

Philippine Fisheries Development Authority
 AGENCY ACTION PLAN AND STATUS OF IMPLEMENTATION
 As of October 30, 2024

Ref	Audit Observations	Audit Recommendations	Agency Action Plan				Reason for Partial/No Implementation, if applicable	Action Taken/ Action To be Taken	
			Action Plan	Person/ Dept. Responsible	Target Implementation Date				Status of Implementation
					From	To			
1	The Cash and cash equivalents - Cash in bank-local currency, Financial liabilities - Accounts payable, Inter-agency payables - Due to Government Service Insurance System (GSIS), Inter-agency payables - Due to Home Development Mutual Fund (Pag-IBIG), Other payables - Undistributed collections, and Other payables - Other payables accounts were understated by P191,610 million, P188,108 million, P2,580 million, P44,281, P0,548 million, and P329,530, respectively, and other related accounts affected, i.e. Receivables and Income were also misstated due to: (a) non-restoration to the Cash and cash equivalents - Cash in bank-local currency, current account of unreleased checks in the aggregate amount of P191,062 million at year-end; and (b) non-recording in the books of accounts of 30 bank credits/deposits in the total amount of P0,548 million received from the unidentified port clients since calendar year (CY) 2019 due to lack of information on the source and nature of the bank credits. These are not in accordance with Paragraph 5.7, Chapter 5 - Recognition and Derecognition and Paragraphs 4.3 and	We recommended and Management agreed to: a. Direct the Accounting Division of PFDA-CO and the Accounting Sections/Units of the Regional FPCs concerned to: a.1. Prepare adjusting journal entries for the: (i) restoration of the unreleased checks to the Cash in bank-local currency, current account and recognition of the related liability/payable accounts, and (ii) recording in the Cash in bank-local currency, savings account and Undistributed collections account of the deposits made by the unidentified port clients to the bank account of the ZFPC; and a.2. Make necessary restatements in the subsequent Statements of Cash Flows to reflect the effects of the restoration of the unreleased checks to the Cash in bank-local currency, current account	The PFDA Top Management directed the concerned operating units to comply with the audit recommendations and accordingly adjust the journal entries to restore unreleased check to the cash in bank and record deposits made by clients to the bank account of ZFPC [Zamboanga FPC] and cause the restatement in the affected Statements of Cash Flows.	ZFPC			Implemented	ZFPC in compliance to the audit recommendations adjusted the journal entries to restore unreleased checks to the cash in bank and record deposits made by clients to the bank account of ZFPC and caused the restatement in the affected Statements of Cash Flows. Herewith is the Journal Entry Voucher and restated Statement of Cash Flows for COA reference.	
			The PFDA Top Management directed the Accounting Division to prepare the necessary restatements in the Statement of Cash Flows to reflect the effects of the restoration of the unreleased checks to the Cash in bank-local	FSD	November 2024	November 2024	Implemented	The Accounting Division prepared the Statement of Cash Flows (As Restated) and was received by COA on November 7, 2024.	

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4.26, Chapter 4 - The Elements of Financial Statements, of the Conceptual Framework for Financial Reporting (CFFR).	and the recognition of deposits by unidentified port clients to the Cash in bank-local currency, savings account of the ZFPC;	currency, current account and the recognition of deposits by unidentified port clients to the Cash in bank-local currency, savings account of the ZFPC.							
	b. Moving forward, instruct the Cash Division of the PFDA-CO and Cash Sections/Units of the NFPC and the DFPC to prepare the monthly Schedule of Unreleased Checks and furnish the same to their respective Accounting Division/Units/Sections to enable the latter to make necessary adjusting entries to restore the unreleased checks at year-end/reporting period to the Cash in bank account; and	The PFDA Top Management directed the Finance Services Department to ensure compliance with the afore-cited audit recommendations, and the FSD [Finance Services Department] - Cash Division and respective Cash Sections of Regional Fish Ports to henceforth submit to respective Accounting units the Schedule of Unreleased Checks every 5 th day of the month.	FSD – Cash Division				Implemented		The Finance Services Department – Cash Division in compliance with the audit recommendations, has submitted to the Accounting Division the Schedule of Unreleased Checks. Said schedule shall be submitted henceforth every 5 th day of the month. Herewith is the Schedule of Unreleased Check submitted to FSD – Accounting Division.
	c. Establish a procedure for direct bank payments or online payments and incorporate the same to the Standard Operation Instruction and communicate the process to clients to address the late recording of the unidentified deposits/bank credits.	To date, the PFDA Central Office through the CPMISD [Corporate Planning and Management Information System Department] and FSD are collaborating with Land Bank of the Philippines to establish PFDA's Link Biz account as an alternative payment platform for port clients to settle their accounts online.	CPMIS D FSD	2023	2027		Implemented		1. Collaboration with Landbank Management Team <u>Verifiable Records</u> 1.1 Signed MOU and NDA dated July 28, 2023 1.2 Signed System Requirement Specification (SRS), Project Status Report (PSR), Application Server IP and Public IP Address dated November 9, 2023 2. Collaboration with Landbank IT Team through Viber GC <u>Integration Status</u>

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									2.1 User Acceptance Testing (UAT) - Completed 2.2 Accomplished UAT Certificate - Completed and for submission 2.3 Completion of Merchant Enrollment Form - Ongoing 2.4 Completion of Merchant Payment Inquiry User Enrollment Form - Ongoing 2.5 Revision of SRS Annex A due to Fish Port Individual Account Integration - Ongoing 2.6 Conduct of Production Testing - To be scheduled 2.7 Launching - To be scheduled 3. Collaboration with Navotas Fish Port Complex 3.1 Initial meeting and system presentation - Completed 3.2 System and Database Integration - Ongoing 3.3 Coordination with Prot Clients - To be scheduled 3.4 Final System Presentation - To be scheduled

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									4. Development of Electronic Billing Advisory and Payment Digitalization (eBAYAD) 4.1 Online Payment Plan and Study as Strategic Initiative - Completed and submitted dated December 5, 2022 4.2 Systems development of the eBAYAD - Ongoing Enhancement 4.3 Draft Office Order on Policy in the Adoption of Digital Payments dated May 2024. - Ongoing, collaborated with Legal Division and Operations Services Department 4.4 Online Payment Usage Procedures - To be created after successful eBAYAD development and Landbank integration and approved Officer Order (see 4.3) 4.5 Launching - To be scheduled
2	The Property, plant, and equipment (PPE) - Construction-in-progress (CIP) sub-account was overstated by P85,168 million, while the Financial liabilities - Accounts payable and appropriate PPE sub-accounts were understated by P29,184 million and P114,352 million, respectively, due to: (a) non-accrual of unbooked values of work accomplished, with supporting Certificates of Completion and	We recommended that Management instruct the Accounting Division to prepare adjusting journal entries to: (a) accrue the total values of work accomplished, net of progress payments made, of the three completed infrastructure projects; (b) reclassify the cost of completed projects from PPE-CIP sub-	The PFDA Top Management has directed the Central Office FSD – Accounting Division will comply with the pertinent COA recommendation on the matter and shall prepare the required adjusting entries for the derecognition of non-existing/non-operational PPE and Other assets in coordination with ASD Administrative Services	FSD Accounting Division			Implemented		FSD Accounting Division made the necessary adjustments in the books to reflect the accrual of the total value of work accomplished.

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	Acceptance, in the total estimated amount of P29,184 million of three completed infrastructure projects with total contract price of P114,352 million; and (b) non-reclassification of the said completed infrastructure projects from the PPE - CIP sub-account to the appropriate PPE sub-accounts, contrary to Paragraphs 27 and 28 of Philippine Accounting Standard (PAS) 1 - Presentation of Financial Statements.	account to appropriate PPE sub-accounts; and (c) compute and recognize the corresponding depreciation.	Department] - PPMD [Procurement and Property Management Division]						
		We further recommended that Management instruct the Construction Management Division to, henceforth, furnish the Accounting Division with the copies of Certificates of Completion and Acceptance and Certificates of Turnover and Acceptance relative to the PFDA's infrastructure projects as soon as these documents become available for the latter to properly record the transactions in the books of accounts.	The PFDA Top Management directed the Project Management Office, TSD [Technical Services Department] - Construction Management Division and OSD [Operations Services Department] - RMP/OD [Regional Municipal Port Operations Division] to coordinate with and furnish the FSD - Accounting Division copies of Certificates of Completion and Acceptance and Certificate of Turn-Over of completed developmental projects.	TSD PMO OSD			Implemented		Memorandum from OIC-GM dated August 18, 2022 were issued for all concerned departments.
3	The Service and business income - Business income - Rent/lease income account for CY 2023 in the amount of P590,486million was net overstated by P5,824 million, while both the Retained	We recommended and Management agreed to require the Port Manager of the NFFPC to direct the Accounting Unit to:	The PFDA Top Management directed the NFFPC Management to comply with the audit recommendations, accordingly adjust the entries to correct the						

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	earnings/(deficit) and Receivables - Lease receivable - Operating lease receivable accounts were understated by P6,556 million and P0,732 million, respectively, due to recognition as income in CY 2023 of the catch-up billings in the total amount of P6,556 million for the rentals of the NFPC port clients covering CY 2022, and the non-recognition in CY 2023 of Rent/lease income in the total amount of P0,732 million which was billed only in CY 2024, contrary to Paragraphs 27 and 28 of the PAS 1 - Presentation of Financial Statements and Paragraph 5.4(a), Chapter 5 - Recognition and Derecognition of the CFFR.	a. Effect the necessary adjustments to correct the misstatements on the Operating lease receivable, Rent/lease income, Retained earnings/(deficit), and other accounts affected; and b. Henceforth, meticulously review the Inventory of Bills Rendered received from the CBU before preparing the JEVs to record the Operating lease receivable and Rent/lease income, and strictly observe the accrual basis of accounting following Paragraphs 27 and 28 of the PAS 1 - Presentation of Financial Statements and Paragraph 5.4(a), Chapter 5 - Recognition and Derecognition of the CFFR.	Operating Lease Receivable, Rent/Lease Income and other affected accounts and exercise due diligence in preparation and issuance of Statement of Account/Bills.	NFPC			Implemented	Necessary adjusting journal entry was prepared to properly reflect the Income for the year 2024. Catch-up billings for the period pertaining to previous years were re-classified to the retained earnings account. <u>NFPC 2023_03 a/b.pdf</u>	
							Implemented	Starting May 2024, Inventory of Bills Rendered is reviewed to verify and properly classify the rental/utility billings for the month. <u>NFPC 2023_03 a/b.pdf</u>	
4	Receivables - Inter-agency receivables - Due from Local Government Units (LGUs) and Retained earnings/(deficit) accounts were understated by P4,767 million and P4,711 million, respectively; while the Service and business income - Business income - Other business income - Royalty/retainer's fees sub-account for CY 2023 was net understated by P56,592, in view of the recording of the	We recommended and Management agreed to direct the Accounting Division/Units to prepare adjusting journal entries to record in the proper period when the revenue was earned and accrue the related receivables; and, moving forward, discontinue the practice of recognizing revenue on a cash basis of accounting	As committed during the Exit Conference by the concerned departments/units of the PFDA Central Office as well as the Operating Units exercising oversight functions on Municipal Fish Ports, PFDA shall henceforth comply with the audit recommendations and Top Management shall issue the corresponding directives thereof.	RMPO D-OSD/ Accounting Division -FSD			Implemented	The RPMOD-OSD already started reviewing MOA for possible amendment of provisions pertaining to remittance of retainers fee. For reference, only 64 out of 137 LGUs with Municipal Fish Port have retainers fee provision in their MOA as of 2024.	

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	various Royalty/retainer's fees [a percentage of gross income earned from the operations of the Municipal Fish Ports (MFPs) that were turned over by PFDA to various LGUs] using cash basis of accounting rather than accrual basis of accounting, such as: (a) Royalty/retainer's fees in CY 2022 and prior years' in the amount of P2,260 million were recognized as income in CY 2023; (b) Royalty/retainer's fees for CY 2023 and prior years' in the amounts of P2,316 million and P1,521 million, respectively, were recognized as income in CY 2024; and (c) unremitted/under-remitted Royalty/retainer's fees in CY 2022 and prior years' in the amount of P0.930 million of two LGUs were not yet recognized in the books, contrary to Paragraph 27 of PAS 1 - Presentation of Financial Statements and Paragraph 1.17, Chapter 1 - The Objective of General Purpose Financial Reporting of the CFFR. Other Observation: Understatement of the Royalty/retainer's fees, Retained earnings/(deficit), and Due from LGUs accounts by an undetermined amount due to non-recognition of an undetermined amount of	instead, recognize revenue on accrual basis of accounting.	Further, the OSD, in coordination with oversight units on MFPs, shall be instructed to review the respective Memorandum of Agreements [MOAs] with LGUs and reevaluate the MFP to determine the viability or necessity of requiring the remittance of retainer's fee and the alternative and practical means of acquiring financial and statistical reports from LGUs, and to submit the proper recommendation to Top Management within (3) months from receipt of Top Management official directive. We take into proper consideration that the intention of the PFDA management vis-à-vis retainer's fee at the time of the execution of the MOA with the LGUs is not to generate revenues from the LGUs but to defray cost of travel to the LGUs or actual site visit by the PFDA oversight officials concerned.					Adjusting entry was made to reflect the proper period when the revenue was earned as per JEV No. 2024-06-001075.	

Ref	Audit Observations Royalty/retainer's fees and receivables on the unremitted Royalty/retainer's fees from 27 LGUs	Audit Recommendations We reiterated our prior years' recommendations that Management: a. Require the Oversight Units to compel the LGUs concerned to submit the duly-supported monthly and annual financial and statistical reports and forward the same to the OSD of PFDA-CO and CBUS [Central Billing Units] or equivalent units of PFDA Regional FPCs/FPs for the computation, assessment, billing, and collection of the Royalty/retainer's fees due from LGUs; and b. Instruct the Accounting Division of PFDA-CO and Accounting Units of PFDA Regional FPCs/FPs to record the Royalty/retainer's fees based on the billing statements prepared by the OSD of CO and CBUS or equivalent units of PFDA Regional FPCs/FPs, and the collections thereof based on the official receipts.	Agency Action Plan				Reason for Partial/ Delay/Non-Implementation, if applicable	Action Taken/ Action To be Taken	
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			OSD			Implemented		In September 2023, the OSD already sent official letters to its oversight areas reiterating the compliance on the submission of financial and statistical reports. Further, OSD also provided instructions and guides to RFPs to also prepare notices for their respective oversight areas. Additionally, the OSD included in the OPCR 2025 the preparation of the Policy on the Collection of Statistical and Financial Reports from MFPs Memo to oversight units dated August 1, 2023.	
		We further recommended that Management amend the respective MOAs to include provisions on the manner and	OSD			Implemented		The OSD included in the OPCR 2025 the preparation of a Policy on the Collection of Statistical and Financial Reports from MFPs.	

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5	The investment property - Land account was understated by an undetermined amount due to non-recognition of the fair value as at the date of acquisition of the parcels of land/reclaimed land with an estimated total area of 47.5 hectares (has.) in Navotas City where the NFPC operates through leasing out of a significant portion of the said parcels of land/reclaimed land, contrary to Paragraphs 4.3 and 4.4, Chapter 4 - The Elements of Financial Statements of the CFFR and Paragraphs 10 and 16 of PAS 40 - Investment Property. Consequently, the Retained earnings/(deficit) account was also understated by the same undetermined amount. Further, the rental income derived from and direct operating expenses associated with the investment property were not disclosed in the Notes to Financial Statements, contrary to Paragraph 75(f) of PAS 40, thus, deprived the intended users of the financial statements of relevant information in making economic decisions.	We reiterated our previous years' recommendations that Management: a. Require the Accounting Unit of the NFPC to prepare necessary adjusting entries to recognize the fair market value of the parcels of land/reclaimed land in Navotas City; and	As committed during the Exit Conference by the concerned departments/units of the PFDA Central Office and concerned operating units, PFDA shall henceforth comply with the audit recommendations and the Top Management shall issue the corresponding directives thereof. As discussed during the exit conference, for consistency, the appraisal value by the LGU Assessors – which is an independent and equally competent unit to conduct land property appraisal – may be used by PFDA vis-à-vis the fair value of the land or sit of the Regional Fish Ports being managed by PFDA.	NFPC			Implemented		The cost of the land covering the Navotas Fish Port Complex was reclassified to PPE-Land in accordance with the Government Accounting Sector's opinion dated August 12, 2024. <u>NFPC 2023_05 a.pdf</u>
		deadline for the submission of monthly and annual financial and statistical reports and the penal clause for the delayed or non-submission thereof.							

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		b. Instruct the Accounting Division of the PFDA-CO to provide necessary disclosures in the Notes to Financial Statements specifically with regard to rental income derived from, and direct operating expenses associated with, the investment properties of the Authority in compliance with Paragraph 75(f) of PAS 40.		FSD Accounting Division			Not Applicable		As per guidance from COA-GAS, since the portions could not be sold separately and that the portion not held for rentals is not an insignificant portion of the entire land, said land should be treated as owner-occupied property under PAS 16 and not as IP under PAS 40. Hence, the recommendation to provide necessary disclosures on income derived from and direct operating expenses associated with the IP is not applicable.
		We further recommended that Management instruct the Accounting Division Chief to communicate in writing with the COA Government Accountancy Sector (GAS) for proper guidance on the interpretation of the term "significant" in Paragraph 10 of PAS 40 to determine the appropriate account (PPE or Investment property) to be used in recording the parcels of land/reclaimed land in Navotas City.	Nonetheless, to comply with the audit recommendation (i.e., proper recording or account title for PFDA land asset) and determination of fair values/recording in the books, PFDA shall make official representations with the COA – Government Accounting Sector.	FSD Accounting Division			Implemented		The FSD Accounting Division in compliance with the audit recommendation has communicated with the COA – Government Accounting Sector for guidance in proper interpretation of Philippine Accounting Standards 40. As a matter of policy, if at least 10% of the land is utilized for the provision of services (such as harbor and market operations) and administrative purposes (including administrative buildings, road networks and parking spaces), this portion will be considered significant, and will be classified as owner-occupied property and accounted

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6	The non-preparation of the Verified Reports as basis for the issuance of Notices to Terminate for the termination of the contracts for four infrastructure projects with contract price in the aggregate amount of P1.635 billion which incurred negative slippages: (a) ranging from 20.33 per cent to 44.47 per cent for three ongoing projects; and (b) of 10.88 per cent for one project which contract time has already expired as of December 31, 2023, was not in compliance with the provisions of Section III(A)(2), Annex I of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 and Section 4.2.3, Annex A of the Government Procurement Policy Board (GPPB) Resolution No. 05-2019 dated March 8, 2019. Thus, the intended beneficiaries may have been deprived of the benefits that can be derived from the immediate utilization of these infrastructure projects as the target completion dates were end of CY 2023, February 2024, and October 2024.	We recommended and Management agreed to instruct the TSD to prepare the Verified Reports as basis for the issuance of Notices to Terminate the four infrastructure projects with total contract price aggregating P1.635 billion which incurred negative slippages, i.e. ranging from 20.33 per cent to 44.47 per cent for the three on-going projects; and 10.88 per cent for one project which contract time has already expired as of December 31, 2023.	Reorganization of CTIRC and Creation of SCOO [Special Concerns and Oversight Office] As committed during the Exit Conference by the concerned departments/units of the PFDA Central Office, PFDA shall comply with the audit recommendations and the Top Management shall issue the corresponding directives thereof, particularly the timely submission of verified reports on project inspection.	TSD			Implemented		To date, PFDA, through CTIRC/ SCOO has terminated the respective contracts with the contractors for the Construction of BFAR RO 8 Building and Construction of Real Fish Port Phase 2. The TSD has issued Verified Reports requisite in the issuance of Notice of Termination for the contractors of the infrastructure projects for NFFPC Phase II; Zamboanga FPC; Camailigan FP, Bolinao FP, and Bislig FP.
7	In the IFPC, the postings of the Notices of Award and/or Notices to Proceed together with approved Contracts/	We recommended and Management agreed to direct the Port Manager of the IFPC to	Further, we respectfully inform COA that the PFDA Top Management has reorganized the Contract Termination and Review Committee (CTRC) to help expedite the validation of project contractor's liability on incurred negative slippages and, if necessary, subject to proper due process requirements, recommend to Top Management issuance of show cause order/notice of termination pursuant to existing rules. The delay was due to lack of delineation of duties and responsibilities by the IFPC. [Iloilo	IFPC			Implemented		IFPC Resident Auditor confirmed that the audit finding discussed was validated as Implemented as of September 2024. Also,

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	Purchase Orders (POs), on the procurement of goods and services, as well as, infrastructure projects, with Approved Budgets for the Contract (ABCs) in the total amount of P29,494 million made through public bidding and alternative modes of procurement, in the Philippine Government Electronic Procurement System (PhilGEPS) were delayed ranging from two (2) to 65 days, which is not in compliance with Sections 37.1.6 and 37.4.2 of the 2016 RIRR of RA No. 9184, thus, diminishes the Agency's commitment to the guiding principles of transparency, system of accountability, and monitoring of government procurement activities by the public.	instruct the RBAC Secretariat to ensure that the Notices of Award and Notices to Proceed with the approved Contracts/POs made through public bidding and alternative modes of procurements exceeding the P50,000 threshold are posted in the PhilGEPS within the prescribed period, moving forward.	FPCJ BAC [Bids and Awards Committee (BAC) or Regional RBAC] to its 2 Secretariat, including posting of notices on PhilGEPS. Additionally, there were delays in receiving signed contract and notices from suppliers outside Region VI, which needed to be uploaded on PhilGEPS. Action Plan: 1. Compliance with Sections 37.1.6 and 37.4.2 of the 2016 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 2. Reconstitution of IFPC Bids and Awards Committee and identify the functions of the Secretariat						the Team Leader furnished the IFPC copy of the report. Attachment: COA validation on status of implementation.
8	The 3rd and latest version of PFDA Gender and Development (GAD) Plan and Budget (GPB) for fiscal year (FY) 2023 was submitted to the Philippine Commission on Women (PCW) through the Gender Mainstreaming Monitoring System (GMMS) only on April 1, 2023, which was not acted upon by the PCW, thus, deemed unendorsed, as provided for under Section 1.2.5.2 of PCW Memorandum Circular (MC) No. 2022-03 dated August 31, 2022. In addition, the reasons/justifications for the	We recommended and Management agreed to direct the GFPS, through its TWG, to: a. Indicate in the GAD AR the reasons/justifications for the deviations, as well as, the factors that have hindered/facilitated the implementation of eight (8) GAD PAPs with unutilized total budget of P0.573 million, as well as, eight (8) fully implemented	The PFDA Top Management directed the Gender and Development Focal Point System [GFPS] – Technical Working Group [TWG] to ensure compliance with the timely submission of the GAD Plan and Budget and the implementation of all the programs included therein.	GAD FPS					Upon receipt of the direct instructions from the Top Management, the GAD Focal Point System prepared an official letter for COA dated May 28, 2024 in response to the AOM No. 2024-09 (2023). The said letter was duly received by the Resident Auditor on the same day. The same letter also included an attachment reflecting the reasons for partial and non-implementation of some of the activities (client-focused and organizational-focused) under GPB 2023.

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	deviations, as well as, the factors that hindered the full implementation of eight (8) GAD Programs/Activities/. Projects (PAPs) with unutilized total budget of P0.573 million; and as well as the factors facilitated the implementation of the eight (8) fully implemented and 10 partially implemented GAD PAPs with net underutilized budget of P507.447 million, were not indicated in the GAD Accomplishment Report (AR), contrary to the guidelines provided in the Annex B: Guide in Completing the GAD AR Template of Joint Circular (JC) No. 2012-01 issued by the PCW, National Economic and Development Authority (NEDA), and Department of Budget and Management (DBM).	and 10 partially implemented GAD PAPs with net underutilized budget of P507.447 million, pursuant to Annex B, or the Guide in Completing the GAD AR Template, of PCW-NEDA-DBM JC No. 2012-01; and b. Moving forward, ensure the timely submission/resubmission of the GPB to the PCW through the GMMS and that the implementation of GAD PAPs is strictly in compliance with the PCW-endorsed GPB.					Implemented	The GFPS-TWG ensures the timely submission of GAD Plan and Budget (GPB), as well as the GAD AR through the GMMS vis-a-vis the required date of submission set by the PCW.	
6	Five infrastructure projects with aggregate contract cost of P248.448 million and progress payments and advance payments to contractors concerned of P29.608 million and P31.209 million, respectively, remained uncompleted beyond their target dates of completion, thus: (a) inputs which are already introduced by contractors at the construction sites might have already deteriorated due to exposure from harsh environment; (b) additional cost-to-complete the projects could be incurred due to variance in quantity and price escalation of materials and labor; and (c) deprived the intended	We recommended that a. Act with dispatch on the issuance of the Notice of Decision on the Termination of the contract for the Construction of Real Fish Port-Phase 2 due to non-submission by the Contractor of its Verified Position Paper within the regulatory period, in accordance with Section IV.5 of Annex I of the 2016 Revised IRR of RA No. 9184;	PFDA Top Management directed the Technical Services Department (TSD) to comply with the audit recommendations and to: 1. Ensure that all Fishery Infrastructure Development Projects and other Post-Harvest Facility projects are properly planned and coordinated with concerned offices (Corporate Planning Management and Information Services Department	TSD LD			Implemented	Contractors were sent notices/warnings regarding their negative slippages The contractors per SOP secured Bond Endorsement for every approved extension of contract With respect to Real FP, the office already issued Notice to Terminate Contract TSD submitted updated on the projects with negative slippages to CTRC	

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	beneficiaries of the early benefits from the use thereof. In addition, there were deficiencies noted in the implementation of the three infrastructure projects, viz.:		[CPMISD]/ FSD/OSD/LGU/NG Agencies Concerned) and that all requisite documents (LGU Resolution/Certification/ Clearances) are on-hand;				Ongoing		A memorandum was submitted by the PFDA Legal Division to the Top Management recommending the submission of the case to arbitration through the filing of the request before the Construction Industry Arbitration Commission (CIAC) for the collection of money arising from the contractual agreement, payment of damages, and the collection of surety bond
	a. The Notice of Decision on the Termination of the Contract for the Construction of Real Fish Port-Phase 2 costing P106,405 million was not issued, despite the lapse of the reglementary period to submit the verified position paper stating the contractor's justification why the contract should not be terminated, contrary to Section IV.5, Annex I of the 2016 Revised IRR of RA No. 9184;	b. Recoup immediately from the Contractor of terminated contract for the Construction of Tingloy MFP, the advance payment of P1,662 million;	2. Ensure that the corresponding notices to erring contractors are sent/transmitted accordingly with proof of service/receipt;	TSD LD			Ongoing		In line with the SCOO's recommendation, the following courses of action against the Contractor and its issuer of surety bond for the Construction of Tingloy MFP shall be acted upon the endorsement of the PFDA Legal Division to the Top Management:
	b. The advance payment of P1,662 million to the Contractor of the terminated contract for the Construction of Tingloy MFP was not yet recouped, and the Blacklisting Order was not yet issued, despite the failure of the Contractor to: (i) maintain minimum essential equipment listed in their bid resulting to more than 15 per cent slippage; and (ii) renew the effectivity date of its performance security, contrary to the provisions of Annex E and Appendix 17 of the 2016 Revised IRR of RA No. 9184; and	c. Impose appropriate sanction(s) to Contractors concerned for not fully and faithfully complying with their contractual obligations, without valid reason(s), pursuant to the pertinent provisions of the 2016 Revised IRR of RA No. 9184; and	3. Ensure that all security/guaranty (Performance Bond/CAR) issued to secure faithful performance of the contract for the project are updated and effective during the tenure of the project;	TSD LD			Ongoing		<ul style="list-style-type: none">The blacklisting of the Contractor and its issuer of surety bond, in accordance with the Implementing Rules and Regulation of RA No. 9184;The inclusion of the Contractor's issuer of surety bond in the negative list of Surety and Insurance Companies; andSubmission to arbitration through the filing of a request for Arbitration/ Complaint before the Construction Industry Arbitration Commission (CIAC) for the: a) collection of money arising from the contractual agreement and payment of damages against the Contractor; and b) collection of surety bond against the Contractor's issuer of surety bond.
	c. Absence of a verified report for the termination of contract for the	d. Direct the TSD to submit a Verified Report for the termination of contract for the Construction of Bolinao MFP, as required under Section IV.1 of Annex I of the 2016 Revised IRR of RA No. 9184, due to the remote probability to continue the infrastructure project.	4. Ensure that office policies/NG issuances/ Procurement Law provisions relative to infrastructure project contract implementation are strictly adhered with;	TSD LD			Implemented		
			5. Accordingly, coordinate with Contract Termination Review Committee and report all						

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			Action Plan projects/contracts terminated due to fault of contractor	Person/ Dept. Responsible	Target Implementation Date		Status of Implementation		
					From	To			
	Audit Observations Construction of Bolinao MFP costing P11,423 million due to the remote probability of the completion of the project, contrary to Sections III.B and IV.1, both of Annex I of the 2016 Revised IRR of RA No. 9184.								PFDA Project Management Office (PMO) prepared a Verified Report recommending the contract's termination concerning the project's construction. The memorandum was then submitted to Top Management by the PFDA TSD Manager dated June 16, 2022. Thereafter, a Notice of Termination was issued to the Contractor for the Construction of Tingloy MFP on Dec. 14, 2018. b. With letter to OGCC, upon coordination w/ OGCC, submit road map on the implementation c. Same with B; need opinion from OGCC

7	<p>In the PFDA GSFPFC, 58 port clients were allowed to occupy 87 of 302 port facilities and operate businesses therein even without renewed lease contracts as their previous contracts had expired for a period ranging one month to more than eight years, due to, among others, non-settlement of rent arrearages by 46 clients in the aggregate amount of P3.100 million, and non-submission by the clients of required documents for the renewal of the contracts, contrary to PFDA OO No. 25, Series of 2001 and PFDA Memorandum dated June 03, 2019 on the Revised Process Flow for Lease Applications, thereby putting the government at disadvantage position as there is no legal basis to enforce government rights, such as, collection of rent arrearages.</p>	<p>We recommended and Management agreed to require the PFDA GSFPFC officials concerned to:</p> <p>a. Enforce collection of rent arrearages from port clients especially those with expired contracts and encourage port clients who are having difficulty in settling their obligations with the GSFPFC to restructure their accounts;</p>	<p>PFDA Top Management directed the GSFPFC [General Santos FPC] Management to comply with the audit recommendations and to:</p> <p>Submit the list/matrix of 58 port clients occupying 87 port facilities for lease with expired contracts, including but not limited to:</p> <p>a. Amount of arrears (principal and penalty)</p> <p>b. Area occupied</p> <p>c. Period/number of months operating with expired contract</p> <p>d. Remarks/Explanation for non-renewal</p> <p>e. Actions taken, if any</p> <p>Furthermore, GSFPFC is directed to submit its Action Plan to address and resolve the audit observation</p>	GSFPFC			Implemented	<p>Per latest matrix, only 6 clients have not renewed their contracts due to arrears: (for Attachment matrix). GSFPFC has initiated initial discussions on restructuring of accounts since August 2024; 3 (BSE, Noecil & Davestiar) have Restructuring Agreements for final review and signature of clients. Contracts are projected upon finality of Restructuring Agreement. One client whose account is current has submitted a promissory note to update account up to December 2024 after which, Lease contract will be prepared.</p> <p>Two clients with current obligations, Noegy and Al Hadid were served final demand letters and clients have promised to pay.</p> <p>Moving forward, GSFPFC will ensure that clients with restructured accounts will have contracts by January 2025</p> <p>For the two clients, GSFPFC will exert all effort to collect; and will recommend disconnection of utilities or non renewal of contract if still no payment is made as stated in the demand letter.</p> <p>Not renew PTCB and ID of personnel until accounts are updated and contract renewed.</p>
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				From	To			
	b. Implement mechanisms to require existing port clients to process the renewal of their lease contracts/agreement before expiration thereof including the timely submission of required documents;	GSFFPC				Partially Implemented		GSFFPC has lessened requirements: example only requiring Mayor's Permit foregoing DTI/SEC or CDA Registration as either of this is requirement for the permit; GSFFPC has also assigned personnel per Division who will be involved in the application and renewal of contracts
	c. Compel the port clients to sign and notarize the renewal of their lease contracts/agreements and require them to return the PFDA's copy of the said document;	GSFFPC				Ongoing Partially Implemented		Send letters to clients reminding them to return signed contracts; Staff assigned to monitor per Division also make calls to follow up the clients; Issued Memo Order for assignment of staff to monitor clients in their Division; Most clients have signed and notarized.
	d. Revisit the current contract application/renewal process including the Contract Monitoring System to address bottlenecks; and	GSFFPC				Ongoing		With the issuance of the Office Order delegating to the RFP PMs authority to approve and renew applications for lease of up to 2 years beginning January 1, 2023, all the contracts on process including the 30 from this list will be fast tracked for approval or printing or contracts This Order which also includes authority to restructure accounts (for 2 year

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		e. Strictly adhere to the provisions of existing issuances on the processing of application and renewal of lease/use of port facilities/ services.		GSFFPC			Ongoing		The GSFFPC is doing its best to diligently abide with the stipulations outlined in current directives concerning the renewal and processing of applications for leases and usages of port services and facilities.
1	The Property, Plant, and Equipment (PPE) account with carrying amount of P3,460 billion as at December 31, 2021 was net overstated by approximately P44,898 million due to: (a) non-derecognition of two Municipal Fish Ports (MFPPs) costing P40,231 million that were already turned over to the Local Government Units (LGUs) by the Philippine Fisheries Development Authority (PFDA) – Central Office (CO), thus, also understated the Assistance to LGUs account by the same amount, and (b) error in the computation of Accumulated Depreciation of PPE items in the PFDA – CO and Navotas Fish Port Complex (FFC), which also	We recommended that Management: a. Instruct the ASD Human Resources Division (HRD) to secure a copy of the OMB Decision on the case relative to the Construction of Catanauan MFP, and furnish a copy to the Accounting Division and Legal Services Division to establish the right of the Authority over the said project, and its proper classification in the financial statements (FSs), and furnish the Audit Team a copy of					Not feasible		In a letter received dated June 9, 2023, the Ombudsman [OMB] emphasized that only the parties to the case, counsels of record, or duly authorized representatives may obtain information or secure copies of decisions, resolutions, and other case records on Ombudsman cases. However, due to the significance of the copy of the decision, the PFDA ASD-HRD reiterated its previous request in a letter dated April 30, 2024 addressed to the Ombudsman requesting again the copy of Gancayo vs Cicero case

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	understated the Depreciation Expense of various PPE sub-accounts by approximately P4,112 million, and overstated the Retained Earnings/ (Deficit) account by P0,555 million, contrary to the pertinent provisions of Philippine Accounting Standard (PAS) 16.	the said Decision for audit purposes; and b. Consider to hold accountable the officials and personnel concerned for the Construction of Catanauan MFP in a private property which resulted in the wastage of government funds.							Management will consider holding accountable the personnel concerned on the subject matter, subject to resolution of the related pending cases on the matter. The TSD has already requested to the LGU of Catanauan regarding the status/resolution on the case docketed as OMB-L-A-10-0673 entitled: "Antonio T. Gancayo, complaint vs. Ramon Orfanel, et. al re: Violation of Republic Act (RA) 6713 and Grave Misconduct". An online hearing was attended by the Representatives from the PFDA on December 6, 2022 as witnesses regarding possible expropriation by the LGU of the construction site (private property)

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2	The Receivables -Accounts Receivable (A/R) account with carrying amount of P142,256 million as at December 31, 2021 was net understated by approximately P32,742 million due to errors in applying rental rates and recognition of rent/lease income and receivables from leasing out of port facilities, and non-billing of four coded port clients-lessees, which also understated the Rent/Lease Income account by the same amount, contrary to Paragraph 27 of PAS 1 and Paragraph 1.17 of the CFFR. Likewise, the correctness of the valuation of Receivables-A/R account could not be established due to the inconsistent methods in measuring the lifetime Expected Credit Losses (ECL) on the Receivables – A/R account of Navotas and Davao FPCs, in view of lack of detailed and approved agency-specific policy and guidelines in measuring the lifetime ECL on receivables using the simplified approach adopted by the PFDA, contrary to Paragraphs 5.5.15	We further recommended that Management require the TSD to demand from the contractors concerned the submission of the final progress billings on the two completed MFPs already turned over to respective LGUs. We recommended that Management: a. Require the Accountant of Navotas FPC to analyze and effect the necessary adjusting entry for the net unrecognized rent/lease income earned in CY 2021 amounting to approximately P32,472 million due to error in applying rental rates billed and non-billing of the lease rental from four coded port clients-lessees; and	The PFDA Top Management directed the NFPC Management, in coordination with Finance Services Department to review the financial records of NFPC, contracts of each lessee, Statement of Accounts and to reconcile and adjust, if necessary, to reflect the correct balances. In addition thereto, an enhancement of the billing system shall be developed by the Information Technology Division (ITD) that shall include, among others, mapping of the regional fish port to comprehensively determine actual usage of the port's areas including the related data/information of each leased area.	NFPC			Ongoing		NFPC follows the provisions of Contract of Lease in billing customers particularly on the escalation dates. The non-billing of four coded clients was a result of incorrect customer code reflected in the inventory of port clients Provided COA with a working paper showing the different escalation dates per client and inventory of Port Clients were corrected to reflect the updated information. Detailed report on the COA Observation sent to the office of the General Manager in September 2022. NFPC 2021 02 a.pdf

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	Audit Observations and 5.5.17 of Philippine Financial Reporting Standard (PFRS) 9 and Paragraph 13 of PAS 8.	b. Direct the FSD of Navotas FPC to fast track the ongoing reconciliation with the seven port clients-lessees concerned to resolve the variance of P90,820 million on the outstanding balances in the A/R account per books and clients-lessees' records.					Fully Implemented		PFDA-SLORD Panel was formed to carefully review and reconcile the account of a Port Client. NFPC recommendation was submitted to Top Management for review and approval
7	In Navotas FPC, there are 190 areas with expired lease contracts involving 104 coded port clients-lessees that are still occupying the leased premises despite they have arrearages that had already accumulated to P4,913 million as of December 31, 2021, where of said amount, P2,440 million represents accumulated arrearages of eight clients-lessees whose contracts had expired four to 14 years ago, due to lack of monitoring of accounts and expiration of lease contracts, and inadequate coordination among the OPM, CBU and FSD. Thus, exposes the Authority to risk of further accumulating uncollected receivables. Also, the Authority is deprived of funds for its operations and payment of its obligations.	a. Prioritize the renewal of the Contracts of Lease of client-lessees with expired contracts to protect the interest of PFDA; b. Require the CBU to collect the arrearages from clients-lessees concerned; otherwise, institute appropriate legal actions to enforce collection; and					Partially Implemented		For updating c/o NFPC Indicate no. of renewed contracts and attach list of clients. Justification on non-renewal of contracts. Authority to approve/renew with a lease period of 2 years is delegated to the Port Manager to expedite the process
							Implemented		Indicate no. of DL issued and attach copy of DL. Demands and proper communication was made by the concerned unit. <u>LIST OF DEMAND LETTERS.pdf</u>

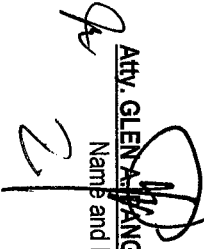
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		We further recommended that Management hold accountable the officials and employees who have been remiss in the discharge of their official duties.						Implemented		An NFPC-FSD employee was given a chance to explain in writing the discrepancies in the computation of billing of a Port Client per OPM memo dated September 13, 2023. Reconciliation of the outstanding balance of receivables is ongoing to effectively monitor the accounts of the clients. All receivable accounts are being analyzed to determine the accounts that are dormant for at least ten (10) years and will be endorsed to the Commission on Audit for write-off Demands are currently being made to collect the garnished RPT from our office
B.										
5	Out of the 66 projects turned-over to the LGUs from CYs 2015 to 2019, 19 or 28.79 per cent with total costs of P311.128 million were non-operational as of December 31, 2019, due to concerns on LGU participation and area condition where the projects are located. Likewise, seven out of 73 completed projects or 9.59 per cent with total costs of P89,260 million were not yet turned-over as of December 31, 2019 to the concerned LGUs for operation, due mainly to existing political issues. These resulted in non-compliance with the terms and conditions stipulated in the Memoranda	We recommended that a. Direct the OSD to conduct ocular inspection and monitor regularly those completed projects that were non-operational after turn-over to the LGUs to ensure that the terms and conditions stipulated in the MOA are executed;	The OSD in coordination with concerned PFDA CO departments will take appropriate action and shall seek the assistance of local COA and Department of Interior and Local Government (DILG) to comply with the audit recommendations to correct the deficiency noted under audit observations.	OSD				Ongoing		Update status (Attach report on oversight functions) <u>Year End Consolidated Report for Completed Developmental Projects CY 2023.pdf</u> There is an ongoing ocular inspection and preparation of report relative thereto, of completed projects that are non-operational after the turnover to LGUs.

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of Agreement (MOAs) entered by and between PFDA and the LGUs, thus, depriving the fisher folks, fish traders and the general public of the benefits that can be derived from the projects.										Some of the MFPPs which did not remit the 10% retainer's fee were non-operational and damaged beyond repair
	b. Adopt measures/undertake remedial actions to immediately address issues and problems on the non-operation and non-turnover of completed projects;		OSD				Ongoing		For updating At present, the OSD included in its OPCR FY 2024 the Guidelines and Procedures for the Delisting of Non-Operational Developmental Projects (MFPPs and IPCS [Ice Plant and Cold Storage] Projects)	
	c. Ensure that adequate and timely report are obtained from the LGUs regarding the management of the completed projects;		OSD/ OUs [Oversight Units] with oversight functions				Ongoing		The RMP-OD-OSD is improving the LGU directory and contact list to easily facilitate communications with LGUs. During the last quarter of 2023, the RMP-OD-OSD also sent communication letters to LGU to remind them regarding remittance of Retainer's Fee and submission of statistical data. This resulted in an increase in the collection of the aforementioned Fee.	
	d. File appropriate charges against erring officials responsible for the non-execution of the terms and conditions stipulated in the MOA, if warranted; and		OSD				Not feasible		It is respectfully submitted that the filing of direct charges against possible erring officials of LGUs for the non-execution of the terms and conditions stipulated in the MOA, if warranted, as recommended by the COA may not be feasible at this time given the existence of alternative dispute resolution mechanisms as provided for in the pertinent laws, including the Revised Administrative Code, among others.	
										Nevertheless, PFDA will consider pursuing alternative modes of dispute resolution with

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					From	To				
2	PFDA did not strictly enforce its Guidelines and Procedures for the Processing of Application for the Lease/Use of Port Facilities/Services and Preparation, Renewal and termination of Contract on the lease of 16 clients-lessees at the Estate Development and Pop Cola and six lessees of the Navotas Fish Port Complex (NFPC), and six lessees of the Davao Fish Port Complex (DFPC) that resulted in accumulation of uncollected rental and loss of revenue amounting to P28,572 million and P4,275 million, respectively, or a total of P32.847 million.	We reiterated our previous year's recommendations that Management update PFDA Office Order (OO) No. 25, Series of 2001 to include policies on Assignment/Re-Assignment of Lease Contract by the lessee and prohibition of the renewal of Contract of Lease with still unexpired period.					Implemented		The PFDA Management has issued Office Order No. 14 s. 2023 re: Delegation of Authority on Renewal of Lease, and Office Order No. 06 s. 2024 re: Delegation of Authority on Lease Contracts and Matters Relative thereto, to expedite the processing of lease contracts. Management Comment/Reply: The PFDA respectfully submits that the recommendation on the prohibition "of renewal of Contract of Lease with still unexpired period" may not be practicable as applicants for long-term leases often need funding for capital improvements. Securing financing requires proof of contract, which necessitates renewal before the current lease expires. Hence, as submitted, implementing such policy, as recommended, may discourage prospective lease applicants from entering into long term lease contracts with PFDA.	
									the LGUs concerned, in line with the Authority's roadmap on the implementation of other COA recommendations on the matter.	


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										Be that as it may, PFDA management will nevertheless pursue policy enhancements on lease to prevent accumulation of uncollected rental and loss of revenue.	

Agency Sign-Off:



Atty. GLEN A. PANGAPALAN – Acting General Manager

Name and Position of Agency Officer



November 14, 2024

Date