencies of the government formulate plans, programs, and projects intended to address the concerns of senior citizens and PWD insofar as it relates to their mandated functions, and integrate the same in their regular activities.

For CY 2017, the PPPCP allocated ₱19,900.70 for activities conducted to address the concerns of senior citizens and PWD, as summarized below.

**Table 8. Activities for Senior Citizens and PWD for CY 2017**

Program/Project/Activities	Amount Spent	No. of Participants
1. Briefing on Recognizing and Controlling Hazards at the workplace	₱ 2,490.50	30
2. Briefing on Healthy Choices for Healthy Lifestyle	1,160.00	23
3. Integrated Organic Farming Seminar	11,078.70	24
4. Bone Health Management Briefing with Free Bone Screening	5,171.50	34
<b>Total</b>	<b>₱19,900.70</b>	

The agency has crafted and institutionalized the PPPCP Program for Senior Citizens and PWD through Office Circular No. 06-2015 dated 1 December 2015, which aims to, among others, recognize their privileges for self and social enhancement services as stipulated in Section 5(d) of RA No. 9994, the "Expanded Senior Citizens Act of 2010".

We recommended that Management sustain the implementation of programs, projects, and activities that promote the welfare of senior citizens and PWD.

#### 6. Tax Laws and Regulations, GSIS Premiums and other loan amortizations, and PhilHealth and Pag-IBIG Contributions

The PPPCP complied with the withholding and remittances of mandatory deductions pursuant to the regulations issued by the Bureau of Internal Revenue (BIR), Government Service Insurance System (GSIS), PhilHealth and Pag-IBIG, as shown below:

**Table 9. Summary of withholding and remittances of mandatory deductions for CY 2017**

Accounts	Beginning Balance	Total Withholding	Total Remittances	Ending Balance
<i>Due to BIR</i>	₱21,526,140.35	₱31,555,638.92	₱46,427,771.57	₱6,654,007.70
<i>Due to GSIS</i>	435,311.68	6,345,405.38	6,273,536.67	507,180.39
<i>Due to PHilHealth</i>	7,062.50	395,725.00	393,400.00	9,387.50
<i>Due to Pag-IBIG</i>	4,786.75	578,020.02	570,874.03	11,932.74
<b>Total</b>	<b>₱21,973,301.28</b>	<b>₱38,874,789.32</b>	<b>₱53,665,582.27</b>	<b>₱7,182,508.33</b>

#### 7. GSIS Property Insurance Law

The agency has complied with the rules and regulation on the insurance of all its insurable assets as required under RA No. 656, otherwise known as “Property Insurance Law”, as amended by the PD No. 245 dated 13 July 1973.

In CY 2017, the agency insured the following properties:

**Table 10. Summary of Properties Insured for CY 2017**

Property	Total Amount Insured
Motor Vehicles	₱ 53,806.63
IT Equipment	153,672.64
Office Equipment/Furniture and Fixtures	56,812.42
<b>Total</b>	<b>₱264,291.69</b>

## 8. Supreme Court's Decisions on PDAF and DAP

The PPPCP has not received any Priority Development Assistance Fund (PDAF) and Disbursement Acceleration Fund (DAP) funds from the DBM or from other agency as of 31 December 2017.

## 9. Hiring of Casual, Job Orders, Contractual and Consultant

For CY 2017, PPPCP hired 72 contractual employees representing additional workforce to provide technical assistance and such other related functions as may be assigned. However, as of 31 December 2017, only five remained in the agency. The PPPCP paid the total amount of ₱1.217 million for the services rendered by these contractual employees charged against Maintenance and Other Operating Expenses of the agency.

## 10. Status of Settlement of Audit Suspensions, Disallowances and Charges

For CY 2017, no Notices of Suspension (NS), Disallowance (ND), and Charge (NC) were issued.

On the other hand, the status of settlement of disallowances with beginning balance of P8.937 million is presented in the *Table 11*.

**Table 11. Status of NS/ND/NC**

Particulars	Balance as of 31 December 2016	This Period 1 January to 31 December 2017		Balance as of 31 December 2017
		NS/ND/NC	NSSDC	
Notice of Suspension (NS)	₱ -	₱ -	₱ -	₱ -
Notice of Disallowance (ND)	8,936,852.90	-	745,122.03	8,191,730.87
Notice of Charge (NC)	-	-	-	-
<b>Total</b>	<b>₱8,936,852.90</b>	<b>₱ -</b>	<b>₱745,122.03</b>	<b>₱8,191,730.87</b>

The unsettled disallowances of ₱8.192 million as of 31 December 2017 are shown below:

Particulars	Balance as of Jan. 1, 2017	Issued CY 2017	Settled CY 2017	Balance as of Dec. 31, 2017
NDs prior CY 2009 (72 NDs)	₱2,848,296.72	₱ -	₱18,000.00	₱2,830,296.72
NDs from CY 2009 onwards (14 NDs)	6,088,556.18	-	727,122.03	5,361,434.15
	<b>₱8,936,852.90</b>	<b>₱ -</b>	<b>₱745,122.03</b>	<b>₱8,191,730.87</b>

As of reporting date, COA has issued seven Notices of Finality of Decision (NFDs) and seven COA Orders of Execution (COEs).

Included in the balance are the unauthorized payment of CEMA for CYs 2011 and 2012 with remaining unsettled balance of ₱2.726 million which are covered by NFD and COE. Of this amount, ₱2.363 million pertains to CEMA 2011 which is subject of a Motion for Reconsideration received by the Commission Proper on 5 October 2017, while the balance of P0.363 million is being settled thru salary deductions authorized under the 1<sup>st</sup> Endorsement dated January 5, 2018 from the Prosecution and Litigation Office, Legal Services Sector, COA, pursuant to COA Resolution 2017-021 dated November 3, 2017.

The remaining ₱5.466 million of the unsettled disallowance as of year-end pertains to former BOT employees who are no longer connected with the agency. The Accountant has been sending demand letters to the concerned persons liable, but there were no responses to date.

**We recommended that Management require the Accountant to:**

- a) Intensify/ensure the prompt settlement of the amount disallowed, particularly, those which were already rendered final and executory; and**
- b) Locate the whereabouts of the former employees and pursue collections efforts.**