

## **STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS**

Of the 20 audit recommendations embodied in the 2017 Management Letter, 11 were implemented, one partially implemented and eight were not implemented. The details are shown below:

<b>Reference (ML 2017) Page No.</b>	<b>Observations</b>	<b>Recommendations</b>	<b>Status of Implementation</b>
Page 4	The Philippine Aerospace Development Corporation failed to submit the Statement of Management Responsibility for Financial Statements as required under Section 5.2 of COA Circular No. 2017-004 dated December 13, 2017.	Management immediately cause the submission to the Audit team of the duly signed SMR for financial statements	Implemented  The new PADC Management has complied with the requirement
Page 5	PADC no longer operates according to its principal mandate and incurred operational loss of P36.168 million in CY 2017, and a total of P149.615 million for the past five consecutive years which warrant a comprehensive evaluation of its structure, policies and business market to determine the sustainability or viability of its continuous existence.	PADC's governing body and corporate management perform a comprehensive review of the Corporation's structures, policies and business market to address the current negative state of the Corporation. Likewise, Management determine the viability of its continuous existence.	Implemented  Preparations to uplift and revive operations is on-going under new PADC management
Page 7	PADC was not able to deliver the aircraft spare parts and services to the Philippine Navy (PN) and Philippine Army (PA) within the agreed delivery dates which may deprive the Corporation of the profits from the two contracts totaling P26.965	PADC immediately negotiate and/or make representation with PN and PA officials for the least penalty/sanction, and immediately settle the same to avoid further damage to the Corporation.	Implemented

Reference (ML 2017) Page No.	Observations	Recommendations	Status of Implementation
	million and may result in liquidated damages.		
Page 8	The absence of BIR clearance which is a mandatory requirement in public biddings, the poor condition of office facilities, and lack of new and/or calibrated equipment and tools led in the loss of revenue opportunities which contributed to the operational deficit of the Corporation.	<p>Management initiate appropriate action and/or make the necessary representation with the BIR to secure the Tax Clearance.</p> <p>Management evaluate the facilities and equipment and make the improvements and updates necessary in generating revenue for the Corporation and making it at par with their market competitors.</p>	<p>Not Implemented</p> <p>Not Implemented</p>
Page 8	The Spare Parts and Accessories Inventory account was reported in the books with insufficient allowance for obsolescence thereby overstating the net realizable value (NRV) of the spare parts and understating the expense account by P17.355 million.	Management initiate the evaluation and price appraisal of the aircraft parts, and adjust the allowance for obsolescence account to reflect the NRV of the inventory.	<p>Partially Implemented</p> <p>Reiterated in this report as Observation 1</p>
Page 9	The recording of accruals and the payment of liabilities to COA and OGCC representing assessments for cost of audit and legal services of P37.975 million and P2.384 million, respectively, were not updated.	<p>Management:</p> <p>a. reconcile their records with COA PFMS to identify the discrepancy of CY 2014 accruals and prior years;</p> <p>b. recognize in the books of accounts</p>	<p>Not Implemented</p> <p>Reiterated in this report as Observation 2</p> <p>Not Implemented</p>

Reference (ML 2017) Page No.	Observations	Recommendations	Status of Implementation
		the accrued cost of audit; and  c. settle the outstanding balance with COA and OGCC and make periodic payments thereafter.	Reiterated in this report as Observation 2  Not Implemented  Reiterated in this report as Observation 2
Page 10	PADC failed to declare and remit to the National Government (NG) the amount of approximately P15.374 million in dividends for past and current years' earnings as required under Republic Act No. 7656.	Management:  a. propose to the BOD the declaration of dividends for each year beginning 2014;  b. direct the Chief Accountant to accrue dividends for its 2017 net earnings; and  c. remit to the National Government dividends totaling P15,374,362.	Not Implemented  Reiterated in this report as Observation 3  Implemented  Not Implemented  Reiterated in this report as Observation 3
Page 12	Registration of seven motor vehicles with the Land Transportation Office (LTO) was not renewed in CY 2017 making their use unlawful exposing the Corporation to possible court cases and/or damages in case of accident. Moreover, the insurance premiums paid for the said vehicles amounting to P14,062.35 were unnecessary expenditures considering that absence of an LTO	Management submit an explanation for the non-renewal of the LTO registrations of the seven vehicles, renew the registration and/or report to LTO the serviceable and unserviceable vehicles respectively, to avoid further charges and penalties.  Likewise, stop the use of the unregistered vehicles to avoid	Implemented          Implemented



Reference (ML 2017) Page No.	Observations	Recommendations	Status of Implementation
	PADC on unstable foothold.		
Page 22	PADC's allocation of P600,000 GAD related activities was far less than the requirement of the law of at least five percent of the Corporation's budget equivalent to P3,697,000. Likewise, the GAD Plans and Budget were not submitted and/or approved by the Philippine Council for Women (PCW).	<p>That Management:</p> <p>a. submit an explanation for not complying with the five per cent required budget allocation for GAD activities and for not submitting the copy of the GAD Plans and Budget to PCW;</p> <p>b. comply with the required GAD budget allocation for CY 2018 and succeeding years; and</p> <p>c. include in the GAD Plans and Budget (GPB) projects and activities that will address GAD related concerns of PADC personnel such as improvement of facilities livelihood trainings/projects and similar activities.</p>	<p>Implemented</p> <p>Not Implemented Reiterated in this report as Observation 3</p> <p>Implemented</p>