



**LIGHT
RAIL
TRANSIT
AUTHORITY**

01 July 2022

TRANSMITTAL

FOR : THE MEMBERS OF THE LRTA BOARD OF DIRECTORS

SEC. JAIME J. BAUTISTA

Chairman (DOTr)

SEC. AMENAH F. PANGANDAMAN

Member (DBM)

SEC. MANUEL M. BONOAN

Member (DPWH)

SEC. BENJAMIN E. DIOKNO

Member (DOF)

SEC. ARSENIO M. BALISACAN

Member (NEDA)

CHAIRPERSON CHELOY V. GRAFIL

Member (LTFRB)

OIC BALTAZAR N. MELGAR

Member (MMDA)

SUBJECT : COA Annual Audit Report on the LRTA for the Years Ended 2021 and 2020.

May we please transmit the full and complete COA Annual Audit Report on the LRTA for the Years Ended 2021 and 2020 dated 29 June 2022 received by the Office of the Corporate Secretary on 30 June 2022.

For your information, reference, and inclusion in the agenda of the next Board meeting.

Thank you.

ATTY. HERNANDO T. CABRERA

Corporate Board Secretary

Address:

Line 2 Depot, Marcos Highway, Santolan, Pasig City, M.M., Philippines
Trunkline: 86473479 / 86473481 / 86473484 / 86473485 / 86473487
website: www.lrta.gov.ph



**LIGHT
RAIL
TRANSIT
AUTHORITY**

01 July 2022

MEMORANDUM

FOR : MR. PAUL Y. CHUA, PhD
Deputy Administrator for Operations & Engineering
OIC, Deputy Administrator for Admin, Finance & AFCS

ATTY. JOSE JOBEL V. BELARMINO
Manager, Legal Department

MS. MARILOU B. LISCANO
Manager, Finance Department

MS. PRIMA M. TAPIA
Manager, Internal Audit Department

MS. ELEONORE T. DOMINGO
Manager, Internal Audit Department

ENGR. SANTOS G. ABRAZADO
Manager, Engineering Department

SUBJECT : COA Annual Audit Report on the LRTA for the Years Ended 2021 and 2020.

May we please transmit the full and complete COA Annual Audit Report on the LRTA for the Years Ended 2021 and 2020 dated 29 June 2022 received by the Office of the Corporate Secretary on 30 June 2022.

For your information, reference, and inclusion in the agenda of the next Board meeting.

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ATTY. HERNANDO T. CABRERA
Corporate Board Secretary

Address:

Line 2 Depot, Marcos Highway, Santolan, Pasig City, M.M., Philippines



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

ANNUAL AUDIT REPORT

on the

LIGHT RAIL TRANSIT AUTHORITY

For The Years Ended December 31, 2021 and 2020



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

CORPORATE GOVERNMENT SECTOR
Cluster 3 – Public Utilities

June 29, 2022

THE BOARD OF DIRECTORS

Light Rail Transit Authority

LRTA Compound, Marcos Highway, Santolan, Pasig City

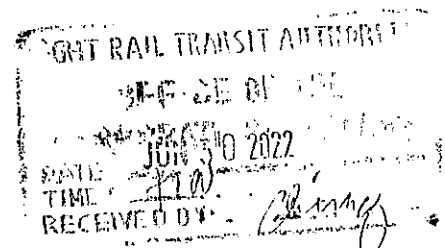
Dear Members of the Board:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Light Rail Transit Authority (LRTA) for the years ended December 31, 2021 and 2020.

The report consists of three parts: I- the Independent Auditor's Report and the Audited Financial Statements, II- the Observations and Recommendations and III- the Status of Implementation of Prior Year's Audit Recommendations.

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the LRTA due to the following:

1. Intra-agency Payable with balance of P1.283 billion and Intra-agency Receivable presented under Receivables in the financial statements with balance of P399.520 million as of December 31, 2021 remained unadjusted, hence said accounts are overstated by P1.283 billion and P399.520 million, respectively, and other related accounts were misstated, due to improper recognition of transactions pertaining to reciprocal accounts contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of International Public Sector Accounting Standards (IPSAS), Annex C of COA Circular No. 2020-002 and Section 7.3 of COA Circular No. 2016-05.
2. The faithful representation of Property, Plant and Equipment (PPE) accounts with a carrying value of P43.952 billion as at December 31, 2021 was not established due to the following error and deficiencies, contrary to paragraph 27 of IPSAS 1 – Presentation of Financial Statements: (a) non-recognition of Impairment Loss on non-operational and heavily defective Trainsets under Transportation Equipment – Trains account with carrying amount of P1.725 billion pursuant to the provisions of IPSAS 26 – Impairment of Cash-Generating Assets; and (b) lack of reconciliation between the results of physical inventory and the Property, Plant and Equipment Ledger Cards (PPELCs) maintained by the Accounting Division contrary to the provisions of COA Circular No. 2020-006.



3. Unreconciled variance amounting to P31.513 million between the balance of Due from National Government Agencies (PS-DBM) account presented under Receivables as of December 31, 2021 and the result of confirmation with PS-DBM, contrary to Section 7.1 and 7.2 of COA Circular 2016-05 dated December 19, 2016.

For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management require:

1. On Intra-agency Payable and Intra-agency Receivable:
 - a) Accounting Division to take up the adjustments for the remaining balances of Due to Line 1 NEP and Due from Line 1-South Extension Project under Intra-agency Payable and Intra-agency Receivable accounts amounting to P1.283 billion and P399.520 million, respectively, duly supported by documents.
2. On Property, Plant and Equipment:
 - a) Accounting Division to recognize impairment loss on the non-operational, heavily defective and obsolete PPE items and expedite the disposal to avoid further deterioration and decline in value thereof; and
 - b) Asset Management Division and Accounting Division to reconcile the variance between the Physical Inventory Report (PIR) and the PPE Ledger Card (PPELC) and strictly comply with the provisions of COA Circular No. 2020-006 to properly address the unaccounted PPE items.
3. On Due from National Government Agencies:
 - a) Accounting Division to coordinate with the Accounting Division of PS-DBM to reconcile the variance amounting to P31.513 million, and accordingly, take up the required adjustment.

In addition to the above audit observations which we considered in the rendition of a qualified opinion, the following are the other significant observations and recommendations, which are discussed in detail in Part II of the Report:

1. Payments to the Maintenance Contractor for the non-operational equipment line items amounting to P28.693 million for the periods January to November 2021 is not in accordance with Article 8.0.4 of the Terms of Reference of the Contract for the Maintenance of Manila LRT Line 2 System. Moreover, minimum train availability of 10 train sets was not provided by the Maintenance Contractor for the months of January to November 2021, and the applicable penalties were not imposed and deducted on the contractor's monthly payment, contrary to Article 8.1.3 and Article 9 of the contract, respectively.

Recommendations:

- a) Provide legal basis for the payments to non-operational equipment line items amounting to P28.693 million for the periods January to November 2021, otherwise deduct to the claims or refund from the Maintenance Contractor;

- b) Require the Maintenance Contractor to explain the non-compliance/non-achievement of the minimum train availability of 10 train sets; and
 - c) Require the Lines 1 and 2 Engineering Department to provide explanation/justification on the non-imposition of penalties on the Contractor's Monthly Payments as required in Article 9 of the Terms of Reference of the Contract despite the aforementioned deficiencies.
2. Interest earned from the project funds of Rehabilitation and Restoration Projects and Extension Projects invested in High Yield Savings Accounts (HYSA) amounting to P45.485 million and P185.849 million, respectively, for CYs 2020 and 2021 were transferred to various Corporate and OPEX/Payroll accounts of LRTA instead of to the fund for which the account was opened or maintained, contrary to Section 65 (1) of Presidential Decree (PD) No. 1445, Section 5.3.2 of the Department of Finance (DOF) Circular No. 01-2017 dated May 11, 2017 and Article III of the Memorandum of Agreement for the Extension Projects.

Recommendations:

- a) Remit to the BTr the interest earned from the HYSA of Rehabilitation and Restoration Projects amounting to P45.485 million;
 - b) Revert the interest earned amounting to P185.849 million for Extension Projects accounts transferred to various Corporate and OPEX/Payroll accounts in compliance with Section 65(1) of P.D. 1445, Section 5.3.2 of DOF Circular No. 01-2017 dated May 11, 2017 and Memorandum of Agreement for Extension Projects; and
 - c) Henceforth, refrain from transferring the interest earned from one bank account to another bank account.
3. Fifty nine percent or 13 out of 22 Line 2 Rehabilitation Projects with an aggregate contract cost of P984.563 million were already delayed from their target completion ranging from 77 to 1,065 days as at December 31, 2021, thus, depriving the general public of the intended benefits that may be derived therefrom.

Recommendations:

- a) Require the Planning Department and Line 2 PMO - Rehabilitation Projects end user to impose liquidated damages to contractors who have failed to satisfactorily complete the project within the target date of completion as required under Section 8.1 of Annex E of RIRR of RA 9184; and
- b) Consider blacklisting the contractors involved, and initiate the immediate take-over process of terminated projects, if necessary.

The foregoing audit observations, together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 02, 2021, are discussed in detail in Part II of the report.


In a letter of even date, we requested the LRTA Administrator to implement the recommendations contained in Parts II and III of the report and to inform this Commission of the actions taken thereon within 60 days from the date of receipt.

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

Very truly yours,

COMMISSION ON AUDIT

By:


MA. LYDIA F. DE JOYA
Director IV

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The President of the Senate
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The National Library
The UP Law Center

EXECUTIVE SUMMARY

A. Introduction

1. Light Rail Transit Authority (LRTA) was created on July 12, 1980 under Executive Order No. 603, as amended. It was mandated to primarily construct, operate, maintain and/or lease the light rail transit systems in the Philippines.
2. LRTA is a wholly-owned government corporation with an authorized capital stock of P3.0 billion. Its powers and functions are vested and exercised by a Board of Directors composed of nine members, chaired by the Secretary of Department of Transportation, seven ex-officio members from Department of Finance, Department of Budget and Management, Department of Public Works and Highways, National Economic Development Authority, Land Transportation Franchising and Regulatory Board, Metropolitan Manila Development Authority, Administrator of LRTA and a representative from the private sector, appointed by the President of the Philippines. It is headed by an Administrator, assisted by two Deputy Administrators and 10 Department Managers.
3. LRTA is presently managing the Light Rail Transit Line 2 System which runs from Masinag, Antipolo City to Recto, Manila. On September 12, 2015, LRTA transferred the management and operations of Line 1 System (Baclaran, Parañaque City to Roosevelt, Quezon City) to Light Rail Manila Corporation (LRMC), a private firm, in accordance with the Concession Agreement dated October 2, 2014.

B. Financial Highlights

<i>Financial Position</i>			
	2021	2020 As restated	Increase (Decrease)
Assets	53,515,167,083	56,330,078,555	(2,814,911,472)
Liabilities	59,497,722,596	58,684,691,015	813,031,581
Equity	(5,982,555,513)	(2,354,612,460)	(3,627,943,053)

<i>Financial Performance</i>			
	2021	2020 As restated	Increase (Decrease)
Total Revenue	667,560,767	745,688,061	(78,127,294)
Total Current Operating Expenses	(5,477,371,892)	(5,840,447,679)	363,075,787
Gains	764,819,102	7,876,919	756,942,183
Losses	(276,504,790)	(324,608,730)	48,103,940
Subsidy from National Government	1,412,392,602	11,598,084,918	(10,185,692,316)
Net Surplus (Deficit)	(2,909,104,211)	6,186,593,489	(9,095,697,700)

Budget Utilization			
	Budget	Expenditures	Differences
Personal Services	519,020	491,538	27,482
Maintenance and Other Operating Expenses	994,728	692,262	302,466
Capital Outlay	6,362,351	855,432	5,506,919
Financial Expenses	3,041,932	0	3,041,932
Total Payments	10,918,031	2,039,232	8,878,799

C. Scope and Objectives of Audit

The audit covered the transactions, accounts and operations of LRTA for CY 2021. The audit was conducted to determine the (a) level of assurance that may be placed on management's assertions on the financial statements; (b) the propriety of transactions as well as compliance with existing rules and regulations and Management's policies; and (c) the extent of the implementation of prior years' audit recommendations.

The audit involved performing procedures to obtain audit evidence to determine the fairness of presentation of the financial statements and the propriety of the financial transactions, in accordance with the International Standards of Supreme Audit Institutions, applicable laws, rules and regulations.

D. Auditor's Opinion

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the LRTA as at December 31, 2021 due to the following:

1. Intra-agency Payable with balance of P1.283 billion as of December 31, 2021 and 2020, respectively, and Intra-agency Receivable presented under Receivables in the financial statements amounting to P399.520 million as of December 31, 2021 and 2020 remained unadjusted to proper accounts, hence overstated by P1.283 billion and P399.520 million, respectively, and other related accounts were misstated, contrary to the requirement of faithful representation under the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of International Public Sector Accounting Standards (IPSAS).
2. Property, Plant and Equipment (PPE) account of P43.952 billion and P47.380 billion as at December 31, 2021 and 2020 includes non-operational and heavily defective Trainsets under Transportation Equipment with carrying amounts of P1.725 billion and P2.171 billion were not provided with impairment loss contrary to the relevant provisions of IPSAS 26, Impairment of Cash-Generating Assets, hence the account is overstated by an undetermined amount.
3. The reliability of Due from National Government Agencies (PS-DBM) account presented under Receivables was not ascertained due to the unreconciled variance amounting to P31.513 million and P103.977 million as of December 31, 2021 and 2020, with the confirmed balance of PS-DBM.

For the above observations, we recommended that Management require the Accounting Division to:

1. Take up the adjustments for the remaining balances of Due to Line 1 NEP and Due from Line 1-South Extension Project under Intra-agency Payable and Intra-agency Receivable accounts amounting to P1.283 billion and P399.520 million, respectively, duly supported by documents.
2. Recognize impairment loss on the non-operational, heavily defective and obsolete PPE items and expedite the disposal to avoid further deterioration and decline in value thereof.
3. Coordinate with the Accounting Division of PS-DBM to reconcile the variance amounting to P31.513 million, and accordingly, take up the required adjustment.

E. Significant Audit Observations and Recommendations

In addition to the above audit observations which we considered in the rendition of a qualified opinion, presented below are other significant observations and recommendations, which are discussed in detail in Part II of the Report:

1. Payments to the Maintenance Contractor for the non-operational equipment line items amounting to P28.693 million for the periods January to November 2021 is not in accordance with Article 8.0.4 of the Terms of Reference of the Contract for the Maintenance of Manila LRT Line 2 System. Moreover, minimum train availability of 10 train sets was not provided by the Maintenance Contractor for the months of January to November 2021, and the applicable penalties were not imposed and deducted on the contractor's monthly payment, contrary to Article 8.1.3 and Article 9 of the contract, respectively.

Recommendations:

Management to:

- a. Provide legal basis for the payments to non-operational equipment line items amounting to P28.693 million for the periods January to November 2021, otherwise deduct to the claims or refund from the Maintenance Contractor;
 - b. Require the Maintenance Contractor to explain the non-compliance/non-achievement of the minimum train availability of 10 train sets; and
 - c. Require the Lines 1 and 2 Engineering Department to provide explanation/justification on the non-imposition of penalties on the Contractor's Monthly Payments as required in Article 9 of the Terms of Reference of the Contract despite the aforementioned deficiencies.
2. Interest earned from the project funds of Rehabilitation and Restoration Projects and Extension Projects invested in High Yield Savings Accounts (HYSA) amounting to P45.485 million and P185.849 million, respectively, for CYs 2020 and 2021 were transferred to various Corporate and OPEX/Payroll accounts of LRTA instead of the

fund for which the account was opened or maintained contrary to Section 65 (1) of Presidential Decree (PD) No. 1445, Section 5.3.2 of the Department of Finance (DOF) Circular No. 01-2017 dated May 11, 2017 and Article III of the Memorandum of Agreement for the Extension Projects.

Recommendations:

Management to remit to the BTr the interest earned from the HYSA of Rehabilitation and Restoration Projects amounting to P45.485 million and revert the interest earned amounting to P185.849 million for Extension Projects accounts transferred to various Corporate and OPEX/Payroll accounts in compliance with Section 65(1) of P.D. 1445, Section 5.3.2 of DOF Circular No. 01-2017 dated May 11, 2017 and Memorandum of Agreement for Extension Projects. Also, refrain from transferring the interest earned from one bank account to another bank account.

3. Fifty nine percent or 13 out of 22 Line 2 Rehabilitation Projects with an aggregate contract cost of P984.563 million were already delayed, ranging from 77 to 1,065 days as at December 31, 2021, from their target completion, thus, depriving the general public of the intended benefits that may be derived therefrom.

Recommendations:

Management to require the Planning Department and Line 2 PMO - Rehabilitation Projects end user to impose liquidated damages to contractors who have failed to satisfactorily complete the project within the target date of completion as required under Section 8.1 of Annex E of RIRR of RA 9184. Also, consider blacklisting of the contractors involved, and initiate the immediate take-over process of terminated projects, if necessary.

F. Status of Audit Suspensions, Disallowances and Charges

For CY 2021, there was no suspension, disallowance or charge issued. The Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2021 showed unsettled disallowances amounting to US\$58,800 and P167,716,580.18. Details are shown in Part II of the Report.

G. Status of Implementation of Prior Years' Recommendations

Of the 33 audit recommendations contained in the prior years' Annual Audit Report, 15 were fully implemented, and 18 were partially implemented. Details are presented in Part III of this Report.

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PART I – AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Light Rail Transit Authority
Marcos Highway, Santolan, Pasig City

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of **Light Rail Transit Authority (LRTA)**, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of financial performance, statements of changes in net assets/equity and statements of cash flows for the years then ended, and the statement of comparison of budget and actual amounts for the year ended December 31, 2021, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the LRTA as at December 31, 2021 and 2020 and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified Opinion

The Intra-agency Payable with balance of P1.283 billion as of December 31, 2021 and 2020, and Intra-agency Receivable presented under Receivables in the financial statements amounting to P399.520 million as of December 31, 2021 and 2020 remained unadjusted to proper accounts, hence overstated by P1.283 billion and P399.520 million, respectively, and other related accounts were misstated, contrary to the requirement of faithful representation under the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of International Public Sector Accounting Standards (IPSAS).

Further, the Property, Plant and Equipment (PPE) account of P43.952 billion and P47.380 billion as at December 31, 2021 and 2020 includes non-operational and heavily defective Trainsets under Transportation Equipment with carrying amounts of P1.725 billion and P2.171 billion were not provided with impairment loss contrary to the relevant provisions of IPSAS 26, *Impairment of Cash-Generating Assets*, hence the account is overstated by an undetermined amount.

Moreover, the reliability of Due from National Government Agencies (PS-DBM) account presented under Receivables was not ascertained due to the unreconciled variance

amounting to P31.513 million and P103.977 million as of December 31, 2021 and 2020, with the confirmed balance of PS-DBM.

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

Emphasis of Matter

We draw attention to Note 32 to the financial statements which disclosed that an arbitration case was instituted by the Philippine National Construction Corporation against LRTA for the recovery of various claims in connection with the contract for the design, supply, construction, installation and financing of the Metro Manila Light Rail Transit System No. 1 in the original amount of P1.4 billion. Management believes that the outcome of other claims and lawsuits would not have a material effect on the current year's financial statements. Our opinion is not modified in respect of this matter.

Other Matter

In our report dated June 28, 2021, we expressed a qualified opinion on the financial statements of the LRTA for the years ended December 31, 2020 and 2019 which includes the following qualifications: a) PPE sold thru public auction was not derecognized contrary to IPSAS 17, resulting to overstatement of the carrying amount of PPE by P141.459 million; b) abnormal balances of some PPE items costing P4.415 million; c) land subject for lease with an aggregate cost of P508.584 million was not reclassified to Investment Property contrary to IPSAS 16; d) unrecorded book reconciling items amounting to P206.153 million; e) stale checks amounting to P2.641 million were not yet reverted to CIB; and f) time deposit – foreign currency with peso equivalent of P3.137 million was not translated using the closing rate as at December 31, 2020 contrary to paragraph 27 of IPSAS 4.

The CY 2020 financial statements were restated to recognize adjustments on the derecognition of PPE sold at public auction, abnormal balances of PPE items, reclassification of land subject for lease as Investment Property, book reconciling items and stale checks, and time deposit foreign currency account translated using the closing rate. Also, because of Management's continuing efforts, the unadjusted book reconciling items and stale checks were significantly reduced in 2021. Accordingly, our present opinion on the 2020 financial statements is no longer qualified in respect of these matters.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs, and for such internal control as Management

determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 LRTA's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the LRTA's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the LRTA to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 31 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, except for the effects and possible effects of the matters described in the Bases for Qualified Opinion paragraphs, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT



TOMAS A. AGUILA
Supervising Auditor

June 23, 2022

STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS

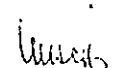
The Management of the LIGHT RAIL TRANSIT AUTHORITY is responsible for the preparation of the Financial Statements as at December 31, 2021, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

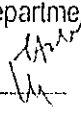
The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

The Commission on Audit has audited the financial statements of the Light Rail Transit Authority in accordance with the Philippine Public Sector Standards on Auditing and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


ARTHUR P. TUGADE
DOT SECRETARY

(Date Signed)


MARILOU B. LISCANO
Manager, Finance Department

6-22-2022 

Date Signed


JEREMY S. REGINO
Administrator

Date Signed

**LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021 and 2020**

	<u>NOTE</u>	<u>2021</u>	<u>2020</u> (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	5,274,185,501	5,856,614,709
Receivables	6	1,443,575,433	1,299,059,365
Inventories	7	760,910,418	675,894,678
Other Current Assets	12	186,407,483	231,676,890
Total Current Assets		<u>7,665,078,835</u>	<u>8,063,245,642</u>
Non-Current Assets			
Property, Plant and Equipment	8	43,952,362,070	46,885,202,679
Investments in Time Deposits	9	7,512,080	0
Investment Property	10	508,583,864	0
Other Investments	11	216,501	216,501
Other Non-Current Assets	12	1,381,413,733	1,381,413,733
Total Non-Current Assets		<u>45,850,088,248</u>	<u>48,266,832,913</u>
Total Assets		<u>53,515,167,083</u>	<u>56,330,078,555</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	13	2,031,787,690	2,004,141,256
Inter-Agency Payables	14	703,837,434	706,502,432
Intra-Agency Payables	15	1,283,353,083	1,283,353,083
Trust Liabilities	16	1,663,548,569	1,219,663,329
Deferred Credits and Unearned Revenue/Income	17	11,595,176	215,983,681
Other Payables	18	20,822,440	105,258,131
Provisions	19	134,896,430	0
Total Current Liabilities		<u>5,849,840,822</u>	<u>5,534,901,912</u>
Non-Current Liabilities			
Financial Liabilities	13	12,969,282,542	15,552,305,545
Inter-Agency Payables	14	40,678,599,232	37,597,483,558
Total Non-Current Liabilities		<u>53,647,881,774</u>	<u>53,149,789,103</u>
Total Liabilities		<u>59,497,722,596</u>	<u>58,684,691,015</u>
Net Assets (Total Assets Less Total Liabilities)		<u>(5,982,555,513)</u>	<u>(2,354,612,460)</u>
NET ASSETS/EQUITY			
Government Equity		20,645,464,901	21,623,073,456
Contributed Capital		35,357,321	35,357,321
Accumulated Deficit		(26,663,377,735)	(24,013,043,237)
Total Net Assets/Equity		<u>(5,982,555,513)</u>	<u>(2,354,612,460)</u>

The notes on pages 11 to 48 form part of these statements.

LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	<u>NOTE</u>	<u>2021</u>	<u>2020</u> (As Restated)
Revenue			
Service and Business Income	20	667,560,767	745,688,061
Total Revenue		<u>667,560,767</u>	<u>745,688,061</u>
Current Operating Expenses			
Personnel Services	21	(517,106,041)	(512,758,200)
Maintenance and Other Operating Expenses	22	(125,721,959)	(153,159,707)
Financial Expenses	23	(1,403,978,432)	(1,849,204,088)
Direct Costs	24	(937,762,103)	(720,707,777)
Non-Cash Expenses	25	(2,492,803,357)	(2,604,617,907)
Total Current Operating Expenses		<u>(5,477,371,892)</u>	<u>(5,840,447,679)</u>
Deficit from Current Operations		<u>(4,809,811,125)</u>	<u>(5,094,759,618)</u>
Gains	26	764,819,102	7,876,919
Losses	26	(276,504,790)	(324,608,730)
Deficit		<u>(4,321,496,813)</u>	<u>(5,411,491,429)</u>
Subsidy from National Government	27	1,412,392,602	11,598,084,918
Net Surplus/(Deficit) for the Period		<u>(2,909,104,211)</u>	<u>6,186,593,489</u>

The notes on pages 11 to 48 form part of these statements.

LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	Accumulated Surplus/(Deficit)	Government Equity	Contributed Capital	Total
BALANCE AT JANUARY 1, 2020	(28,624,664,200)	21,622,380,348	35,693,626	(6,966,590,226)
Changes in Net Assets/Equity for CY 2020				
Add/(Deduct):				
Surplus for the Period	6,186,593,489	0	0	6,186,593,489
Additional Capital from National Government	0	693,108	0	693,108
Other Adjustments	(1,574,972,526)	0	(336,305)	(1,575,308,831)
RESTATED BALANCE AT DECEMBER 31, 2020	(24,013,043,237)	21,623,073,456	35,357,321	(2,354,612,460)
Changes in Net Assets/Equity for CY 2021				
Add/(Deduct):				
Deficit for the Period	(2,909,104,211)	0	0	(2,909,104,211)
Additional Capital from National Government	0	0	0	0
Other Adjustments	258,769,713	(977,608,555)	0	(718,838,842)
BALANCE AT DECEMBER 31, 2021	(26,663,377,735)	20,645,464,901	35,357,321	(5,982,555,513)

The notes on pages 11 to 48 form part of this statement.

LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2021 and 2020

	<u>2021</u>	<u>2020</u> (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Revenue	309,639,791	289,448,352
Receipts of Assistance/Subsidy	1,018,152,000	820,250,000
Receipts of Inter-Agency Fund Transfers	0	6,791,007,351
Trust Receipts	25,964,170	1,080,232,412
Other Receipts	47,915,313	55,544,494
Total Cash Inflows	<u>1,401,671,274</u>	<u>9,036,482,609</u>
Cash Outflows		
Payment of Expenses	1,113,102,938	1,113,886,850
Purchase of Inventories	459,928,622	469,541,764
Other Disbursement	70,697,364	1,052,777,156
Total Cash Outflows	<u>1,643,728,924</u>	<u>2,636,205,770</u>
Net Cash Provided by/(Used in) Operating Activities	<u>(242,057,650)</u>	<u>6,400,276,839</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Sale/Disposal of Property, Plant and Equipment	1,913,864	625,000
Receipts of Interest Earned	53,218,208	155,211,334
Total Cash Inflows	<u>55,132,072</u>	<u>155,836,334</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	395,503,630	767,023,167
Total Cash Outflows	<u>395,503,630</u>	<u>767,023,167</u>
Net Cash Used in Investing Activities	<u>(340,371,558)</u>	<u>(611,186,833)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Long-Term Liabilities	0	13,627,750
Payment of Interest on Loans and Other Financial Charges	0	2,786,572
Total Cash Outflows	<u>0</u>	<u>16,414,322</u>
Net Cash Used in Financing Activities	<u>0</u>	<u>(16,414,322)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	<u>(582,429,208)</u>	<u>5,772,675,684</u>
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>5,856,614,709</u>	<u>83,939,025</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u>5,274,185,501</u>	<u>5,856,614,709</u>

The notes on pages 11 to 48 form part of these statements.

LIGHT RAIL TRANSIT AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2021

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Service and Business Income	4,580,559	4,580,560	6,283,266	(1,702,706)
Assistance and Subsidy	6,340,715	6,340,715	1,030,152	5,310,563
Total Receipts	10,921,274	10,921,275	7,313,418	3,607,857
PAYMENTS				
Personnel Services	519,020	519,020	491,538	27,482
Maintenance and Other Operating Expenses	997,971	994,728	692,262	302,466
Capital Outlay	6,362,351	6,362,351	855,432	5,506,919
Financial Expenses	3,041,932	3,041,932	0	3,041,932
Total Payments	10,921,274	10,918,031	2,039,232	8,878,799
NET RECEIPTS/PAYMENTS	0	3,244	5,274,186	(5,270,942)

The notes on pages 11 to 48 form part of this statement.

LIGHT RAIL TRANSIT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2021 and 2020

1. GENERAL INFORMATION

The Light Rail Transit Authority (LRTA) was created on July 12, 1980, under Executive Order (EO) No. 603, amended by EO No. 830 and EO No. 210 on September 22, 1982, and July 7, 1987, respectively. It is primarily responsible for the construction, operation, maintenance and/or lease of LRT Systems in Metro Manila and other metropolitan areas of the country.

LRTA is recognized as the premiere rail transit in the country providing reliable, efficient, dependable and environmental-friendly mass rail services to residents of Metro Manila. It is a wholly-owned government corporation with an authorized capital of P3.0 billion. Corporate powers and functions are vested and exercised by its Board of Directors composed of nine members, chaired by the Secretary of Department of Transportation (DOTr), seven ex-officio members from the Department of Finance (DOF), Department of Budget and Management (DBM), Department of Public Works and Highways (DPWH), National Economic Development Authority (NEDA), Land Transportation Franchising and Regulatory Board (LTFRB), Metropolitan Manila Development Authority (MMDA), Administrator of LRTA and a representative from the private sector, appointed by the President of the Philippines. It is headed by an Administrator, assisted by two Deputy Administrators and 10 Department Managers.

LRTA is presently managing the Light Rail Transit Line 2 System which runs from Masinag, Antipolo City to Recto, Manila. On September 12, 2015, LRTA transferred the management and operations of Line 1 System (Baclaran, Paranaque City to Roosevelt, Quezon City) to Light Rail Manila Corporation (LRMC), a private firm, in accordance with the Concession Agreement dated October 2, 2014.

The LRTA manpower as of December 31, 2021 is composed of 331 permanent, 409 contractual, 175 contract of services and 55 PMO's contractual employees.

The LRTA's registered office is located in LRTA Compound, Marcos Highway, Santolan, Pasig City.

2. STATUS OF OPERATIONS

2.1 Railway Operations

The LRTA services have been a critical part of the daily lives of the commuting public. A pioneer of the industry, it has become the country's prime mover in the rail transport sector serving the needs of millions of Filipinos by exploring avenues where the LRT System could continuously provide efficient transport services while promoting economy and efficiency of operations.

2.1.1 *Line 1 System*

- a. Constructed in September 1981 the Line 1 System is the first LRT system in Southeast Asia. It has a total route length of 20.7-kilometer elevated track with 20 stations from Baclaran to Roosevelt. These trains have a maximum capacity of 3,864 passengers. It transports about 475,000 passengers on a weekday basis. It is served by a mixed fleet of three types of rolling stocks in the configuration of three or four cars or light rail vehicles (LRVs).
- b. In providing quality and seamless mobility, the LRTA upholds its core value of genuine public service through partnership projects and programs with various stakeholders in both government and private entities and development partners. To improve the existing Line 1 System that currently provides access to Central Manila and expands this further at its south end particularly to the Cavite Province, the Department of Transportation (DOTr), formerly known as Department of Transportation and Communication, and LRTA, as Grantors, entered into a Concession Agreement under the Public-Private Partnership (PPP) with Light Rail Manila Corporation (LRMC) to operate and maintain the existing Line 1 System. Construct the LRT Line 1 Cavite Extension. Under this Concession Agreement, LRMC will finance 50 percent of the construction costs. Thus, the Operation and Maintenance of existing LRT 1 System was handed over to the LRMC, the private concessionaire, on September 12, 2015. The first and second concession payments amounted to P1.807 billion (tax inclusive). LRTA's share as co-grantor of DOTr in the amount of P935.010 million was directly paid to the Bureau of the Treasury (BTr) by LRMC and the rest is DOTr's share as grantor. The Agency's share in the bid premium amounting to P834.8 million was applied by the BTr to NG Advances in 2016 and was only recorded in LRTA's book on December 31, 2016 after receipt of supporting documents from the BTr. Adjustments were made in CY 2019 to recognized the share in Service Concession Revenue and Receivable in compliance with IPSAS 32 on Service Concession Arrangements (SCA) – Grantor and paragraph 7 of IPSAS 1 on accrual basis of accounting.

2.1.2 *Line 2 System*

- a. The LRT Line 2 System has a total route of 13.8-kilometer track of 11 stations consisting of ten elevated and one underground station from Santolan in Pasig to Recto in Manila. Two additional stations were inaugurated on July 1, 2021 with the completion of the Line 2 East Extension Project- the Marikina Station, which is located at Emerald Drive in front of Robinsons Place Metro East and Sta Lucia in Cainta, Rizal and the Antipolo Station, which was located before the Masinag Junction in Antipolo City. Line 2 was Also known as the "Megatren", the LRT Line 2 is the latest among the

three rail systems. It is equipped with a CCTV system and Braille tactile along the lanes and elevators to guide blind passengers during boarding and alighting the train and stations. On a daily basis, Line 2 is transporting an estimate of 200,000 passengers and can accommodate up to 500,000 due to its wider interior and larger capacity compared to Line 1 and with automatic vending machines, which enable the passengers to buy tickets without queuing at the ticket booths. It has a fleet of 18 four-car trains, each of which has a capacity of 1,628 passengers.

- b. In compliance with Republic Act (RA) No. 10149, better known as the GOCC Governance Act of 2011, the Governance Commission for GOCC's (GCG) mandates the LRTA to actively implement the Performance Evaluation System (PES). For CY 2021 on going submission of the mandatory requirements for performance accomplishment. In 2021, Line 2 transported 11.84 million passengers with a daily average of 33,267 passengers, while in 2020 LRTA transported 12.50 million passengers for a decrease of 0.66 million, (5.28%) percent.
- c. As to financial standing, the Authority has sustained a negative ratio of Rail Revenue and Direct Operating Costs of 1:0.15, this means that the Rail Revenue generated by LRTA is not enough to cover its Operating Expenses for the year, excluding the disbursements for the ongoing Projects.
- d. Gross Rail Revenue collection during 2021 amounted to P229.96 million or 6 percent higher than the P216.24 million in 2020. The increase in revenue is due to the implementation of Enhance Community Quarantine on March 17, 2020, wherein no Public Transport was allowed to Operate while in 2021 Public Transport was allowed to operate but with limited capacity. Reduction in ridership patronage was due to Health Protocols observe in order to prevent the spread of the Coronavirus disease 2019 (COVID-19).
- e. On the other hand, Total Non-Rail Revenue collection for CY 2021 was P437.57 million comprising income from rental of commercial and advertising spaces, Interest Income, Other Service Income Other Miscellaneous Income and Service Concession Revenue. This is Seventeen Percent (17%) percent lower than the CY 2020 Non-Rail Revenue of P529.45 million.

2.1.3 *Contactless Ticketing System*

This Automated Ticketing System Project made fare collection systems of LRT Lines 1 and 2 and MRT 3 interoperable, that reduced the transfer time, passengers' inconvenience and costs between the three lines. The DOTr and the AF Consortium signed the Concession Agreement for the Automated Fare Collection System Project on March 31, 2014. This System started in October 2015.

2.2 Railway Projects

As the seat of the Government and the center of economic activity and commercial development, Metro Manila, as well as nearby cities, has experienced rapid urbanization and dramatic rise in the population through the years. In response to the rising demand for high-speed mobility and motorization, the LRTA has taken initial steps in bringing a medium, sustainable mass transportation that does not only promise a safe, fast, reliable, and efficient service to the riding public, but also spurs economic growth in generating revenues for the government through its operations and non-rail activities.

To provide better service to valued commuters, LRTA has continued the implementation of Passenger Boarding Limit per Platform and Train Trip which gained positive feedback from commuters. LRTA also created its official Facebook and Twitter accounts, which made filing of Customer Complaints Feedback Report easier.

A summary of the status of LRTA programs and projects:

a. Line 1 North Extension (Closing the Loop) Project

In an Agreement dated September 28, 2016, the government and its major conglomerates agreed to construct a Common Station between SM North Edsa and Trinoma malls that will link the Line 1 North Extension and Metro Rail Transit Line (MRT) Line 3. The project was assumed by the DOTr under the North Triangle Common Station Project.

b. Line 1 South (Cavite) Extension Project

The project involves the construction of approximately 11.7 km railway line from its tie in point at the terminus of LRT Line 1 at the Baclaran Terminal to Niog Station at Bacoor, Cavite, of which approximately 10.5 km will be elevated and 1.2 km will be at-grade. Eight stations will be constructed with a provision for two (2) additional stations. Intermodal facilities will also be installed at high-demand stations, namely Niog, Zapote, and Dr. Santos Stations. These are the deliverables of the Concessionaire (LRMC).

Meanwhile, Grantors (DOTr & LRTA) will deliver the Right of Way (ROW) acquisition along the project alignment including the Grantors Procured Items (GPI) such as the procurement of thirty (30) 4-car trains or 120 light rail vehicles (LRVs) and construction of new satellite depot and expansion of the existing depot.

As of December 31, 2021, the Concessionaire's physical accomplishment for the Cavite Extension Works - ROW Package 1 posted 74.40% complete and set for partial operation by September 2024. Further, the Grantors overall physical accomplishment posted 70.34% complete.

c. *Line 2 East Extension Project*

It is the extension of the existing LRT Line 2 by 3.793km eastward from the existing Santolan Station at Marcos Highway, terminating at the intersection of Marcos Highway and Sumulong Highway with two (2) additional stations proposed (1) Emerald Station in front of Robinson's Metro East Mall and the Sta. Lucia East Grand Mall in Cainta; and (2) Masinag Station near the junction of Marcos Highway and Sumulong Highway in Masinag, Antipolo City. The two additional stations were renamed to Marikina and Antipolo Station and were inaugurated on July 1, 2021.

The project aims to provide rapid and reliable mode of transit to the east of Manila, and to various strategic commercial, industrial and educational districts in Metro Manila either through direct access from LRT Line 2 itself or through interconnections with other LRT's or modes of transport.

d. *Line 2 West Extension Project*

The project involves the design and construction of the extension for the existing LRT Line 2, with a total length of approximately 3.02 kms. from the Recto Station extending westward to the Pier 4 area including the turn back track. The three (3) proposed additional stations includes (a) Tutuban Station located next to the Cluster mall; (b) Divisoria Station located west of the Recto Avenue and Asuncion Street Intersection, and (c) Pier 4 Station located 50 meters north of Zaragoza Street, Manila.

The project will include right-of-way acquisition (ROWA), as well as procurement of additional electromechanical requirement including five (5) new 4-car Rolling stock. As of December 31, 2021, the project was 0.93% completed.

e. *LRTA Rehabilitation Projects*

These projects involve major repair/rehabilitation of existing Line 2 rolling stock, systems, structures and facilities such as repair of viaduct of the carriageway, rail replacement, replacement of parapet walls between stations, replacement of gantry anchor bolts at LRT revenue lines, rehabilitation/repair of Light Rail Vehicles (LRV's), etc.

These projects were designed to address the problems of deteriorating rolling stocks, tracks and facilities and to increase the number of running trains and enhance the safety and reliability of the LRT Systems.

Completed Projects in 2020 and 2021 are as follow:

1. Restoration of Fiber Optic Cable Communication Backbone at LRTA Line 2. Completed on January 25, 2020
2. Systematic Replacement of Compressor Motor Control Unit (CMCU). Completed on June 3, 2020

3. Restoration of Damaged / Burnt Cable Trays, Walkways and other Appurtenances near OCS Pole 370 (between Anonas and Katipunan Station). Completed on June 29, 2020
4. Installation of Overhead Catenary System (OCS) Lightning Protection System-Phase II. Completed on October 20, 2020
5. Acquisition of Rail Grinding Machine (Equipped with Air Conditioning Control Cab. Completed on December 7, 2020
6. Restoration & Upgrading of Power Cables at Depot Stabling and Pureza Area. Certificate of Project Acceptance signed on June 9, 2021
7. Re-engineering and Rebuilt of Train VVVF Control Unit. Completed on July 5, 2021
8. Restoration of various equipment of Santolan Station Electrical Equipment Room Damaged by Fire. Completed on September 1, 2021
9. Repair/Restoration of Trainsets Nos. 18 and 13. Completed on September 10, 2021
10. Supply, Delivery, Installation, Testing and Commissioning of Uninterrupted Power Supply System (UPS). Completed on September 20, 2021
11. Improvement/Extension of Philippine Railway Training Center (PRTC) Training Room/Office at LRTA Line 2. Certificate of Acceptance issued on November 11, 2021

f. Acquisition of New Trainsets

This is a multi-year project that covers the design, delivery, testing and commissioning of fourteen (14) brand new trainsets complete with on-board signaling and communication equipment in anticipation of the operation of the LRT Line 2 extension projects. The new trainsets will increase train availability and capacity, improve headway as well as enable the flexibility in the scheduling of Rolling Stocks maintenance to meet customer requirements and expectations for safe, fast and reliable LRT service.

Status:

November 2021 – December 2021 – The Project will be deferred to 2023 as per the proposed revised list of priority projects submitted by the Engineering Department.

July 2020 – October 2021 – Ongoing preparation of required documents for submission to NEDA-ICC and DOF.

3. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENT

The financial statements have been prepared in compliance with International Public Sector Accounting Standards (IPSASs) prescribed by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014, COA Resolution No.

2017-006 dated April 16, 2017 and COA Resolution No. 2020-01 dated January 09, 2020. It adopted appropriate accounting standards, which prescribed new accounting measurement and disclosure practices in conformity with IPSASs and accompanying Philippine Accounting Guidelines (PAG) as follows:

IPSAS 1 - Presentation of Financial Statements prescribes the manner in which financial statements should be presented to ensure comparability both with the entity's financial statements of previous periods and with the financial statements of other entities. It provides criteria for classifying assets as current assets and other assets shall be classified as non-current.

IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors states that to the extent that a change in an accounting estimate gives rise to changes in assets or liabilities, or relates to an item of equity, it is recognized by adjusting the carrying amount of the related asset, liability or equity item in the period of the change.

IPSAS 4 - The Effects of Changes in Foreign Exchange Rates prescribes the accounting treatment for foreign currency transactions and provides guidance on the translation method and on determining the functional and presentation currencies of a reporting entity. Under this standard, foreign exchange differences are now recognized in Net Income or Loss since capitalization of the same is no longer permitted in any circumstances.

IPSAS 12 - Inventories prescribes the accounting treatment for inventories. It provides guidelines on the determination of cost and its subsequent recognition as an expense, as well as cost formula that are used to assign costs to inventories. Property Plant and Equipment (PPE) that are still under the custody of the property custodian starting January 1, 2016 shall be reclassified as semi-expendable office equipment if the cost is below P15,000.

IPSAS 14 - Events after the Reporting Date requires disclosure of the date of authorization for issue of the entity's financial statements and who gave such authorization.

The financial statements have been prepared on accrual basis using the historical cost, unless stated otherwise. The Statement of Cash Flows prepared using direct method.

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

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

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of Accounting

The preparation of financial statements requires Management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The

estimates and assumptions used are based on Management's evaluation of relevant facts and circumstances as of the date of the financial statements. Actual results may differ from such estimates.

The CY 2021 financial statements of LRTA are in compliance with COA Circular No. 2020-002 dated January 28, 2020, Adoption of the Updated Revised Chart of Accounts for Government Corporations (2019).

4.2 Revenue Recognition

Revenues are measured at the fair value of the consideration received and represent receivables for service in the normal course of business.

4.2.1 Operations

LRTA uses the cash basis of accounting for its revenues from rail operations, and non-rail revenues generated from rental of commercial and advertising spaces.

4.2.2 Interest Income

Interest income on High Yield Savings, special and time deposits is accrued on a time proportion basis, by reference to the principal amount outstanding and at the interest rates applicable.

4.2.3 Subsidy

In accordance with existing accounting and auditing laws, rules and regulations, subsidies received from the National Government to fund railway projects, as well as downloaded funds from DOTr are recognized as Subsidy Income.

4.3 Property, Plant and Equipment

Property, Plant and Equipment that qualifies for recognition as an Asset measured at cost less accumulated depreciation. The initial cost of fixed assets consists of its purchase price including import duties and non-refundable purchase taxes and any costs directly attributable in bringing the asset to its working condition and location, for its intended use. It also includes interest on borrowed funds used during the construction period. After the assets have been put into operations subsequent expenditures are charged to operations, except in situations where it can be clearly demonstrated that the expenditures have resulted in an increase in future economic benefits and are capitalized as additional costs of the assets.

Depreciation is computed on a straight-line basis over the following estimated useful lives of the assets:

Major Asset Category	Estimated Useful Life in Years
Land Improvement	10
Office Building	50
Building-Other Structures	30-50
Transportation Equipment-Trains	10-20
Electrification, Power and Energy Structures	30
Other Property, Plant and Equipment	2-15
Signaling Equipment	15
Communication Equipment	15
Furniture and Fixtures	2-15
IT Equipment and Software	2-15
Other Machinery and Equipment	2-15
Water Pumping System	5-15
Office Equipment	5-15
Machinery	5-15
Motor Vehicles	5-15

The estimated useful lives are reviewed periodically and are updated if expectations differ from previous estimates. It is also based on collective assessment of industry practice, internal technical evaluation and experience with similar assets and issuances or policies on the matter by COA.

4.4 Construction-in-Progress

Construction-in-Progress is stated at cost. This includes the cost of construction, plant and equipment and other direct costs. Depreciation is taken up when the relevant assets are completed and put into operational use.

4.5 Foreign Currency Transaction

Transactions denominated in foreign currencies are initially recorded in the functional currency prevailing at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are restated using the Philippine Dealing and Exchange Corporation System (PDEX) rate as of December 31, 2021. The resulting gains or losses arising from the exchange differences are recognized in the Statement of Comprehensive Income, in compliance with IPSAS 4.

4.6 Borrowing Costs

Borrowing costs include interest charges, guarantee fees and other costs incurred in connection with the loans used to finance the projects. It is generally expensed as incurred. However, borrowing costs are capitalized if they are directly attributable to the acquisition, construction or production of a qualifying asset and prior to the commencement of operation.

4.7 Cash and Cash Equivalents

Cash includes cash on hand and in banks. LRTA considers all highly liquid instruments that are readily convertible to known amounts of cash with original maturities of three months or less from the date of acquisition as cash equivalents.

4.8 Receivables

Receivables are stated at face value, net of allowance for doubtful accounts. Allowance for Impairment-Receivables is established as a certain percentage of age of receivables, as shown below:

Age	Percent
Over 1 year to 2 years	10
Over 2 years to 3 years	15
Over 3 years to 4 years	20
Over 4 years to 5 years	25
Over 5 years to 7 years	50
Over 7 years to 8 years	75
Over 8 years to 9 years	90
Over 10 years	100

This percentage is based on a collective assessment of historical collection, write-down experiences and specific identification of uncollectible accounts. The policy on the determination of bad debt expense and the writing down of long outstanding receivables was approved by the LRTA Board of Directors in a meeting held on December 16, 2009.

4.9 Inventories

Inventories are stated at cost, which include acquisition cost of inventories purchased.

4.10 Contingencies

At present, the Authority has several pending legal and expropriation cases. The estimates of the probable costs for the settlement of these claims have been developed in consultation with the counsels handling the defense on these matters and based on an analysis of potential results. Contingent liabilities are not recognized in the financial statements but the possible contingent claims are disclosed in Note 32 - Other Matters. Similarly, a contingent asset is not recognized but disclosed when an inflow of economic benefits is probable.

5. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	2021	2020 (As restated)
Cash on Hand	1,700,932	2,715,701
Cash in Banks-Local Currency	5,266,096,215	5,840,293,962
Cash in Banks-Foreign Currency	3,230,579	3,298,738
Cash Equivalents	3,157,775	10,306,308
Total	5,274,185,501	5,856,614,709

Cash and Cash Equivalents include the following restricted funds:

- a. *Line 1 South, Rehabilitation Projects and North Extension Projects* represent the balances of the subsidies received from the National Government intended for the aforesaid projects. These also includes downloaded funds from DOTr. Funds are deposited under separate bank accounts and all interests accruing on these deposits are taken up as current income. These are considered restricted cash since these are funds intended for specific purposes. This was reclassified to Cash and cash equivalents in CY2020.
- b. *Financial Assistance to Passengers* represents cash set up to cover expenses of passengers in case of accident.
- c. *Collaterals for Legal Cases* are appeal bonds on various labor cases filed by former employees of Metro Transit Organization, Inc. which were paid by LRTA in 2016.

6. RECEIVABLES

This account consists of the following:

Particulars	2021	2020
Receivables	825,170,353	562,229,185
Lease Receivables	4,467,419	5,611,794
Inter-Agency Receivables	178,308,443	295,994,306
Intra-Agency Receivables	399,520,033	399,520,033
Other Receivables	36,109,185	35,704,047
Total	1,443,575,433	1,299,059,365

6.1 Receivables

Particulars	2021	2020
Interest Receivable	7,731,957	5,675,382
Dividend Receivable	4,099	4,099
<i>Allowance for Impairment Loss</i>	(4,099)	(4,099)
Net Value of Dividend Receivables	0	0

Particulars	2021	2020
Service Concession Arrangement Receivable	817,438,396	556,553,803
Total	825,170,353	562,229,185

Interest Receivables are receivable on High Yield Savings Accounts

Service Concession Arrangement Receivable represents the accrual on the concession payments for the Manila LRT 1 Extension, Operation and Maintenance Project.

6.2 Lease Receivables

Particulars	2021	2020
Operating Lease Receivable	5,611,794	5,611,794
Allowance for Impairment Loss	(1,144,375)	0
Total	4,467,419	5,611,794

6.3 Inter-Agency Receivables

Particulars	2021	2020
Due from National Government Agency	177,349,866	295,035,729
Due from Government Corporation	261,077	261,077
Due from Subsidiaries and Affiliates	697,500	697,500
Total	178,308,443	295,994,306

6.4 Intra-Agency Receivables

Particulars	2021	2020
Due from Line 1 South Extension Project	399,520,033	399,520,033

Due from National Government Agency pertains mainly to the funds transferred to Procurement Service-Department of Budget and Management (PS-DBM) for the procurement of supplies, equipment, infrastructure projects and consultancy services pursuant to the Memorandum of Agreement dated September 16, 2015 entered into by the former and LRTA.

6.5 Other Receivables

Particulars	2021	2020
Receivables-Disallowance/Charge	35,087,115	35,092,414
Due from Officers and Employees	340,626	182,696
Other Receivables	30,452,348	30,452,348
Allowance for Impairment Loss	(29,770,904)	(30,023,411)
Total	36,109,185	35,704,047

Other Receivables includes Due from Officers and Employees, Receivables on various disallowances and charges, Commercial Space and Advertising receivables, Due from Line 2 contractors.

6.6 Aging/Analysis of the Receivables

Gross	Total	Current	Past Due		
			<30 days	30-60days	>60days
Interest Receivable	7,731,957	7,731,957	0	0	0
Service Concession					
Arrangement Receivable	817,438,396	0	0	521,769,188	295,669,208
Lease Receivable	4,467,419	0	0	0	4,467,419
Inter-Agency Receivables	178,308,443	0	0	695,338	177,613,105
Intra-Agency Receivables	399,520,033	0	0	0	399,520,033
Other Receivables	36,109,185	0	0	163,167	35,946,018
Total	1,443,575,433	7,731,957	0	522,627,693	913,215,783

7. INVENTORIES

This account consists of inventory held for consumption:

Particulars	2021	2020
		(As restated)
Spare parts Inventory	758,351,299	672,460,663
Office Supplies Inventory	1,784,044	2,537,175
Other Supplies and Materials Inventory	775,075	896,840
Total	760,910,418	675,894,678

Spare Parts Inventory are spare parts being used/maintained for the repair and maintenance of rolling stocks and other system facilities.

Other Supplies and Materials Inventory are supplies and materials used for the maintenance Service Vehicles and for COVID-19 related supplies.

8. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following for CY 2021:

Particulars	Land & Land Improvement	Buildings & Other Structures	Infrastructure Assets	Machinery & Equipment	Transportation Equipment	Furniture & Fixtures	AFCs Equipment	Service Concession Assets	Construction In Progress	TOTAL
Carrying Value January 1, 2021	7,076,911,850	1,051,551,334	12,948,266,737	390,002,784	2,258,067,039	774,710	98,985,952	20,949,390,094	2,111,252,179	46,885,202,679
Additions	0	0	123,334,978	23,016,455	5,264,000	235,000	0	0	280,522,913	412,373,346
Disposals	(164,678,342)	(25,880,021)	(870,503,071)	(4,590,486)	(3,170,095)	0	(77,808,024)	(299,817,915)	(189,853,880)	(853,302,464)
Total	6,912,233,508	1,025,671,313	12,984,098,014	408,428,753	2,260,160,944	1,009,710	21,177,928	20,649,572,179	2,181,921,212	46,444,273,561
Depreciation	(6,945,707)	(39,979,093)	(366,813,663)	(55,826,004)	(519,166,644)	(171,432)	0	(1,503,008,948)	0	(2,491,911,491)
Carrying Value Dec 31, 2021	6,905,287,801	985,692,220	12,617,284,351	352,602,749	1,740,994,300	838,278	21,177,928	19,146,563,231	2,181,921,212	43,952,362,070
Cost	6,923,024,944	1,508,355,477	21,685,764,085	919,001,408	6,037,299,088	8,896,629	213,914,263	38,943,249,581	2,181,921,212	78,421,426,887
Acc. Dep.	(17,737,143)	(522,663,257)	(8,722,529,835)	(566,398,659)	(4,296,304,788)	(8,058,351)	(111,371,628)	(19,796,686,350)	0	(34,041,750,011)
Impairment Losses	0	0	(345,949,89)	0	0	0	(81,364,707)	0	0	(427,314,606)
Carrying Value Dec 31, 2021	6,905,287,801	985,692,220	12,617,284,351	352,602,749	1,740,994,300	838,278	21,177,928	19,146,563,231	2,181,921,212	43,952,362,070

Property, Plant and Equipment
As at December 31, 2020

Particulars	Land & Land Improvement	Buildings & Other Structures	Infrastructure Assets	Machinery & Equipment	Transportation Equipment	Furniture & Fixtures	AFCS Equipment	Service Concession Assets	Construction In Progress	TOTAL
Carrying Value January 1, 2020	10,022,699,582	1,083,618,234	14,123,177,662	216,456,278	2,683,697,251	55,173	0	19,559,365,613	1,991,204,753	49,880,274,546
Depreciation	854,638,992	0	2,500,000	207,927,355	87,150,898	649,000	0	3,377,007,511	120,047,426	4,649,921,181
Impairment	(3,799,145,318)	0	(466,421,358)	(135,286)	0	94,239	98,985,952	(328,283,127)	0	(4,494,904,898)
Net	7,078,193,256	1,083,618,234	13,313,306,404	424,248,347	2,770,848,149	798,412	98,985,952	22,608,089,997	2,111,252,179	49,835,290,829
Accumulated Depreciation	(1,281,406)	(32,066,900)	(365,039,668)	(34,245,563)	(512,781,110)	(23,702)	0	(1,658,699,903)	0	(2,604,138,251)
Impairment Loss	0	0	(345,949,899)	0	0	0	0	0	0	(345,949,899)
Carrying Value December 31, 2020	7,076,911,850	1,051,551,334	12,948,266,737	390,002,784	2,258,067,039	774,710	98,985,952	20,949,390,094	2,111,252,179	46,885,202,679
Net	7,087,703,286	1,513,619,476	21,562,429,106	896,005,008	6,032,035,088	8,661,629	112,612,307	39,380,103,840	2,111,252,179	78,704,421,919
Depreciation	(10,791,436)	(462,068,142)	(8,268,212,470)	(506,002,224)	(3,773,968,049)	(7,886,919)	(13,626,355)	(18,430,713,746)	0	(31,473,269,341)
Impairment Loss	0	0	(345,949,899)	0	0	0	0	0	0	(345,949,899)
Carrying Value December 31, 2020	7,076,911,850	1,051,551,334	12,948,266,737	390,002,784	2,258,067,039	774,710	98,985,952	20,949,390,094	2,111,252,179	46,885,202,679

9. INVESTMENTS IN TIME DEPOSITS

Particulars	2021	2020
Investments in Time Deposits-Local Currency	1,096,344	0
Investments in Time Deposits-Foreign Currency	6,415,736	0
Total	7,512,080	0

Investment in Time Deposits are mainly placement of time Deposit for 91 days or more.

10. INVESTMENT PROPERTY

Particulars	2021	2020
Investment Property-Land	508,583,864	0
Accumulated Impairment Loss	0	0
Total	508,583,864	0

11. OTHER INVESTMENTS

Particulars	2021	2020
Other Investments	14,716,501	14,716,501
Allowance for Impairment Loss	14,500,000	14,500,000
Total	216,501	216,501

This account pertains to investments in PLDT, Inc. (formerly known as the Philippine Long Distance Telephone Company).

12. OTHER ASSETS

This account consists of the following:

Particulars	2021	2020 (As restated)
Other Current Assets	186,407,483	231,676,890
Other Non-Current Assets	1,381,413,733	1,381,413,733
Total	1,568,037,717	1,613,090,623

12.1 Other Current Assets

Particulars	2021	2020 (As restated)
Input Tax	40,241,952	55,699,708
Advances to Contractors	88,376,007	122,489,627
Prepaid Insurance	2,552,122	2,280,551
Other Prepayments	474,840	474,840
Withholding Tax at Source	17,676,461	11,620,188
Guaranty Deposits	37,086,101	31,183,531
Deposit on Letters of Credit	0	7,928,445
Total	186,407,483	231,676,890

Input Tax refers to value-added taxes imposed on local purchases of goods and services, which are deductibles from output taxes on rental or lease income of property.

Advances to Contractors consist of 15 percent mobilization fees on infrastructure projects.

Guaranty Deposits account pertains to the deposits required by various creditors to guarantee payment of utilities such as MERALCO, water companies and gasoline stations.

Deposits on Letters of Credit cover additional works on Line 1 Capacity Expansion Project, Package B and Supplemental Agreement.

12.2 Other Non-Current Assets

This account is composed of the following:

Particulars	2021	2020 (As restated)
Other Assets	1,381,413,733	1,381,413,733
Less: Accumulated Impairment Losses- Other Assets	0	0
Total	1,381,413,733	1,381,413,733

Other Assets consist mainly of Line 1 North Extension Fund and unserviceable equipment of Automated Fare Collection System using magnetic tickets, which were already replaced by Beep Cards or contactless ticketing system.

13. FINANCIAL LIABILITIES

This account consists of the following:

Particulars	2021		2020	
	Current	Non-Current	Current	Non-Current
Payables	168,798,242	0	143,229,883	0
Loans				
Payables	1,862,989,448	12,969,282,542	1,860,911,373	15,552,305,545
Total	2,031,787,690	12,969,282,542	2,004,141,256	15,552,305,545

13.1 Payables

Particulars	2021	2020
		(As restated)
Accounts Payable	85,641,272	58,550,823
Due to Officers & Employees	1,431,529	5,045,838
Interest Payable	81,725,441	79,633,222
Total	168,798,242	143,229,883

13.2 Loans Payable

Particulars	2021		2020	
	Current	Non-Current	Current	Non-Current
Loans Payable- Foreign	1,862,989,448	12,969,282,542	1,860,911,373	15,552,305,545

The Projects implemented by the Authority are substantially funded through loan financing. Significant sources are foreign loans requiring repayment in currencies other than the Philippine peso, primarily in US dollars. The proceeds of the loans were utilized mainly in the acquisition of Light Rail Vehicles (LRVs), the construction of the LRT Depot, Stations and Terminals and all other structures needed for the Light Rail System, as well as other related projects. Details are as follows:

Creditor	Terms	Interest Rates	2021	2020
Foreign Loans				
Belgian State Loan	30 years	5.02%+1%	215,375,907	238,316,378
DOF-Belgian State Loans				
Rehab I	30 years	Interest Free	10,692,593	21,823,449
Rehab II	20 years	1% relending rate	38,307,969	48,622,645
Natexis Banque	21 years	1.5% + 1%	16,898,267	33,170,498

Creditor	Terms	Interest Rates	2021	2020
Japan Bank for International Corporation Loans				
PH-P137	30 years	3%+ 2% relending rate	51,481,120	81,001,256
PH-P148	20 years	3%+1.9%	602,178,724	842,202,725
PH-P167	20 years	Prin I - 2.7%, Prin II - 2.3% + 1% SF	1,994,105,743	2,556,529,796
PH-P171	20 years	Prin I - 2.7%, Prin II - 2.3% + 1% SF	3,090,856,951	3,831,616,827
PH-P185	30 years	0.75% + 1% SF	3,314,583,865	3,681,332,920
PH-P211	30 years	0.75% + 1% SF	5,007,353,130	5,536,350,815
PH-P211A		0.75% + 1% SF	490,437,721	542,249,609
Total			14,832,271,990	17,413,216,918
Current Portion			(1,862,989,448)	(1,860,911,373)
Long-Term Portion			12,969,282,542	15,552,305,545

Foreign Loans

I. Belgian State Loan

This represents the peso equivalent of the foreign loans granted by the Government of Belgium. The first loan (rehabilitation Project Phase I) is interest free, maturing in 30 years with a grace period of 10 years up to year 2013. The second loan (rehabilitation of Rolling Stocks) is interest bearing calculated at fixed rate of 5.02% per annum plus 1%, repayable in 20 annual installments starting December 31, 2006.

II. Department of Finance - Belgian State Loan

A Subsidiary Loan Agreement was entered into with the Department of Finance (DOF) in October 1992 for a Belgian State Loan amounting to BFR150.000 million. LRTA has put up an equivalent amount as counterpart with a maturity of 30 years. The proceeds were utilized for the Rehabilitation of LRT Line 1. Another Subsidiary Loan Agreement was entered to finance the rehabilitation of Rolling Stocks (LRT Line 1) on February 10, 1997, amounting to BFR131.670 million.

III. Natexis Banque

The Government of the French Republic and the Government of the Republic of the Philippines signed a Financial Protocol on December 18, 1995, by virtue of which the French Government has provided credit facilities to the Philippines amounting to FF162.051 million including a French Treasury grant of FF2.021 million and a French Treasury Loan of FF96.018 million. Relative to these mixed credits, LRTA entered into a contract with *Natexis Banque* (formerly *Credit Nationale*) on August 30, 1996, for a treasury loan of a

maximum amount of FF33.834 million intended to finance the purchase of French goods and services relating to the Automated Fare Collection System Project. The loan is divided in successive portions, each of which corresponds to the drawings made by the *Natexis Banque* during a calendar quarter. Each of the loan, which has a duration of 21 years, is repayable within 19 years in 38 equal and successive half yearly installments and bears interest at the rate of 1 ½ percent per annum, computed on the disbursed and not yet repaid amount.

IV. Japan Bank International Corporation (JBIC)

The Philippine Government entered into several Loan Agreements with the JBIC that financed the following LRTA projects:

Ref.	Date of Agreement	Name of Project	Principal Amount In Yen
PH-P-137	12-16-1993	Engineering services for Line 1 Capacity Expansion Project and LRT 2 construction	174,996,000
PH-P-148	12-20-1994	Line 1 Capacity Expansion Project, Phase1	1,819,504,000
PH-P-167	03-26-1996	Line 2 Project - Non-consulting services (Principal 1) and Consulting services (Principal II)	5,523,155,000
PH-P-171	10-14-1997	Line 2 Package 3 Project	8,277,867,000
PH-P-185	09-18-1998	Line 2 Package 4 Project	7,953,192,000
PH-P-211	04-07-2000	Line 1 Capacity Expansion Project	
PH-P211A	10-31-2000	Phase II	13,132,275,000

14. INTER-AGENCY PAYABLES

14.1 Current Inter-Agency Payables

Particulars	2021	2020 (As restated)
Due to LGUs	676,863,411	676,863,411
Due to BIR	17,081,882	24,797,501
Due to GSIS	8,354,165	3,255,838
Due to Pag-IBIG	884,263	916,152
Due to PhilHealth	653,713	669,530
Total	703,837,434	706,502,432

Due to Local Government Units (LGUs) represent unpaid real property taxes on real property owned by LRTA located in Manila, Quezon City, Caloocan and Pasay. In its decision under GR. No. 155650 (MIAA vs. Court of Appeals, et. al.) dated July 20, 2006, the Supreme Court ruled that the Manila International Airport Authority (MIAA) is exempt from payment of real estate taxes on airport land, buildings, except those leased to private parties. Essentially, LRTA is similarly situated with MIAA in terms of the nature, manner and purpose of creation.

14.2 Non-Current Inter-Agency Payables

This pertains to advances by the BTr for the amortization of principal and interest on foreign loans incurred for LRT Lines 1 and 2 which could not be financed by corporate funds.

Particulars	2021	2020
Regular Loans		
Line 1		
Belgian State Loan (#12) BFr 150M	43,517,919	32,725,000
Belgian State Loan (#13) BFr 131.67M	40,306,967	30,644,290
OECE/JBIC Loan PH P 148 & 137	1,147,524,277	895,021,218
NG Spread for JBIC Loan PH P 137	4,008,481	2,477,236
NG Spread for JBIC Loan PH P 148	101,946,588	87,134,539
OECE/JBIC Loan PH P 211	1,565,588,035	1,237,180,367
OECE/JBIC Loan PH P 211A	113,644,587	82,776,856
NG Spread for JBIC Loan PH P 211 & 211A	259,160,411	200,961,032
French Protocol	49,185,368	33,086,638
Fortis Bank – Modernization Phase II	159,766	159,766
Fortis Bank – Modernization Phase II – NG Spread	(3,685)	(3,685)
Belgian State Loan (#14) Modernization Phase II	98,375,337	77,860,788
PCIR & New Money Bonds (1992 Financing Plan/ Bond Conversion)	574,185,054	574,185,054
Swiss Transfer Facility	391,516	391,516
Line 2		
OECE Loan PH P167	9,534,923,602	9,017,960,340
OECE Loan PH P171(including NG Spread)	14,088,722,476	13,376,433,329
OECE Loan PH P185 (including NG Spread)	4,158,465,190	3,895,989,503
Guarantee Fee (Line1 –French Protocol & Line 2 - OECE PH P 167)	1,023,947,045	1,000,204,782
Interest on Net Lending – Regular Loans Line 1 & Line 2	7,819,890,093	6,980,598,714
Interest on Net Lending – PCIR & NMBs	54,660,205	71,696,275
Total Loans	40,678,599,232	37,597,483,558
Audit Fees	0	0
Total	40,678,599,232	37,597,483,558

15. INTRA-AGENCY PAYABLES

Particulars	2021	2020
Due to Line 1 North Extension Project	1,283,353,083	1,283,353,083

16. TRUST LIABILITIES

Particulars	2021	2020
Trust Liabilities	1,450,674,332	1,045,134,510
Guaranty/Security Deposit Payable	187,347,258	151,846,245
Customers Deposits Payable	25,526,979	22,682,574
Total	1,663,548,569	1,219,663,329

17. DEFERRED CREDITS AND UNEARNED REVENUE/INCOME

This account consists of the following:

Particulars	2021	2020
Deferred Credits	370,660	213,411,038
Unearned Revenue/Income	11,224,516	2,572,643
Total	11,595,176	215,983,681

17.1 Deferred Credits

Particulars	2021	2020
Deferred Tax Liability	0	212,160,442
Other Deferred Credits	370,660	1,250,596
Total	370,660	213,411,038

Deferred Tax Liability represents future tax liability arising from taxable temporary differences on gain on forex exchange.

Other Deferred Credits represent the security deposits collected to Non-Rail Lease Agreements to serve as security for payment of unpaid fees and possible damage caused during the installation and dismantling of advertising materials.

17.2 Unearned Revenue/Income

Particulars	2021	2020
Unearned Revenue/Income	11,224,516	2,572,643

18. OTHER PAYABLES

Particulars	2021	2020
Other Payables	20,822,440	105,258,131

19. PROVISIONS

Particulars	2021	2020
Leave Benefits Payables	134,896,430	0

20. SERVICE AND BUSINESS INCOME

Particulars	2021	2020 (As restated)
Service Income		
Fines and Penalties-Service Income	615,984	626,940
Other Service Income-GAP	42,467,266	41,869,931
Total Service Income	43,083,250	42,496,871
Business Income		
Transportation System Fees	229,962,479	216,236,965
Interest Income	67,784,952	149,495,476
Rental Income	65,456,972	68,837,611
Service Concession Revenue	260,884,593	260,884,595
Other Business Income	388,521	7,736,543
Total Business Income	624,477,517	703,191,190
Total	667,560,767	745,688,061

21. PERSONNEL SERVICES

This account consists of the following:

Particulars	2021	2020
Salaries and Wages	298,713,169	304,416,142
Other Compensation	113,943,026	120,721,544
Personnel Benefit Contributions	41,548,527	42,368,276
Other Personnel Benefits	62,901,319	45,252,238
Total	517,106,041	512,758,200

21.1 Salaries and Wages

Particulars	2021	2020
Salaries and Wages-Regular	188,927,987	192,579,415
Salaries and Wages-Casual/Contractual	109,785,182	111,836,727
Total	298,713,169	304,416,142

21.2 Other Compensation

Particulars	2021	2020
Personal Economic Relief Allowance	18,167,091	18,418,970
Overtime Pay	16,229,599	12,616,253
Year End Bonus	24,657,130	25,351,426
Mid-Year Bonus	24,803,231	25,293,919
Clothing Allowance	4,602,000	4,626,000
Cash Gift	3,737,000	3,837,500
Representation Allowance	2,806,250	2,933,125
Transportation Allowance	1,416,125	1,515,250
Longevity Pay	635,000	1,125,000
Other Bonus and Allowances	11,303,600	11,648,200

Particulars	2021	2020
Productivity Incentive Allowance	0.00	11,992,401
Hazard Pay	5,586,000	1,363,500
Total	113,943,026	120,721,544

21.3 Personnel Benefit Contributions

Particulars	2021	2020
Retirement and Life Insurance Premiums	35,539,103	36,275,556
PhilHealth Contributions	4,197,424	4,253,420
Pag-IBIG Contributions	906,800	919,000
Employees Compensation Insurance Premiums	905,200	920,300
Total	41,548,527	42,368,276

21.4 Other Personnel Benefits

Particulars	2021	2020
Terminal Leave Benefits	26,361,387	3,627,936
Other Personnel Benefits	36,539,932	41,624,302
Total	62,901,319	45,252,238

22. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

Particulars	2021	2020 (As restated)
Travelling Expenses	0	1,177,959
Training and Scholarship Expenses	657,183	934,631
Supplies and Materials Expenses	12,645,289	20,837,060
Utility Expenses	605,597	1,274,456
Communication Expenses	2,731,000	2,443,740
Awards/Rewards Expenses	0	40,000
Survey Expenses	359,000	1,198,300
Professional Services	48,081,614	46,293,103
General Services	7,868,617	14,775,405
Repairs and Maintenance	14,291,263	1,060,510
Taxes, Insurance Premiums and Other Fees	35,982,097	58,648,180
Other Maintenance and Operating Expenses	2,500,299	4,476,363
Total	125,721,959	153,159,707

22.1 Travelling Expenses

Particulars	2021	2020
Travelling Expenses-Local	0	97,812
Travelling Expenses-Foreign	0	1,080,147
Total	0	1,177,959

22.2 Training and Scholarship Expense

Particulars	2021	2020
Training Expenses	657,183	934,631

22.3 Supplies and Materials Expenses

Particulars	2021	2020 (As restated)
Fuel, Oil, and Lubricant Expenses	1,691,444	2,099,004
Office Supplies Expenses	2,581,218	2,134,710
Drug and Medicines Expenses	432,850	184,415
Other Supplies and Material Expenses	7,939,777	16,418,931
Total	12,645,289	20,837,060

22.4 Utility Expenses

Particulars	2021	2020
Electricity Expenses	593,382	1,267,831
Water Expenses	12,215	6,625
Total	605,597	1,274,456

22.5 Communication Expenses

Particulars	2021	2020
Telephone Expense-Mobile	1,184,500	1,377,700
Internet Subscription Expenses	965,390	525,571
Telephone Expense-Landline	558,618	512,077
Postage and Courier Services	12,239	18,339
Cable, Satellite, Telegraph and Radio Expenses	10,253	10,053
Total	2,731,000	2,443,740

22.6 Awards/Rewards

Particulars	2021	2020
Awards/Rewards Expenses	0	40,000

22.7 Survey Expense

Particulars	2021	2020
Survey Expenses	359,000	1,198,300

22.8 Professional Services

Particulars	2021	2020
Auditing Services	8,306,643	382,446
Consultancy Services	1,052,252	1,879,560
Legal Services	1,156,067	61,965
Other Professional Services	37,566,652	43,969,132
Total	48,081,614	46,293,103

• 22.9 General Services

Particulars	2021	2020
Security Services	7,868,617	14,775,405

22.10 Repairs and Maintenance

Particulars	2021	2020
Repairs & Maintenance-Motor Vehicles	552,354	799,021
Repairs & Maintenance-Machinery and Equip	11,568	0
Repairs & Maintenance-Office Building	28,919	196,079
Repairs & Maintenance-Office Equipment	46,750	65,410
Repairs & Maintenance-Trains	13,651,872	0
Total	14,291,263	1,060,510

22.11 Taxes, Insurance Premiums and Other Fees

Particulars	2021	2020
Taxes, Duties and Licenses	25,895,196	46,239,354
Insurance Expenses	9,849,895	11,969,888
Fidelity Bond Premiums	237,006	438,938
Total	35,982,097	58,648,180

22.12 Other Maintenance and Operating Expenses

Particulars	2021	2020
Advertising, Promotional and Marketing Expenses	0	100,100
Printing and Binding Expenses	0	0
Representation Expenses	467,806	304,518
Transportation and Delivery Expenses	28,450	4,844
Rent/Lease Expenses	0	0
Subscription Expenses	0	65,880
Documentary Stamp Expenses	5,605	47,628
Miscellaneous and Extraordinary Expenses	83,421	8,000
Other MOOE-Other Expenses	1,915,017	3,945,393
Total	2,500,299	4,476,363

23. FINANCIAL EXPENSES

Particulars	2021	2020
Interest Expenses	1,403,102,761	1,849,016,888
Bank Charges	875,671	187,200
Total	1,403,978,432	1,849,204,088

24. DIRECT COSTS

This account is comprised of the following:

Particulars	2021	2020
Maintenance LRT System	297,923,336	339,814,469
Power	133,266,147	103,187,652
Overhead	250,108,693	206,801,749
Materials	256,463,927	70,903,907
Total	937,762,103	720,707,777

25. NON-CASH EXPENSES

This account consists of the following:

Particulars	2021	2020 (As restated)
Depreciation	2,491,911,491	2,604,138,251
Impairment Loss	891,866	479,656
Total	2,492,803,357	2,604,617,907

25.1 Depreciation

Particulars	2021	2020 (As restated)
Depreciation-Service Concession Assets	1,503,008,948	1,658,699,903
Depreciation-Trains	516,607,072	510,082,147
Depreciation-Railway System	348,205,054	332,146,398
Depreciation-Buildings	26,359,429	24,520,985
Depreciation-Electrification, Power and Energy Structure	16,265,160	30,549,820
Depreciation-Office Equipment	12,528,959	12,487,991
Depreciation-Communication Equipment	3,938,714	3,938,714
Depreciation-ICT Equipment	4,052,085	3,035,845
Depreciation-Water Supply System	2,343,450	2,343,450
Depreciation-Motor Vehicle	1,894,571	2,698,963
Depreciation-Land Improvements	6,945,707	1,281,406
Depreciation-Furniture, Fixtures and Books	171,432	23,702
Depreciation-Other Equipment	35,306,246	14,783,012
Depreciation-Other Transportation Equipment	665,000	0
Depreciation-Other Structures	13,619,664	7,545,915
Total	2,491,911,491	2,604,138,251

25.2 Impairment Loss

Particulars	2021	2020
Impairment Loss-Other Receivables	(252,508)	479,656
Impairment Loss-Operating Lease Receivable	1,144,374	0
Total	891,866	479,656

26. NON-OPERATING INCOME, GAINS OR LOSSES

26.1 Non-Operating Income/Gain

Particulars	2021	2020
Gain on Foreign Exchange (FOREX)	764,819,102	7,876,919

26.2 Non-Operating Losses

Particulars	2021	2020
Loss on Foreign Exchange (FOREX)	179,384	48,283,324
Loss on Sale of Property, Plant and Equipment	276,325,406	276,325,406
Total	276,504,790	324,608,730

Foreign Exchange Gain/Loss is a result of repayment and revaluation of various foreign-denominated loans, especially JBIC loans. The 2021 foreign exchange rate was US\$1 to 50.774 compared to US\$1 to 48.036 in December 2020.

Particulars	2021	2020
Conversion Rate of a Dollar to Peso	50.774	48.036
Foreign Loans	15,550,227,470	17,413,216,918
Repayment Revaluation-Gain	1,860,523,576	1,023,099,810
Repayment Revaluation-Loss	2,465,873	837,811,563
Total	17,413,216,919	19,274,128,291
Foreign Exchange Gain		
Foreign Loans		
On Repayment (Realized)	46,349,782	5,436,104
On Revaluation (Unrealized)	717,955,480	2,440,815
Dollar Deposits	513,840	0
Total	764,819,102	7,876,919
Foreign Exchange (Loss)		
On Repayment (Realized)	(17,518)	(34,306,617)
On Revaluation (Unrealized)	(161,866)	(13,976,707)
Total	(179,384)	(48,283,324)

27. SUBSIDY

Particulars	2021	2020
Subsidy from National Government	1,412,392,602	11,598,084,918

LRTA received budgetary support from the Department of Budget and Management for the procurement of LRT Line maintenance contract, rehabilitation projects of LRT Lines 1 and 2 and operating subsidy.

28. PAID UP CAPITAL

The P3.0 billion capitalization of LRTA is almost fully subscribed. As a result of consolidating all accounts of Fund 101 and 102 under the Modified Disbursement Scheme (MDS), the Government's Equity is shown in the books as Deposit for Future Subscription.

29. SUBSIDIES UNDER MODIFIED DISBURSEMENT SCHEME (MDS)/DEPOSITS FOR FUTURE SUBSCRIPTION

Separate sets of books of accounts were maintained for subsidies received by LRTA from the National Government, released thru the DOTr, formerly known as DOTC, under the Modified Disbursement Scheme (MDS), pursuant to the Special Provision under the General Appropriations Act.

The Commission on Audit recommended in the Annual Audit Reports for CYs 2010 and 2011 to recognize the indirect subsidies as LRTA's assets with a corresponding credit to the account "Deposits for Future Subscriptions" since ultimately the indirect subsidies received from the National Government will be converted into equity upon the enactment of a law increasing the capitalization of LRTA. The transactions pertaining to the receipt and utilization of the subsidies should be accounted and consolidated in the LRTA corporate books to ensure that the financial statements of LRTA present the complete picture of the Authority's financial position and results of operations.

This matter has been brought to the attention of the DOTr for definite guidelines. The consolidation of these accounts was implemented in year 2012 without prejudice to the maintenance of separate records and reportorial requirements of the DOTr.

30. INCOME TAXES

LRTA is subject to corporate income tax. However, a Minimum Corporate Income Tax (MCIT) computed at the rate of two percent shall be imposed whenever the amount of MCIT is greater than the normal income tax due.

31. INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) 15-2010 OF THE BUREAU OF INTERNAL REVENUE (BIR)

The Bureau of Internal Revenue (BIR) issued on November 25, 2010, Revenue Regulations (RR) No. 15-2010, amending certain provisions of RR No. 21-2002, companies are required to provide information on taxes, duties and license fees paid or accrued during the taxable year. In compliance with said requirements, shown below are the comparative taxes, duties and licenses paid and/or accrued during the year.

Tax Type	2021	2020	Remarks
Common Carriers	5,475,401	10,333,476	LRTA is a non-VAT registered entity on its railway operations. However, pursuant to RR No. 2-98, it is subject to Common Carriers' Tax at the rate of three percent of gross revenues on railway operations.
Value-Added Tax	868,243	1,593,995	VAT output tax declaration on rental income with respect to the company's non-rail operations as a VAT-registered entity.
Documentary Stamp	5,605	47,628	LRTA paid DST on Domestic Loans with its LBP Omnibus Credit Line of P1,767,271,000.
Withholding Tax on:			
a. Compensation and Benefits	32,356,151	30,350,554	
b. Creditable			
Withholding on:			
b.1 VAT	62,032,507	64,900,247	
b.2 EWT	22,834,190	23,064,934	
All Other Taxes			
a. Licenses and permits	4,702,251	500	
b. Car Registration	132,915	140,562	
Total	128,407,263	130,461,896	

a. Deficiency Tax Assessment

This pertains to the deficiency tax assessment of P9.3 million on VAT, withholding tax on compensation, expanded withholding tax and withholding VAT for CY 2003. LRTA filed on February 02, 2012, a protest on the BIR's Final Assessment Notice dated November 23, 2011. Until now, no reply has been received from the BIR.

b. Real Property Tax Assessments

The cases for assessment of Real Property Taxes filed in five cities in Metro Manila are as follows:

Name of City	Amount
Caloocan City	1,163,138,057
Manila	1,022,255,405
Pasay City	659,665,917
Quezon City	515,204,769
Marikina City	62,614,065
	3,422,878,213

32. OTHER MATTERS

There are several pending claims and lawsuits instituted by or against the Authority, which include, among others the following:

- 32.1** An Arbitration Case No. 88-001 was instituted by the Philippine National Construction Corporation (PNCC) against LRTA for the recovery of various claims in connection with the contract for the design, supply, construction, installation and financing of the Metro Manila Light Rail Transit System No. 1 in the original amount of P1.4 billion.

Management and its legal counsel believe that the outcome of other claims and lawsuits would not have a material effect on the current year financial statements.

32.2 Civil Cases

Case Title	Status/Remarks
LRTA VS. SIGHTS AND SITES OUTDOOR ADVERTISING INC.	Awaiting order from court of the schedule of hearing.
R-RH-14-15654 RTC Branch 115, Pasay City	
LRTA VS. RAYMOND TRANSPORT and all other persons claiming rights over it.	Awaiting resolution.
MTC Manila, Branch 18	
Rey C. Mordeno (LRT Passenger) vs. LRTA et. al.	Trial court ruled in favor of LRTA.
R-RH-14-15648-N RTC Branch 118, Pasay City	
Automation Specialists & Power Exponents Inc. vs. LRTA	Parties were ordered to submit names of Arbitrators. Awaiting order from the court.
Civil Case No. MC16-10688	
Isetann Department Store, Inc vs. LRTA	Trial Court decided in favor of LRTA. Defendant appealed to CA.
Civil Case No. 10-122974 RTC Branch 54, Manila	

Case Title	Status/Remarks
Phoenix Omega and Arbitration proceeding already Development Corporation vs. terminated and submitted for LRTA resolution.	
Special Proceeding No. RMNL- 18-06682-SP	
LRTA vs. Alimatar Datumanong Writ of Execution already issued. Malic (Jewelmal)	
Case No. M-PSY-20-00083-CV	
LRTA vs. Guidote Mercantile For resolution of the Court on the Corp. Motion.	
SCA No. 01101326 RTC Branch 52, Manila	
Jose Luis Quimson et. al vs. Pending litigation. LRTA	
SP No. 16135196 RTC Branch 36, Manila	

32.3 COA Cases

Case Title	Status/Remarks
Payment by LRTA for the Pending appeal with the Commission repair/rewinding of 23 units Proper of COA. traction motor armature by TANCA International Inc. in amount of \$58,800 (P3,025.104.40)	
LRTA 2008-005 (2002)	
Petition for Review/Appeal from Pending appeal with the Commission the Decision of the Director on the Proper of COA. Notice of Disallowance No. 14-003 (13) dated February 10, 2014 on covering the RATA of LRTA officials	
COA CP Case No. 2016-56 (ND No. 14-003)	
Petition for Review of CGS Cluster Petition for Review filed on February 3 Decision No. 2016-32 on the 1, 2017. On April 19, 2017, LRTA Notice of Disallowance No. 14-009 received the Answer of Director (13) dated March 20, 2014 relative Laquindanum. to the payment of Pending for resolution by COA Honorarium/Monetary Incentive Commission Proper. Award to 19 Officials and employees for the period covering November 2010 to July 2012 in the	

Case Title	Status/Remarks
total amount of P1,961,833.	
COA CP Case No. 2017-097 ND No. 14-009 (13)	
Petition for Review of CGS Cluster 3-Public Utilities Decision on the Appeal on the Notice of Disallowance No. 14-013 (13) dated March 25, 2014 covering the purchase of Gift Certificates amounting to P930,000	Respondents filed their own appeal. COA answered and Reply was filed. The matter is submitted for Resolution of the COA.
ND No. 14-013 (13)	
Petition for Review of CGS Cluster 3 Decision No. 2016-16 on the Notice of Disallowance No. 14-016 (13) dated 18 June 2014 covering the Representation and Transportation Allowance (RATA) for the period of August to December 2013 in the total amount of P852,500.	LRTA filed a Petition for Review. COA filed its answer. The Petition is pending Resolution by the COA Commission Proper.
ND No. 14-016 (13)	
Petition for Money Claim of Mr. Hermogenes Capacia, et. Al, against LRTA for payment of Collective Negotiation Agreement Incentives, Separation Pay, 13 th month Pay, Yolanda Assistance, Performance based bonus, Night Shift Differential and tax withheld in the total amount of P1,749,120.00	By way of an Order dated March 13, 2019, COA required LRTA to submit its Answer.
COA CP Case No. 2019-211	
Partial Payment of the Extra Work Floating Slab EMS-4 Trackworks for LRT Line 1 North Extension and Common Station Project	For resolution.
ND No. 2019-01	
PIGLAS-NFWU-KMU and Sammy Malunes, et. al. vs MTOI/LRTA	For resolution.
COA CP Case No. 2018-559	
Sammy Malunes et. al	LRTA filed an Appeal Memorandum last June 30, 2020.
ND No. 2019-02	

Case Title	Status/Remarks
Petition for Money Claim by Mr. Edwin R. Moronia, et. al. against the Light Rail Transit Authority, for the payment of severance pay amounting to P37,944,945.77 plus legal interest and attorney's fee.	LRTA received a Motion for Early Resolution from the petitioner.
COA CP Case No. 2020-490	
Norman Alegre, et. al., against the Light Rail Transit Authority and Metro Transit Organization, Inc., for the payment of separation/severance pay plus interest in the total amount of P3,106,957.96	LRTA filed its Answer to the Petition filed by the complainant.
COA CP Case No. 2021-291	
Petition for Money Claim of Mr. Raymond Vasquez, et. al, against the Light Rail Transit Authority and Metro Transit Organization, Inc. for payment of 50% balance of their severance pay, plus interest and attorney's fee in the total amount of P11,466,944.46	LRTA filed its Manifestation.
COA CP Case No. 2020-143	
Petition for Money Claim of Mr. Abundio S. Orenda et. al., against the Light Rail Transit Authority and Metro Transit Organization, Inc., for payment of monetary award in the total amount if P119,834,798.40	LRTA filed its Answer.
COA CP Case No. 2020-466	

32.4 Tax Cases

Cases	Status/Remarks
LRTA vs. Commissioner of Internal Revenue Case No. 8746 3rd Division CTA Quezon City	LRTA filed a petition for Review before the Supreme Court on January 14, 2020. Awaiting resolution
LRTA vs. Commissioner of Internal Revenue Case No. 8893 1st Division	Motion to Quash Writ of Execution was denied by the CTA. However, CTA reminded BIR to follow the COA rules on the money claims against government agencies.

Cases	Status/Remarks
LRTA vs. Commissioner of Internal Revenue	LRTA complied with the documentary requirements by the SC 3rd Division dated January 10, 2018.
Case No. 8891 3rd Division	Awaiting resolution.
LRTA vs. Bureau of Internal Revenue represented by Caesar Dulay and/or Manuel Mapoy	Continuation of the Preliminary Conference set on May 19, 2022.
OSJ Case No. 04-2020	
REAL PROPERTY	
LRTA vs. City of Pasay represented by the City Treasurer and the City Assessor	For resolution
Case No. R-RS-12-09347-CV RTC Branch 109, Pasay City	
LRTA vs. City of Caloocan represented by the City Treasurer and the City Assessor	For resolution
SCA Case No. C-1080-2012 RTC Branch 126, Caloocan City	
LRTA vs. City of Manila represented by the City Treasurer and the City Assessor	For resolution
SCA Case No. 21292-5	
LRTA vs. City of Marikina represented by the City Treasurer and the City Assessor	For resolution
SCA Case No. 12-838 RTC Branch 263, Marikina City	

32.5 Administrative Cases

Cases	Status/Remarks
Dela Cruz, Edgar C.	Administrative proceeding already terminated. Submitted for resolution.
Admin Case No. 11-05-07-2019	
Rayel, Anthony R.	Administrative proceeding already terminated. Submitted for resolution.
Admin Case No. 11-02-07-2019	
Sulit, Emmanuel B.	Administrative proceeding already terminated. Submitted for resolution.
Admin Case No. 11-03-07-2019	
Teoxon, Ferdinand H.	Administrative proceeding already terminated. Submitted for resolution.
Admin Case No. 11-01-07-2019	

32.6 Line 1 Expropriation Cases

Cases	Status/Remarks
PACKAGE 1	
LRTA vs. Heirs of Eleuteria Bernardo Civil Case No. 11-0053/ Branch 195 Paranaque	Submitted for Resolution. As per latest document, the court has approved the release of just compensation.
LRTA vs. Heirs of Faustino Bernardo Civil Case No. 11-0052 Branch 274 Paranaque	Ongoing expropriation proceeding. The deed of sale will be finalized and submitted to the board for approval.
LRTA vs. Antonio F. Bernardo Civil Case No. 08-0265 Branch 195 Paranaque	Ongoing expropriation proceeding.
LRTA vs. Camille Clarisse P. Co Civil Case No. 2020-062 Branch 196 Paranaque	Ongoing expropriation proceeding
LRTA vs. Stella Rodriguez et. al Civil Case No. 2020-078 Branch 274 Paranaque	Ongoing expropriation proceeding. With Writ of Demolition and the judge approved the creation of the board of commissioners.
LRTA vs. Heirs of Faustino Bernardo et. al. Civil Case No. 2020-107 Branch 257 Paranaque	Ongoing expropriation proceeding. For possible withdrawal of Complaint after approval by the Board of the negotiated sale.
LRTA vs. Adelfa Properties, Inc. Civil Case No. 2020-114 Branch 257 Paranaque	Ongoing expropriation proceeding. Parties were directed to submit names of board of commissioners.
LRTA vs. Rosario de Leon and Fine Properties Inc. Civil Case No. 2020-115 Branch 257 Paranaque	Ongoing expropriation proceeding. For follow up of the writ of demolition.
PACKAGE 2	
LRTA vs. Carmen Miranda and Heirs of Catalina Aguilar SCA Case No. 08-0029 Branch 255 Las Pinas	Ongoing expropriation proceeding. The Writ of Possession (WOP) was already granted. For release of payment. The heirs are still to submit the extrajudicial settlement documents.

Cases	Status/Remarks
LRTA vs. Sarao Motors, Inc.	Ongoing expropriation proceeding.
SCA Case No. 08-001 Branch 198, Las Pinas	Status quo as per DOTr in relation to the new alignment.
LRTA vs. Carmen Miranda Villanueva	Ongoing expropriation proceeding.
Civil Case No. 21-0001 RTC Branch 254, Las Pinas	Status quo as per DOTr in relation to the new alignment.
LRTA vs. Sps. Nestor and Norma Lim	Ongoing expropriation proceeding.
Civil Case No. 20-0006 Branch 201, Las Pinas	Status quo as per DOTr in relation to the new alignment.
LRTA vs. Sps. Noel and Irish Lim	Ongoing expropriation proceeding.
Civil Case No. 20-0004 Branch 198, Las Pinas	Status quo as per DOTr in relation to the new alignment.
LRTA vs. Eduardo de Leon	Court grated the Ex-Parte Motion for Issuance of WOP. Awaiting resolution of the Motion for Issuance of Writ of Demolition.
Civil Case No. 20-0005 RTC Branch 253, Las Pinas	
LRTA vs. Eartheaven Eco Community Inc.	On appeal.
Civil Case No. 20-0003 RTC Branch 275, Las Pinas	
LRTA vs. Unknown Owner	Awaiting resolution of the Motion for Issuance of Writ of Demolition. The Court is requiring the parties who participated to submit evidence of ownership or right to the property.
Civil Case SCA2 21-002	
LRTA vs. Rosario V. Delfin married to Mariano G. Bondoc	Ex-Parte Motion for Issuance of WOP was granted.
SCA Case No. 21-0003 RTC Branch 201, Las Pinas	
LRTA vs. Rosario V. Delfin De Bondoc, substituted by Antonio Delfin Bondoc, Ramon Delfin Bondoc, Eduardo Delfin Bondoc and Mariano Delfin Bondoc Jr.	Ex-Parte Motion for Issuance of WOP was granted.
SCA Case No. 21-0004 RTC Branch 201, Las Pinas	

Cases	Status/Remarks
PACKAGE 3	
LRTA vs. Julian Gregorio et. al BCV No. 2014-223 Branch 19, Cavite	Ongoing expropriation proceeding. Pre-trial scheduled to May 31, 2022.
LRTA vs. Cesar Eusebio BCV No. 2011-45 Branch 89, Bacoor Cavite	Ongoing expropriation proceeding. Defendant manifested that LRTA should purchase the orphaned lot. Board of commissioners to convene on May 19, 2022.
LRTA vs. Estate of Marcela Cuenca et. al. BCV No. 2009-104 Branch 89, Bacoor Cavite	Ongoing expropriation proceeding.
LRTA vs. Lucia Kalinisan et. al. (co-owner, Adelfa Properties Inc.) BCV No. 2011-45 Branch 89, Bacoor Cavite	Ongoing expropriation proceeding. Pre-trial re-scheduled to May 24, 2022.

32.7 Labor Cases

Cases	Status/Remarks
Ancheta, Joane et. al vs. Variance Security Agency & NLRC NLRC NCR No. 11-13663-15	With pending verified comment/opposition.
LRTA vs. Joanne Ancheta et. al. CA-GR SP No. 148759	LRTA submitted a Compliance to the CA in relation to the April 10, 2018 CA decision.
Variance Security Agency Corp vs. NLRC, Joanne Ancheta et. al. CA-GR SP No. 149440	Awaiting resolution.
Miguel B. Robles vs. MTOI and LRTA CA GR SP No. 104848	On appeal with SC.
LRTA vs. Hon. Labor Arbiter Madjayran H. Ajan and Hon. Sheriff Ireneo dela Cruz of NLRC NLRC Lic No. 07-12-12	On appeal.
LRTA vs. NLRC, Hon. Michelle P.Pagtalunan, et. al. NLRC NCR Case No. 30-02-01191-02	The NLRC 4th division issued an Entry of Judgement dated June 3, 2013 denying private respondents Motion to Vacate the Decision for lack of merit.

Cases	Status/Remarks
LRTA vs. Bienvenido Alvarez et. al.	Awaiting the NLRC decision on the appeal of LRTA.
NLRC Case No. 046112-05	
MTOI vs. Emilio et. al	On appeal.
GR No. 203542	
Emmanuel S. Hugo et. al vs. MTOI et. al.	NLRC 2nd Division held METRO solely liable for the monetary claims such decision became final and executory.
NLRC Case No.30-1191-02	
Emmanuel S. Hugo et. al. vs. NLRC	Awaiting resolution of the Motion for Reconsideration filed by LRTA.
CA GR SP. No. 130659	
Leopoldo Mendoza vs. MTOI and LRTA	Awaiting the NLRC decision on the appeal of complaint.
NLRC NCR Case No. 00-07-08504-03	
Marcelino Manahan vs. MTOI and LRTA	Enforcement of the writ of execution remains suspended because the complainants were ordered to file their claims with the COA.
NLRC NCR Case No. 00-07-08857-03	
LRTA vs. NLRC, Alabarca, et. al.	Awaiting resolution of the Petition for Certiorari filed with the CA.
CA GR SP No. 93092	
LRTA vs. Romulo Mendoza et. al.	Certain amount approved by DBM. No payment is made yet to the complainants.
GR No. 202322	
Esperanza A. Flores, Nelmer B. Espinosa, Roberto A. Soler, Prospero E. Parde,Jr. and George D. Deguia, for themselves and behalf of 224 other former LRTA employees vs. LRTA	On appeal.
SCA Case No. 18-00073-SC RTC Branch 71, Pasig City	
Edgar C. Malit, et. al. vs. MTOI, LRTA; Rodolfo Tan vs. MTOI, LRTA; Rolando A. Avendano vs. MTOI, LRTA	A resolution in favor of LRTA.
Lolita B. Atis et. al. vs. MTOI/LRTA	A Manifestation and Compliance was filed by LRTA.

Cases	Status/Remarks
Ramon Catalan vs. MTOI/LRTA	Awaiting resolution.
NLRC NCR Case No. 00-07-08543-2003	
Edwin R. Moronia et. al. vs. MTOI/LRTA	Awaiting resolution.
RCMB-NCR-RTA-08-0207-2019	
Raymond Vasquez et. al. vs. LRTA/MTOI	LRTA filed its Comment on the Writ of Execution issued by DOLE-RCMB.
RCMB-NCR-OSG-SENA-04-0024-2019	
Joselito Espineli et. al. vs. MTOI	LRTA filed its position paper.
NLRC 07-00111-21	
Nancy Franco et. al. vs. MTOI/LRTA	For conciliation.
SEAD No. NLRC-RAB-00448-21	
Ronie F. Billones et. al. vs. Metro Transit Organization Inc. and Light Rail Transit Authority et. al.	Ongoing litigation.
NLRC-CA No. 046842-05	

**PART II – AUDIT OBSERVATIONS AND
RECOMMENDATIONS**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

Intra-agency Payable and Intra-agency Receivable

1. Intra-agency Payable with balance of P1.283 billion and Intra-agency Receivable presented under Receivables in the financial statements with balance of P399.520 million as of December 31, 2021 remained unadjusted, hence said accounts are overstated by P1.283 billion and P399.520 million, respectively, and other related accounts were misstated, due to improper recognition of transactions pertaining to reciprocal accounts contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of International Public Sector Accounting Standards (IPSAS), Annex C of COA Circular No. 2020-002 and Section 7.3 of COA Circular 2016-05.

This is a reiteration of previous years' observation.

- 1.1 Paragraphs 3.10 and 3.12 of the Conceptual Framework of IPSAS state that:

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

3.12 An omission of some information can cause representation of an economic or other phenomenon to be false or misleading, and thus, not useful to users of GPFRs. xxx

- 1.2 Annex C of COA Circular No. 2020-002 provides definition on the recognition of transactions pertaining to Due to Operating Units/Field Units and Due from Operating Units/Field Units under Intra-Agency Payables/ Receivables classification.
- 1.3 Lastly, Section 7.3 of COA Circular 2016-05 dated December 19, 2016 on the Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs) provides the following:

The accountant shall prepare the necessary adjusting entries for the following:

xxx

- b. correction of inadvertent errors, or inaccurate calculation or computation*
- c. reclassification of accounts.*

Adjustments made pursuant to 7.2 and 7.3 need not be submitted to the COA for approval but are subject to the usual audit. However, the accountant or the auditor may seek assistance from the GAS for proper accounting treatment.

- 1.4 In Annex C of COA Circular No. 2020-002, or the Updated Revised Chart of Accounts (RCA), reciprocal accounts recognition under Intra Agency Receivables and Payables accounts are being used if a Project Management Offices (PMOs)/Unit created requires separate books to recognize intra-office transactions which will eventually be eliminated in consolidated financial statements.
- 1.5 Despite not maintaining separate books for the PMOs/Unit, the account was used by LRTA to recognize the placement and roll-over of various matured High Yield Savings Account, transfer of funds and interest earned for North Extension Project and South Extension Projects instead of the usual debit and credit to cash in bank sub-accounts, interest income, banks charges and other disbursements chargeable to the project account based on the subsidiary ledgers transactions.
- 1.6 As at December 31, 2021, the recognized liability in the financial statements for Due to Line 1 North Extension Project (NEP) and receivables for Due from Line 1-South Extension Project amounted to P1.283 billion and P399.520 million, respectively. Section 7 of COA Circular 2016-05 dated December 19, 2016 provides that the Accountant shall prepare the necessary adjusting entries for the correction of inadvertent errors and reclassification of accounts for fund transfer transactions without the approval of the Commission. Management has not yet submitted supporting documents required to close the incorrect recognition of Intra-Agency Receivables/Payables accounts. Despite recurring audit findings and recommendations on the reciprocal accounts, the same issue remained unresolved rendering the reciprocal account balances in the financial statements unreliable and doubtful.
- 1.7 **We reiterated our previous audit recommendation and Management agreed to require the Accounting Division to take up the adjustments for the remaining balances of Due to Line 1 NEP and Due from Line 1-South Extension Project under Intra-agency Payable and Intra-agency Receivable accounts amounting to P1.283 billion and P399.520 million, respectively, duly supported by documents.**
- 1.8 Management commented that it has always exerted its best effort to locate the supporting documents related to close the intra-agency payables/receivables account. Individual transactions reflected in the subsidiary ledger of Due to Line 1 NEP and Due from Line 1-South Extension Project will be analyzed and corresponding adjustments and corrections will be made.

Property, Plant and Equipment

2. **The faithful representation of Property, Plant and Equipment (PPE) accounts with a carrying value of P43.952 billion as at December 31, 2021 was not established due to the following errors and deficiencies, contrary to paragraph 27 of IPSAS 1 – Presentation of Financial Statements, to wit:**

- a. **Non-recognition of Impairment Loss on non-operational and heavily defective Trainsets under Transportation Equipment – Trains account with carrying amount of P1.725 billion pursuant to the provisions of IPSAS 26 – Impairment of Cash-Generating Assets; and**
 - b. **Lack of reconciliation between the results of physical inventory and the Property, Plant and Equipment Ledger Cards (PPELCs) maintained by the Accounting Division contrary to the provisions of COA Circular No. 2020-006. Also, the inventory report showed unaccounted variance of PPE items from the results of the Report on Physical Count of PPE (RPCPPE) amounting to P2.539 million.**
- 2.1 Paragraph 27 of IPSAS 1, provides that financial statements shall present fairly the financial position, financial performance, and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue and expenses out in the IPSAS.
- 2.2 The detailed breakdown of the PPE accounts and its corresponding Accumulated Depreciation and Impairment Loss accounts as of December 31, 2021 are presented below:

Property Plant and Equipment	Cost	Accumulated Depreciation and Impairment Loss	Carrying Amount
Land	6,214,041,021.80	0.00	6,214,041,021.80
Land Improvements	708,983,922.66	(17,737,142.50)	691,246,780.16
Water Supply Systems	37,001,840.59	(8,134,969.87)	28,866,870.72
Railways Systems	17,952,703,343.76	(5,871,157,241.28)	12,081,546,102.48
Electrification, Power and Energy Structures	3,696,058,900.84	(3,189,187,522.79)	506,871,378.05
Buildings	1,349,001,315.67	(451,288,172.77)	897,713,142.90
Other Structures	159,354,160.96	(71,375,084.51)	87,979,076.45
Office Equipment	89,206,715.86	(62,921,083.72)	26,285,632.14
Information Technology Equipment	65,191,671.24	(49,001,236.08)	16,190,435.16
Communication Equipment	40,478,113.71	(21,763,887.58)	18,714,226.13
Other Machinery and Equipment	724,124,907.68	(432,712,451.68)	291,412,456.00
Motor Vehicles	26,642,164.00	(15,010,294.16)	11,631,869.84
Trains	6,005,756,923.98	(4,280,629,493.87)	1,725,127,430.11
Other Transportation Equipment	4,900,000.00	(665,000.04)	4,234,999.96
Furniture and Fixtures	8,896,629.05	(8,058,351.12)	838,277.93
Service Concession Assets: Railway Systems	34,526,068,097.83	(19,415,883,273.95)	15,110,184,823.88
Service Concession Assets: Land	3,021,270,926.58	0.00	3,021,270,926.58
Other Service Concession Assets	1,395,910,556.44	(380,803,076.31)	1,015,107,480.13
Other PPE - AFCS Equipment	213,914,262.66	(192,736,335.39)	21,177,927.27
Construction in Progress	2,181,921,212.51	0.00	2,181,921,212.51
Total	78,421,426,687.82	(34,469,064,617.62)	43,952,362,070.20

2.3 Audit of PPE disclosed the following deficiencies and errors:

- a. **Non-recognition of Impairment Loss on non-operational and heavily defective Trainsets under Transportation Equipment – Trains account with carrying amount of P1.725 billion pursuant to the provisions of IPSAS 26 – Impairment of Cash-Generating Assets.**
 - a.1 IPSAS 26 prescribes the procedures that an entity applies to determine whether a cash-generating asset is impaired, to ensure that impairment losses are recognized also when entity should reverse an impairment loss.
 - a.2 Paragraphs 20, 22 and 25 on IPSAS 26 provide the following:
 - 20. *Impairment as a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. Impairment of a cash-generating asset, therefore, reflects a decline in the future economic benefits or service potential embodied in an asset to the entity that controls it.*
 - 22. *An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.*
 - 25. *In assessing whether there is any indication that an asset may be impaired, an entity shall consider; as a minimum, the following indications: xxx*
 - d) *Evidence is available of obsolescence or physical damage of an asset:*
 - e) *Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or the manner in which, an asset is used or is expected to be used. The changes include the asset becoming idle, plans to discontinue or restructure the operations to which an asset belongs. xxx*
- a.3 Relative to the audit of PPE-Trains account with carrying amount of P1.725 billion, Management provided the status of eighteen (18) trainsets of LRTA as of December 31, 2021, as follows:

Trainset No.	Year of Non-Operations	Status/Remarks
1	-	Operational
2	2016	Non-operational, For restoration under the rehabilitation project "Restoration of Four (4) Down Trainsets". Target completion 2 nd Quarter of 2024
3	-	Non-operational, for completion of capital spare parts. Target completion December 2022
4	-	Operational
5	2008	Non-operational, Heavily defective. Restoration cost is beyond the 30% cost of the brand new trains
6	2008	Non-operational, Heavily defective. Restoration cost is beyond the 30% cost of the brand new trains
7	2015	Non-operational, For restoration under the rehabilitation project "Restoration of Four (4) Down Trainsets". Target completion 2 nd Quarter of 2024
8	-	Operational
9	-	Operational
10	2007	Non-operational, Heavily defective. Restoration cost is beyond the 30% cost of the brand new trains
11	2012	Non-operational, For restoration under the rehabilitation project "Restoration of Four (4) Down Trainsets". Target completion 2 nd Quarter of 2024
12	2012	Non-operational, Heavily defective. Restoration cost is beyond the 30% cost of the brand new trains
13	-	Operational
14	-	Operational, On-going upgrading of propulsion and train monitoring systems under maintenance contract. Target completion April 2022
15	2017	Non-operational, Heavily defective. Restoration cost is beyond the 30% cost of the brand new trains
16	-	Operational
17	-	Operational
18	-	Operational

- a.4 Based on the above data, it can be observed that some of the trainsets under Transportation Equipment – Trains account with cost of P6.006 billion and accumulated depreciation of P4.281 billion or carrying amount of P1.725 billion were heavily defective and non-operational for more than 10 years yet, no impairment loss was recognized. Also, the carrying amount per trainset cannot be determined as a result of non-maintenance of individual PPELC per trainset by Accounting Division. Individual PPELC is important in order to have proper basis of monitoring the computation of depreciation, impairment and subsequent capitalizable cost specifically attributable to each trainset.
- a.5 The non-recognition of impairment losses affects Management's assertion pertaining to valuation of PPE-Trains account recorded in the books.
- b. **Lack of reconciliation between the results of physical inventory and the PPELCs maintained by the Accounting Division contrary to the provisions of COA Circular No. 2020-006. Also, the inventory report showed unaccounted variance of PPE items from the results of the RPCPPE amounting to P2.539 million.**

- b.1 COA-Circular No. 2020-006 - Guidelines and Procedures in the Conduct of Physical Count of Property, Plant and Equipment (PPE), Recognition of PPE Items Found at Station, and Disposition for Non-existing/Missing PPE Items, for the One-Time Cleansing of PPE Account Balances of Government Agencies dated January 31, 2020 was issued to address the existence of enormous amounts of discrepancies in PPE account balances of government agencies that has become a perennial issue of the PPE account balances presented in the financial statements.

- b.2 In addition, Sections 6.3, 7.5 and 7.6 of the same Circular provides that:

Section 6.3 - The property and Accounting Units shall undertake collaborative procedures to ensure that all PPEs included in the RPCPPE are duly recorded in their respective records and that the Property Cards (PCs) maintained by the Property Unit and the PPELCs maintained by the Accounting Unit are reconciled. xxx

Section 7.5 - The Property unit shall inform the Head of the Agency of the non-existing/missing PPEs without pending Request for Relief and shall prepare letters addressed to each concerned accountable officer/personnel demanding the production of the PPE he/she is accountable for. The accountable officer/personnel shall be given five (5) calendar days to respond to the demand letter.

Section 7.6 - The demand letters shall be signed by the Head of the Agency or designated representative and immediately issued by the Property Unit to the concerned accountable officers/ personnel.

- b.3 In CY 2021, LRTA conducted annual physical count of its PPE and showed an unaccounted variance amounting to P2.539 million. The details are as follows:

PPE Items	Quantity of Unaccounted Items	Amount
Information Technology Equipment	49	2,343,685.06
Office Equipment	5	194,944.44
Other Machinery/Equipment	4	-
Total Amount	58	2,538,629.50

- b.4 The total cost of the unaccounted properties amounting P2.539 million was based only on the Property Cards maintained by Asset Management Division (AMD). There were also PPE items in the report with variance in quantity without corresponding cost, as a result, the total amount of unaccounted variance does not represent the aggregate cost pertaining to the 58 PPE items variance. In addition, reconciliation of Physical Inventory Report (PIR) and PPELC had not been implemented for CY 2021 as recommended from previous years' audit.

2.4 We recommended and Management agreed to:

- a. **Require the Accounting Division to recognize impairment loss on the non-operational, heavily defective and obsolete PPE items and expedite the disposal to avoid further deterioration and decline in value thereof; and**
 - b. **Require the AMD and Accounting Division to reconcile the variance between the PIR and the PPELC and strictly comply with the provisions of COA-Circular No. 2020-006 to properly address the unaccounted PPE items.**
- 2.5 Management commented during the exit conference that the unaccounted variance of PPE from the results of the RPCPPE is due to the items not yet presented by the end-users to the Inventory Team despite the demand letter sent by the AMD. Further, the reconciliation between the RPCPPE and the PPELC was partially implemented and cannot be done fully due to incomplete Property Cards of AMD and it will take time considering the volume of PPE to be reconciled.
- 2.6 For the non-operational trainsets, the Accounting Division is still awaiting additional documents from the AMD and the Rolling Stocks Interrelated Services Division (RSISD) to fully comply with the determination of the amount and recognition of Impairment Loss in the books.

Cash and Cash Equivalents

3. **The Cash and Cash Equivalents account aggregating P5.274 billion as of December 31, 2021 was not adjusted to take up the following book reconciling items and other necessary adjustments contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework, resulting to net overstatement by at least P9.536 million, as follows:**
- a. **Unrecorded book reconciling items amounting to P9.611 million;**
 - b. **Stale checks amounting to P74,591.08 were not yet reverted to Cash in Bank;**
 - c. **Two foreign bank accounts with BNP Paribas (formerly Fortis Bank) with peso equivalent of P6.368 million are still not revalued using the latest bank statements; and**
 - d. **Self-Insurance Fund amounting to P20,000.00 in unknown bank account number was reported under the Time Deposit – Local Currency under the Cash Equivalents with no other details thus, remained unverified.**
- 3.1 Paragraphs 3.10 and 3.12 of Conceptual Framework of IPSAS are presented in paragraph 1.1 on page 50 of this Report.
- 3.2 The reported year-end balance of the Cash and Cash Equivalents account is composed of the following:

Account Code	Account Title	Balance as of 12/31/2021	Number of Bank Accounts
1-01-01-010	Cash - Collecting Officers	627,403.11	0
1-01-01-020	Cash on Hand - Petty Cash	1,073,529.00	0
1-01-02-020	Cash in Bank - Local Currency, Current Account	2,193,431,899.66	11
1-01-02-030	Cash in Bank - Local Currency, Savings Account	3,072,664,315.44	78
1-01-03-030	Cash in Bank - Foreign Currency - Savings Account	3,230,579.43	1
1-01-05-020	Cash Equivalents - Time Deposit - Local Currency	20,000.00	1
1-01-05-030	Cash Equivalents - Time Deposit - Foreign Currency	3,137,774.66	1
Total		5,274,185,501.30	92

- 3.3 The faithful representation of the year-end balance of Cash and Cash Equivalents accounts are affected by the following audit errors and deficiencies:

a. Unrecorded book reconciling items amounting to P9.611 million.

Verification of the Bank Reconciliation Statements (BRS) provided by the Accounting Division for several bank accounts maintained by LRTA disclosed book reconciling items amounting to P9.611 million that remained unadjusted and/or unreconciled in the books as of December 31, 2021, as shown below:

Particulars	Balance As of 12/31/2021		Difference	Book Reconciling Items
	Bank	Books		
Sinking Fund	2,034,936.16	2,356,716.98	(321,780.82)	(321,780.82)
AFPI Settlement	426,755.42	488,755.92	(62,000.50)	(62,000.50)
Rehabilitation Project	598,335,632.71	598,412,956.13	(77,323.42)	(77,323.42)
West Extension Project	78,409,857.11	78,399,326.36	10,530.75	10,530.75
Line 2 Corporate	115,890,199.24	105,620,202.19	10,269,997.05	9,778,897.05
Project ROW	945,275,464.66	954,427,557.25	(9,152,092.59)	(10,510,384.75)
Project Corporate	7,435,242.94	8,597,080.02	(1,161,837.08)	(1,161,837.08)
OPEX / Payroll	31,659,605.42	28,811,506.39	2,848,099.03	2,694,766.31
East Extension Project	14,578,938.02	14,524,709.33	54,228.69	0.00
Line 2 Non-Rail Deposit	13,888,353.54	20,234,218.00	(6,345,864.46)	(6,345,864.46)
LRTA (under Garnishment)	1,249,973.85	1,249,731.30	242.55	242.55
Line 1 Cavite ROW (Expropriation)	320,960,545.55	245,433,187.88	75,527,357.67	75,527,357.67
LRTA FAO PLDT	50,559.64	9,286,653.46	(9,216,132.03)	(9,216,132.03)

Particulars	Balance As of 12/31/2021		Difference	Book Reconciling Items
	Bank	Books		
LRTA FAO Mabuhay Brothers, Inc.	19,961.79			
Line 1 - SEP (Escrow) T.O. In No. 00144023	382,091,895.07	386,880,296.86	(4,788,401.79)	(4,788,401.79)
Sub-total	2,512,307,921.12	2,454,722,898.07	57,585,023.05	55,528,069.48
Adjustments in December 2021	0.00	0.00	0.00	(65,138,715.71)
Total	2,512,307,921.12	2,454,722,898.07	57,585,023.05	(9,610,646.23)

The nature of these book reconciling items mostly pertains to credit memos, debit memos, interest earned, taxes withheld and other book reconciling items requiring adjustments as of December 31, 2021. These items constitute weakness on the internal control procedure on the timely recording of collections and disbursements of the agency affecting the reliability of the amount presented in the Cash and Cash Equivalents in the FS. The non-adjustment of the Cash in Bank account to take-up the book reconciling items overstated the account by P9.611 million.

b. Stale checks amounting to P74,591.08 were not reverted to Cash in Bank

Further audit also revealed that the existence of bank reconciling items pertaining to stale checks amounting to P74,591.08 as listed below:

Bank Account Number	Check No.	Date	Amount
LBP Marcos Highway	489751	03/11/2020	10,904.52
(OPEX / Payroll Account)	489867	04/15/2020	13,686.56
	489889	06/19/2020	50,000.00
Total			74,591.08

The three checks have already reached the six-month period and Management should revert the same to the appropriate Cash in Bank account. None of the payees have requested replacement for the stale checks in their possession.

c. Two foreign bank accounts with BNP Paribas (formerly Fortis Bank) with peso equivalent of P6.368 million are still not revalued using the latest bank statements.

Account Code	Account Title	Amount
1-01-03-030	Cash in Bank - Foreign Currency - Savings Account	3,230,579.43
1-01-05-030	Cash Equivalents - Time Deposit - Foreign Currency	3,137,774.66
Total		6,368,354.09

Since BNP Paribas has shut down its offshore banking unit in the Philippines in 2019, the two foreign bank accounts of LRTA with that bank have been the

subject of our audit observations for several years. The LRTA Legal Department already sent a letter to the office of the Authorized Resident Agent requesting the current status of these accounts dated August 10, 2020. Also, they have already made a follow-up through a phone call with the Secretary of the Authorized Resident Agent and confirmed that they will look into these accounts. However, as of to date, the current status was not provided to LRTA and the latest bank statements were still not yet received. Thus, the balances reported as of December 31, 2021 were not revalued using the latest bank statements and no BRS for these accounts were prepared by Accounting Division.

- d. Self-Insurance Fund amounting to P20,000.00 in unknown bank account number was reported under the Time Deposit – Local Currency under the Cash Equivalents with no other details remained unverified.**

Analysis of the Cash and Cash Equivalents breakdown revealed that a P20,000 Self-Insurance Fund in unknown bank account number was lodged in the Time Deposit – Local Currency account. The provided General Journal and General Ledger was dated April 30, 1989 with no other details thus, remained unverified.

3.4 We recommended and Management agreed to require the Finance Department to:

- a. Effect the necessary adjustments for the identified book reconciling items amounting to P9.611 million;**
- b. Revert the stale checks amounting to P74,591.08 to the appropriate Cash in Bank and payable accounts;**
- c. Communicate directly with BNP Paribas to obtain the recent status of the Foreign Currency – Savings Account and Time Deposit – Foreign Currency Account and revalue the foreign currency deposit accounts; and**
- d. Determine the status of the P20,000.00 Self-Insurance Fund lodged in the Time Deposit – Local Currency account and provide relevant supporting documents to substantiate the said balance.**

3.5 Management replied the book reconciling items and stale checks will be adjusted and reverted to Cash in bank and other affected accounts once the supporting documents are obtained.

3.6 As per letter of the Treasury Division dated April 25, 2022 relative to the update on the LRTA Foreign Currency Accounts, Management requested assistance from the Legal Department for this case. They were informed by the resident agent of BNP Paribas has received their letter but his office through secretary cannot confirm the account and its status. Management also inquired directly with BNP Paribas thru its online website via email sent on June 2, 2022 to obtain the real status of the accounts.

- 3.7 Also, Management replied that after diligent efforts by Treasury and Accounting Divisions, the supporting documents for the P20,000.00 Self-Insurance Fund recorded in our books cannot still be located due to transfer of office from Pasay City Depot to Santolan Depot in view of the Concession Agreement between the DOTr and LRMC and said file documents may have been misplaced

Due from Procurement Service-Department of Budget and Management (PS-DBM)

4. **Unreconciled variance amounting to P31.513 million between the balance of Due from National Government Agencies (PS-DBM) account presented under Receivables as of December 31, 2021 and the result of confirmation with PS-DBM, contrary to Section 7.1 and 7.2 of COA Circular 2016-05 dated December 19, 2016.**

- 4.1. Sections 7.1 and 7.2 of COA Circular 2016-05 dated December 19, 2016 on the Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of National Government Agencies (NGAs), Local Government Units (LGUs) and Government-Owned and Controlled Corporations (GOCCs) states that:

7.1 The Accountant shall conduct regular and periodic verification, analysis, and validation of the existence of the receivables, unliquidated cash advances, and fund transfers, and determine the concerned debtors, accountable officers (Regular and Special Disbursing Officers, Collecting Officers, Cashiers) and the source and implementing government entities concerned.

7.2 Reconcile the unliquidated fund transfers between the source and implementing government entities, prepare adjusting entries for the reconciling items noted, and require liquidation of the balances.

- 4.2. Details of the account Due from National Government Agency-PS-DBM amounting to P177.350 million as of December 31, 2021 are as follows:

Due from National Government Agency- (PS-DBM)	Amount
PS-DBM (Projects)	176,651,098.78
PS-DBM (Office Supplies)	698,767.11
Total	177,349,865.89

- 4.3. Management has already recognized in CY2021 significant amount of recommended adjustments for CY2020 audit pertaining to the completed projects procured thru the PS-DBM. However, results of the confirmation on the balance of the account from PS-DBM as of December 31, 2021 disclosed remaining unreconciled variance amounting to P31.513 million, to wit:

Account	LRTA	PS-DBM	Difference
Due from National Government Agency- (PS-DBM)	177,349,865.89	145,836,371.53	31,513,494.36

- 4.4. We recommended and Management agreed to require the Accounting Division to coordinate with the Accounting Division of PS-DBM to reconcile the variance amounting to P31.513 million, and accordingly, take up the required adjustment.
- 4.5. Management replied that the variance is due to timing difference in the report. Per PS-DBM's confirmation, the balance is as of July 31, 2021 while LRTA books reflected balance as of December 31, 2021.
- 4.6. As a rejoinder, the confirmed balance of P145.836 million with cut-off date as at December 31, 2021 was obtained directly from the PS-DBM.

Inventories

5. The faithful representation of Inventories account amounting to P760.910 million as of December 31, 2021 could not be established, contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework due to unreconciled variance amounting to P25.023 million between the results of the Physical Inventory Report (PIR) and Subsidiary Ledger (SL)/Inventory Ledger Card.

- 5.1 Paragraphs 3.10 and 3.12 of the Conceptual Framework of IPSAS is presented in paragraph 1.1 on page 50 of this Report.
- 5.2 Comparison of the Inventories account balances in the SL against PIR showed a variance amounting to P25.023 million which remained unadjusted as of December 31, 2021. The detailed comparison of the balances of SL and PIR are shown in the table below:

Inventories	Subsidiary Ledger (SL)	Physical Inventory Report	Variance
Rolling Stock Spares	198,109,727.86	194,455,512.08	(3,654,215.78)
Signaling Spares	110,373,317.88	109,047,061.91	(1,326,255.97)
Heavy Equipment Spares	30,107,084.22	31,121,934.22	1,014,850.00
Walkways Short-term Spares	3,140,574.52	3,140,574.52	0.00
Track Works Spares	104,856,180.26	104,469,154.70	(387,025.56)
Overhead Catenary System Spares	19,776,427.44	19,614,589.44	(161,838)
Power Supply Spares	16,405,319.68	16,444,287.63	38,967.95
Telecommunication Spares	10,563,488.79	10,447,398.77	(116,090.02)
Architectural and Civil Spares	82,944.53	62,490.53	(20,454.00)
Station Electrical Spares	3,933,150.56	3,933,150.56	0.00
Station Mechanical Spares	3,204,382.20	3,249,382.20	45,000.00
Consumable Spares	13,267,269.41	-	(13,267,269.41)
AMSCO Spares	244,531,431.63	236,044,007.63	(8,487,424.00)
Office Supplies	1,784,044.07	3,083,315.39	1,299,271.32
Other Supplies	775,074.55	775,074.55	0.00
Total	760,910,417.60	735,887,934.13	(25,022,483.47)

- 5.3 We recommended and Management agreed to require the Accounting Division personnel to reconcile the variance between the SL and the PIR and effect the necessary adjustments.
- 5.4 Management commented that some reconciled items were already adjusted per JEV No. 502-22-04- 206 dated April 30, 2022.
- 5.5 We commend Management for the immediate implementation of the recommended action. However, as a rejoinder, verification of the partial adjustments made were not reflected in the revised financial statements of LRTA as at December 31, 2021.

B. OTHER AUDIT OBSERVATIONS

6. Payments to the Maintenance Contractor for the non-operational equipment line items amounting to P28.693 million for the periods January to November 2021 is not in accordance with Article 8.0.4 of the Terms of Reference of the Contract for the Maintenance of Manila LRT Line 2 System. Moreover, minimum train availability of 10 train sets was not provided by the Maintenance Contractor for the months of January to November 2021, and the applicable penalties were not imposed and deducted on the contractor's monthly payment, contrary to Article 8.1.3 and Article 9 of the contract, respectively.

- 6.1 Articles 8.0.4, 8.0.6 and 8.1.3 of the Terms of Reference of the Contract for the Maintenance of the Manila LRT Line 2 System provide that:

8.0.4 Determination of actual compensation on a monthly basis of the contractor shall be based on the unit rate for operational equipment enumerated in the financial proposal of the contractor. However, the contractor shall be deducted with the corresponding cost of the capital spares that were not procured based on the procurement and delivery plan.

Likewise, the Contractor shall comply with the Minimum Key Performance Indices (KPI) for operational equipment and as provided for in its Approved Maintenance Schedule. Failure to meet these minimum KPIs shall be subject to the Penalty Provisions provided for in Article 9.

8.0.6 The projected monthly service billing is based on the turn over to the Contractor of fourteen (14) train sets. Should LRTA turnover less than 14 train sets, then the actual billing should be adjusted according to the number of trainsets actually turned over by LRTA with proper reference to the provided KPIs

8.1.3 A minimum of ten (10) train sets shall be made available for revenue service at all times. Failure to meet this requirement would warrant the application of corresponding penalties as defined in Article 9.

6.2 Article 9 of the same contract provides the following provisions:

Corresponding penalties will apply should the Contractor fail to meet the required performance criteria as defined in Article 8 of this Terms of Reference. The criteria shall focus on:

xxx

e. Failure to provide the minimum number of trainsets for revenue services as specified in Article 8.1.3 – the Contractor's compensation shall be deducted with applicable unit rates based on the revenue loss due to cancelled trips.

xxx

6.3 The Line 2 System of LRTA was maintained by the contractor, which commenced on April 1, 2019 for a contract period of five years amounting to P1.814 billion. The contract period after the first three years, may be only be continued for the next two years depending on the satisfactory performance by the contractor.

6.4 Audit of the Maintenance Contract of Manila LRT Line 2 System for CY 2021 disclosed the following observations:

a. Payments to the contractor on non-operational equipment line items amounting to P28.693 million for the period covering January to November 2021 is not in accordance with Article 8.0.4 of the Terms of Reference of the Contract for the Maintenance of Light Rail Transit Line 2 System

a.1 Review of the disbursement vouchers for the maintenance contract for the periods January to November 2021 disclosed payments made to the contractor attributable to non-operational equipment under the 10-discipline amounting to P28,692,919.92.

a.2 The financial bid supporting the contract includes unit rate per equipment wherein the Contractors Monthly Payment (CMP) would be determined. The rate is derived by dividing the Total Maintenance Cost per Month over the quantity of equipment under the scope of the contract.

a.3 Article 8.0.4 of the Terms of Reference of the Contract – Procurement for the Maintenance of Light Rail Transit Line 2 System clearly states that ***the determination of actual compensation on a monthly basis of the contractor shall be based on the unit rate for operational equipment enumerated in the financial proposal of the contractor***, which deviates from the actual payment of LRTA to the contractor.

a.4 Also, the payment rate for the non-operational equipment has no legal basis as the unit rate per equipment contained in the financial bid offer pertains only to the operational equipment. This is also in consonance with Article 8.0.6 for trainsets line item payments, wherein the actual billing should be adjusted according to the number of trainsets actually turned over by LRTA with proper reference to the provided KPIs.

- b. Minimum train availability of 10 train sets was not provided by the Maintenance Contractor for the months of January to November 2021 contrary to Article 8.1.3 of the contract and the applicable penalties as provided for in Article 9 of the contract were not imposed and deducted on the contractor's monthly payment.

b.1 Review of the Train Availability Monitoring Reports prepared by the Engineering Department for the months of January to November 2021 supporting the disbursement vouchers disclosed the non-compliance/non-achievement of the Maintenance Contractor of the minimum train availability of ten (10) train sets at all times contrary to Article 8.1.3 of the Maintenance Contract.

b.2 For emphasis, the corresponding payment to non-operational train sets has been made by the LRTA as discussed in above while in the next table the monthly average operational number of trainsets from January to November 2021 is not met by the Maintenance Contractor, to wit:

Period	Monthly Average Operational Trainsets
January	5.00
February	5.00
March	4.97
April	4.97
May	5.00
June	6.40
July	7.61
August	8.77
September	8.43
October	7.87
November	7.53

b.3 It is also noteworthy to mention that even if the Maintenance Contractor failed to deliver the required train sets for operation, nowhere in the disbursement vouchers from January to November 2021 the LRTA imposed corresponding penalties as deductions to claims of the said contractor.

6.5 We recommended Management to:

- a. Provide legal basis for the payments to non-operational equipment line items amounting to P28.693 million for the periods January to November 2021, otherwise deduct to the claims or refund from the Maintenance Contractor;
- b. Require the Maintenance Contractor to explain the non-compliance/non-achievement of the minimum train availability of 10 train sets; and

- c. Require the Lines 1 and 2 Engineering Department to provide explanation/justification on the non-imposition of penalties on the Contractor's Monthly Payments as required in Article 9 of the Terms of Reference of the Contract despite the aforementioned deficiencies.**
- 6.6 On the first recommendation, Management pointed out that this was addressed in a previous controversy involving the same subject matter. In reference, Maintenance Contractor in its letter dated July 5, 2019 objected to the deductions made by LRTA on their billings, wherein all non-operational equipment were not compensated. For that reason, a legal guidance was sought by the Engineering Department to sufficiently address the issue.
- 6.7 Correspondingly, the Legal Department is of the view that the Engineering Department was correct in making the deductions based on the unit rates for operational equipment consistent with Article 8.0.4 of the TOR. The Legal Department pointed out that the unit rates are divided into two (2) components, to wit: consumables and labor. Same categories were also observed in the cost estimates for the project in which the ABC was based. It also mentioned that the train collision incident and fire at Rectifier Substations (RSS) 5 and 6 caused significant reduction of operational equipment and trainsets, wherein the causes were not attributable to Contractor's performance. Further, it was stated that the Contractor is required to provide and maintain a minimum of 252 personnel entailing a substantial amount of labor costs under its account.
- 6.8 The guidance of the Legal Department emphasized that deductions or reductions in Contractor's monthly payment shall only pertain to the consumables portion of the unit rates as defined and indicated in their financial proposal. Accordingly, the re-computation of the unit rates for non-operational trainsets and equipment were made and was duly endorsed and approved by the then Administrator.
- 6.9 In addition, it bears stressing that Article 8.0.4 should be read as referring to the unit rate for operational equipment as basis in the determination of the actual monthly compensation of the contractor. Article 8.0.4 speaks only of rates of payment. Likewise, Article 8.0.4 does not in any way state that service provider shall only be paid for operational equipment.
- 6.10 Thus, the actual compensation shall still be based on the unit rate for operational equipment. Equally applicable is the clarification made by the Legal Department in its Memorandum dated February 19, 2020, that "the deduction or reduction in the monthly billing shall cover not only the consumables portion of the unit rates for rolling stocks/trainsets but also all other equipment for all system disciplines as clearly defined and indicated in the financial proposal of the contractor". Further, the Memorandum of the Engineering dated February 19, 2020 as approved by then Administrator noted that non-operational equipment (not due for disposal) is still being maintained by the Maintenance Provider.
- 6.11 Anent the second recommendation, the Engineering Department already sent a letter to AMSCO JV Inc. dated April 12, 2022 for explanation as required in the said AOM. A copy of the reply/explanation of Maintenance Contractor will be provided to COA once received by LRTA.

- 6.12 As a rejoinder, we are not convinced. It is a rule in statutory construction that the express mention of one person, thing, act or consequence excludes all others. This rule is the familiar maxim "*expressio unius est alterius*". Stated differently, if something is mentioned as being included, then anything that is not mentioned is by implication meant not to be included.
- 6.13 A careful reading of Article 8.04 of the TOR relative to the maintenance of the LRT Line 2 System would show that the actual compensation on a monthly basis shall be based on the unit rates for operational equipment.
- 6.14 Undeniably, the basis of computation of compensation of the contractor is attributable to the unit rates of operational equipment, and nothing else. This conclusion is bolstered by the fact that the provision nowhere states that the unit rate for non-operational equipment is also required in the determination of compensation. Thus, compensation excludes payment pertaining to non-operational equipment.
- 6.15 In addition, LRTA avers that the deduction or reduction in the monthly billing shall cover not only the consumables portion of the unit rates for rolling stocks/trainsets but also all other equipment for all system disciplines.
- 6.16 Assuming that the deductions will cover other equipment, such deductions shall be limited to operational equipment as categorically stated in Article 8.04 of the TOR. It does not necessarily follow that non-operational equipment shall be taken into consideration as this will run counter to the aforecited provision. Even Article 8.06 of the TOR is specific that actual billing should be adjusted according to the number of trainsets actually turned over by LRTA and it speaks of operational trainsets as indicated under Item 8.1.3. of the TOR. There is nothing mentioned of deductions or adjustments pertaining to non-operational equipment. Hence, the re-computation of the unit rates for non-operational trainsets and equipment approved by the then Administrator has no basis and is purely assumption.
- 6.17 Under the foregoing circumstances, it only goes to show that the TOR never intended to include non-operational equipment as basis in the computation of compensation to the contractor. Otherwise, there is no reason why it would not have so stated expressly. The rule of *expressio unius est alterius* proceeds from the premise that it would not have made specific enumeration had the intention been not to restrict its meaning and confine its terms to those expressly mentioned.
- 6.18 The inclusion of non-operational equipment as basis in the computation of compensation shall constitute as modification in the terms of the contract which may not be allowed. Public bidding will cease to be competitive if Procuring Entities will be permitted to make substantial variance between the conditions under which the bids are invited and the contract executed after the award. Procuring Entity cannot make substantial changes in the specifications of the contract, after it was awarded, without violating the principle of competition and fairness. The same is true on the part of the supplier. All told, we maintain that the payment pertaining to non-operational equipment shall not be allowed pursuant to the provisions of the TOR of the contract.

7. Interest earned from the project funds of Rehabilitation and Restoration Projects and Extension Projects invested in High Yield Savings Accounts (HYSA) amounting to P45.485 million and P185.849 million, respectively, for CYs 2020 and 2021 were transferred to various Corporate and OPEX/Payroll accounts of LRTA instead to the fund for which the account was opened or maintained contrary to Section 65 (1) of Presidential Decree (PD) No. 1445, Section 5.3.2 of the Department of Finance (DOF) Circular No. 01-2017 dated May 11, 2017 and Article III of the Memorandum of Agreement for the Extension Projects.

- 7.1 Section 65(1) of PD No.1445 states that:

*Unless otherwise specifically provided by law, **all income** accruing to the agencies by virtue of the provisions of law, orders and regulations shall be deposited in the National Treasury or in any duly authorized government depository, and shall accrue to the unappropriated surplus of the General Fund of the Government. (emphasis supplied)*

- 7.2 Also, Section 5.3.2 of the DOF Circular No. 01-2017 dated May 11, 2017 which provides the Amended Guidelines on the Authorized Government Depository Bank provides that:

*All interest income earned by deposits of NGAs/GOCCs shall be remitted quarterly to the National Treasury, unless expressly provided by law that interest earnings of the account shall accrue to the fund for which the account was opened or maintained. The NGA/GOCC shall furnish the bank a copy of the certification of the exemption from automatic remittance of **interest income**, which may be granted by the BTr/DOF upon confirmation of the legal basis submitted by the NGA/GOCC.*

- 7.3 Lastly, Article III of the Memorandum of Agreement between Department of Transportation (DOTr) and Light Rail Transit Authority (LRTA) dated August 28, 2019 for the South Extension Project states that:

Excess Project Fund. Any unutilized and/or unobligated portion of the Additional Funds for the Project shall be returned to DOTr with proper acknowledgement (i.e., Official Receipt) of the return. This includes any and all interests earned.

- 7.4 As of December 31, 2021, the balance and classification of HYSA under the Cash in Bank – Local Currency, Savings Account are as follows:

Account Title	Amount
PMO-Line 2 Operations	
Line 2 PMO	37,230,098.88
Subtotal	37,230,098.88
Others: Restricted and Corporate Payables	
Financial Assistance Fund for Passenger Accident Liabilities	96,056,223.55
Director's and Officer's Liability Fund	56,175,364.14
Corporate Payables (Trust Liabilities)	1,926,162.39

Account Title	Amount
Corporate Funds	1,619,002.81
MTOI Employee Claims	11,173,933.74
GAAS 2021	117,801,304.70
Subtotal	284,751,991.33
Rehabilitation and Restoration of Line 1 & 2 Operations	
Rehabilitation & Restoration of Line 1 & 2 Operations	820,348,903.83
REHAB 977M	795,232,068.22
LRTA (New Trainsets)	299,987,000.00
Subtotal	1,915,567,972.05
PMO Line 1 North Extension Project	
Line 1 NEP (Common Station)	200,000,000.00
Line 1 NEP	5,898,153.09
Subtotal	205,898,153.09
PMO Line 1 Cavite Extension Project	
Line 1 SEP (Interest)	117,274,849.80
Line 1 SEP	112,263,079.94
Subtotal	229,537,929.74
Total	2,672,986,145.09

- 7.5 Audit of the Subsidiary Ledger (SL) of HYSA and other supporting documents attached in the Journal Entry Vouchers (JEVs) revealed that the interest earned from the project funds of Rehabilitation and Restoration Projects and Extension Projects invested in HYSA amounting to P45.485 million and P185.849 million, respectively, were later transferred to various Corporate and OPEX/Payroll accounts; details are the following:

Rehabilitation and Restoration Projects:

Bank of the Source of Fund	Purpose of the Bank Account	JEV No.	Amount
For CY 2020:			
A. To LBP Baclaran (Line 2 Corporate Account)			
LBP Baclaran	Rehabilitation & Restoration of Line 1 & 2 Operations	502-20-07-402	11,192,762.94
Subtotal			11,192,762.94
B. To LBP Marcos Highway (OPEX/Payroll Account)			
DBP Marikina	Rehabilitation & Restoration of Line 1	502-20-09-534	7,885,234.82
	& 2 Operations	502-20-11-657	7,557,234.82
Subtotal			15,442,469.64
C. To DBP Marikina (Corporate Payables Accounts)			
DBP Marikina	Rehabilitation & Restoration of Line 1	502-20-10-600	952,439.58
	& 2 Operations	502-20-12-759	676,809.34
		502-20-10-600	330,366.65

Rehabilitation and Restoration Projects:			
		502-20-12-759	234,760.54
		502-20-07-401	779,268.74
		502-20-08-455	623,414.99
		502-20-09-534	626,301.18
		502-20-08-455	216,239.99
		502-20-09-532	217,241.10
Subtotal			4,656,842.11
Total for CY 2020			31,292,074.69
For CY 2021:			
A. To LBP Baclaran (Line 2 Corporate Accounts)			
DBP Marikina	Rehabilitation & Restoration of Line 1 & 2 Operations	502-21-03-137	498,956.15
		502-21-01-053	3,548,408.19
		502-21-04-207	6,357,323.86
Subtotal			10,404,688.20
B. To LBP Marcos Highway (OPEX/Payroll Accounts)			
DBP Marikina	Rehabilitation & Restoration of Line 1 & 2 Operations	502-21-05-280	978,570.70
		502-21-05-280	296,287.88
Subtotal			1,274,858.58
C. To DBP Marikina (Corporate Payables Accounts)			
DBP Marikina	Rehabilitation & Restoration of Line 1 & 2 Operations	502-21-01-053	666,707.70
		502-21-02-096	427,676.70
		502-21-06-382	447,415.62
		502-21-07-457	409,803.34
		502-21-01-053	231,256.65
		502-21-02-096	195,216.66
		502-21-06-382	135,466.78
Subtotal			2,513,543.45
Total for CY 2021			14,193,090.23
Total Interest Transferred - Rehabilitation and Restoration Projects			45,485,164.92

Extension Projects:

Bank of the Source of Fund	Purpose of the Bank Account	JEV No.	Amount
For CY 2020:			
A. To LBP Baclaran (Line 2 Corporate Account)			
DBP Marikina	Line 1 SEP - Interest	502-20-11-654	65,000,000.00
Subtotal			65,000,000.00
B. To LBP Marcos (OPEX/Payroll Accounts)			
	Line 1 SEP - Interest	502-20-11-654	78,000,000.00
DBP Marikina	Line 1 NEP	502-20-11-655	633,777.78

Extension Projects:			
	(Common Station)		
	Line 1 NEP	502-20-11-655	24,574.90
Subtotal			78,658,352.68
Total for CY 2020			143,658,352.68
For CY 2021:			
A. To LBP Baclaran (Line 2 Corporate Accounts)			
DBP Marikina	Line 1 SEP - Interest	502-21-01-050	31,015,470.20
		502-21-04-204	3,812,839.62
		502-21-10-619	4,236,230.01
		502-21-11-681	1,588,549.23
	Line 1 NEP	502-21-01-051	593,103.93
	(Common Station)	502-21-02-094	308,777.78
		502-21-04-205	560,000.00
	Line 1 NEP	502-21-01-051	22,997.76
		502-21-02-094	11,972.94
		502-21-04-205	16,833.96
Subtotal			42,166,775.43
B. To DBP Marikina (Corporate Payables Account)			
DBP Marikina	Line 1 NEP	502-21-07-455	24,124.37
Subtotal			24,124.37
Total for CY 2021			42,190,899.80
Total Interest Transferred - Extension Projects			185,849,252.48

- 7.6 In reply to Audit Observation Memorandum (AOM) No. 19-07 (2018 AAR) dated May 9, 2019, Management confirmed that the funds which are not immediately use for operations are deposited in HYSA with government banks offering the best rate for the term to maximize the interest income. It should be noted that the interest earned from the HYSAs should be remitted to Bureau of Treasury (BTr) or to the DOTr in compliance with Section 65 of P.D. 1445, Section 5.3.2 of the amended DOF Circular No. 01-2017 dated May 11, 2017 and the related Memorandum of Agreement for Extension Projects cited above.
- 7.7 Further verification of the transactions also revealed that the interest earned amounting to P14.736 million from the project funds of NEP and Rehabilitation & Restoration Projects were transferred to the bank account of SEP in DBP Marikina; as shown below:

Bank of the Source of Fund	Transferred To	JEV No.	Amount
DBP Marikina (Rehabilitation & Restoration of Line 1 & 2 Operations)	DBP Marikina (Line 1 SEP – Interest)	502-21-07-454	3,014,389.24
		502-21-10-619	2,775,513.79
		502-21-11-681	1,038,561.71
Subtotal			6,828,464.74

Bank of the Source of Fund	Transferred To	JEV No.	Amount
DBP Marikina (REHAB 977M)		502-21-07-454	3,252,623.86
		502-21-10-619	2,690,535.17
		502-21-11-681	1,006,763.80
Subtotal			6,949,922.83
DBP Marikina (Line 1 NEP (Common Station)		502-21-10-619	676,666.66
		502-21-11-681	253,200.00
Subtotal			929,866.66
DBP Marikina (Line 1 NEP)		502-21-10-619	19,955.42
		502-21-11-681	7,467.06
Subtotal			27,422.48
Total			14,735,676.71

7.8 It is noteworthy that the purpose of this bank account in DBP Marikina as per schedule provided by the Treasury Division was for Line 1 – South Extension Project (Interest). Also, as provided in the preceding details of transactions, the interest income in the bank account of SEP were also transferred to Corporate and OPEX/Payroll bank accounts thus, this transfer made by LRTA is improper and also contrary to Section 2 of P.D. No. 1445 and Section 5.3.2 of DOF Circular No. 01-2017 dated May 11, 2017.

7.9 We recommended and Management agreed to remit to the BTr the interest earned from the HYSA of Rehabilitation and Restoration Projects amounting to P45.485 million and revert the interest earned amounting to P185.849 million for Extension Projects accounts transferred to various Corporate and OPEX/Payroll accounts in compliance with Section 65(1) of P.D. No. 1445, Section 5.3.2 of DOF Circular No. 01-2017 dated May 11, 2017 and Memorandum of Agreement for Extension Projects. Also, refrain from transferring the interest earned from one bank account to another bank account.

8. Fifty nine percent or 13 out of 22 Line 2 Rehabilitation Projects with an aggregate contract cost of P984.563 million were already delayed, ranging from 77 to 1,065 days as at December 31, 2021, from their target completion, thus, depriving the general public of the intended benefits that may be derived therefrom.

8.1 Section 2 of P.D. No. 1445, Ordaining and Instituting a Government Auditing Code of the Philippines states that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguard against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is

faithfully adhered to rests directly with the chief or head of the government agency concerned.

- 8.2 Also, Sections 8.1 and 10.1 of Annex "E" of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184 provides that:

8.1 – Where the contractor refuses or fails to satisfactorily complete the work within the specified contract time, plus any time extension duly granted and is hereby in default under the contract, the contractor shall pay the procuring entity for liquidated damages, and not by way of penalty, an amount, as provided in the conditions of contract, equal to at least one tenth (1/10) of one (1) percent of the cost of the unperformed portion of the works for every day of delay.

10.1 - Should the amount of additional work of any kind or other special circumstances of any kind whatsoever occur such as to fairly entitle the contractor to an extension of contract time, the procuring entity shall determine the amount of such extension; provided that the procuring entity is not bound to take into account any claim for an extension of time unless the contractor has prior to the expiration of the contract time and within thirty (30) calendar days after such work has been commenced or after the circumstances leading to such claim have arisen, delivered to the procuring entity notices in order that it could have investigated them at time. xxx

- 8.3 Review of the status of implementation of the on-going Line 2 Rehabilitation Projects as of December 31, 2021 showed the unnecessary delays in the implementation of 13 projects ranging from 77 to 1,065 days. The details are as follow:

Line 2 Rehabilitation Projects	Contract Cost	Percentage of Completion*	Target Date of Completion*	No. of Days Delayed
1 Design and Build for the Improvement of Line 2 Stations and Facilities Project	436,736,067.00	91%	10/15/2021	77
2 Consultancy Services for Structural Investigation and Related Works at LRT Lines 1 and 2	45,480,400.00	98%	8/28/2021	125
3 Replacement of Precision Air Conditioning System at Depot	65,900,000.00	95%	8/13/2021	140
4 Construction of Water Treatment Facility (WTF)	19,897,520.00	-	3/18/2021	288
5 Replacement of 45 Escalator Units at Mainline Stations	187,200,000.00	85%	10/7/2020	450
6 Improvement of Line 2 Depot Offices	51,501,134.80	96%	3/17/2020	654
7 Upgrading of Wheel Lathe Machine	29,915,157.53	100%	12/12/2019	750

Line 2 Rehabilitation Projects	Contract Cost	Percentage of Completion*	Target Date of Completion*	No. of Days Delayed
8 Construction of Materials and Recovery Facility (MRF) at LRTA line 2 Depot	14,243,105.63	100%	12/9/2019	753
9 Construction/Installation of Train Lift System	29,950,000.00	-	11/22/2019	770
10 Supply, Delivery, Testing and Commissioning of OCS Truck	44,279,040.00	-	9/29/2019	824
11 Rehabilitation of Fire Detection and Alarm System and Fire Suppression System	26,880,000.00	34%	9/16/2019	837
12 Repair of Unbonded Concrete Plinths at LRT Line 2 (Phase 2)	5,748,750.00	55%	7/19/2019	896
13 Acquisition of Rolling Stock Diagnostic Tools and Equipment	26,832,000.00	-	1/31/2019	1,065
Total Amount	984,563,174.96			

*Project Status Report as of December 31, 2021

- 8.4 Inquiry with the Project Management Office (PMO) – Rehabilitation Project disclosed that only two of the projects above were already completed, undergone initial inspection by Inspection and Acceptance Committee and awaiting for issuance of Certificate of Completion. Also, three of the above projects were already terminated namely: Construction/Installation of Train Lift System, Replacement of 4 Escalator Units at Mainline Stations and Repair of Unbonded Concrete Plinths at LRT Line 2 (Phase 2).
- 8.5 Memorandum dated April 12, 2021 was issued to Management regarding the above projects to obtain information such as the amount of imposed liquidated damages, value of unperformed portion part of the contract, and the status of contract period extension however, no reply was received as of this date. We believed that this information are vital and need to be submitted in order to evaluate and assess the projects, necessity of imposing liquidated damages and if the time extension granted by LRTA for delayed projects are justified.
- 8.6 Lastly, the non-implementation and non-completion of the projects on their target date of completion consequently delayed the benefits that could be derived therefrom by the public.
- 8.7 We recommended and Management agreed to require the Planning Department and Line 2 PMO - Rehabilitation Projects end user to impose liquidated damages to contractors who have failed to satisfactorily complete the project within the target date of completion as required under Section 8.1 of Annex E of RIRR of RA No. 9184. Also, consider blacklisting of the contractors involved, and initiate the immediate take-over process of terminated projects, if necessary.

9. Twenty-three approved awarded Contracts with an aggregate contract amount of P270.178 million were not compliant with Section 37.2.1 of the 2016 RIRR of RA No. 9184. In addition, 24 approved awarded Contracts for CY 2021 amounting to P96.582 million and their supporting documents, were not furnished to the Auditor for review purposes within five working days after perfection, contrary to the provision of COA Circular No. 2009-001.

9.1 Section 37.2.1 of the RIRR of RA No. 9184 also provides that:

The winning bidder shall post the required Performance Security and enter into contract with the Procuring Entity within ten (10) calendar days from receipt by the winning bidder of the Notice of Award.

- 9.2 In addition, Section 3.1.1 of COA Circular No. 2009-001 on the Restatement with amendment of COA Circular 87-278 and COA Memorandum 2005-027 re: submission of copy of government contracts, purchase orders and their supporting documents to the Commission on Audit dated February 12, 2009 provides that:

Within five (5) working days from the execution of a contract by the government or any of its subdivisions, agencies or instrumentalities, including government-owned and controlled corporations and their subsidiaries, a copy of said contract and each of all the documents forming part thereof by reference or incorporation shall be furnished to the Auditor of the agency concerned. In case of agencies audited on an engagement basis, submission of a copy of the contract and its supporting documents shall be to the Auditor of the mother agency or parent company, as the case may be.

- 9.3 Review of Contracts for CY 2021 submitted and Procurement Monitoring Report as of December 31, 2021 disclosed that twenty-three (23) POs/Contracts entered into by LRTA were beyond ten (10) calendar days from receipt by the winning bidder of the Notice of Award (NOA) incurring delays from one to 124 days contrary to the Section 37.2.1 of the RIRR of RA No. 9184, to wit:

	Particulars	Amount	Date of Receipt of the Notice of Award by the Supplier	Deadline of Entering into Contract (Sec. 37.2.1, RIRR No. 9184)	Date Entered into contract by the LRTA and Supplier	Number of Days Delayed
1	Supply of 1,035 Bags of Groceries	2,065,860.00	12/3/2021	12/13/2021	12/14/2021	1
2	Various Toner for HP 600A	12,800.00	1/27/2021	2/6/2021	2/8/2021	2
3	PVC Card and Ink for ID Printer	109,000.00	9/3/2021	9/13/2021	9/15/2021	2
4	Various Spare Parts (Static Inverter IGBT, Static Inverter Gate Drive Unit, SIV Fuse)	5,998,999.84	3/4/2021	3/14/2021	3/17/2021	3

	Particulars	Amount	Date of Receipt of the Notice of Award by the Supplier	Deadline of Entering into Contract (Sec. 37.2.1, RIRR No. 9184)	Date Entered into contract by the LRTA and Supplier	Number of Days Delayed
5	Security Services for Line 1 (South) Cavite Extension Project	16,065,576.00	6/23/2021	7/3/2021	7/6/2021	3
6	3 units Cabinet Steel Storage with Vault	31,050.00	9/3/2021	9/13/2021	9/20/2021	7
7	Contract for the Supply of Fibergate Walkway Assembly or its equivalent Fibergate Walkway Assembly	4,241,400.00	7/6/2021	7/16/2021	7/23/2021	7
8	Various Toner for Kyocera Printer	713,900.00	7/15/2021	7/25/2021	8/5/2021	11
9	Acquisition of Rescue and Emergency Road/Rail Vehicle	56,906,590.76	8/3/2021	8/13/2021	8/24/2021	11
10	Contract 4: One (1) lot Restoration of Telecommunication Equipment Damaged by Fire Incident at RSS5 and RSS6	128,000,000.00	2/26/2021	3/8/2021	3/22/2021	14
11	1 lot Various MCC Parts	16,561,568.34	3/18/2021	3/28/2021	4/12/2021	15
12	Contract for the Supply of One (1) lot Various Spare Parts for 6.6KV Switchgear, Negative Panel and Battery Charger	7,555,400.00	9/16/2021	9/26/2021	10/15/2021	19
13	Contract for One (1) Lot Various Overheat Traveling Crane Parts	7,580,613.96	11/10/2021	11/20/2021	12/10/2021	20
14	Contract for the Supply of 8 pcs Buffer Amplifier or its equivalent	16,000,000.00	3/17/2021	3/27/2021	4/20/2021	24
15	Relocation Survey with aerial drone flight mapping of LRTA properties	260,000.00	2/10/2021	2/20/2021	3/22/2021	30
16	Contract for One (1) Year Rental/Lease of 35 Units Photocopier Machine	1,452,333.06	9/17/2021	9/27/2021	10/28/2021	31
17	Appraisal Services with Appearance fee of Various Real Properties of Line 1	500,000.00	8/23/2021	9/2/2021	10/7/2021	35

Particulars	Amount	Date of Receipt of the Notice of Award by the Supplier	Deadline of Entering into Contract (Sec. 37.2.1, RIRR No. 9184)	Date Entered into contract by the LRTA and Supplier	Number of Days Delayed
Cavite Extension Project					
18 1 lot Restoration of Various Equipment of Santolan Station Electrical Equipment Room damaged by fire	5,200,000.00	3/12/2021	3/22/2021	5/18/2021	57
19 1 pc Environmental Multi-meter	21,810.00	7/25/2021	8/4/2021	10/1/2021	58
20 Various MPV Parts (Cylinder Head Lining, Piston Liner, Connecting Rod Bearing)	220,000.00	8/23/2021	9/2/2021	11/10/2021	69
21 2 units Server with complete accessories	195,798.00	12/29/2020	1/8/2021	4/8/2021	90
22 Supply of Various Ink Cartridges	443,732.00	9/1/2021	9/11/2021	12/28/2021	108
23 5 units Renewal of One (1) Year Subscription of Zoom Services - PRO License	41,920.00	9/14/2021	9/24/2021	1/26/2022	124
Total	270,178,351.96				

9.4 Section 37.2.1 of the RIRR of RA No. 9184 clearly provides that the winning bidder shall enter into contract with the Procuring Entity within 10 calendar days from receipt by the winning bidder of the NOA and this is also important to fast-track the implementation stage of the aforementioned projects.

9.5 Review of procurement contracts for CY 2021 disclosed Management's submission were not within the prescribed period as stated in COA Circular No. 2009-001. Out of the 59 awarded Contracts in the Procurement Monitoring Report (PMR) as of December 31, 2021, 24 contracts with an aggregate amount of P95.582 million were submitted to COA incurring delays from one to 119 days, to wit:

Particulars	Amount	Date Entered into contract by the LRTA and Supplier	Deadline of Submission to COA (COA Cir. 2009-001)	Actual Date of Submission to COA	Number of Days Delayed
1 PVC Card and Ink for ID Printer	109,000.00	9/15/2021	9/22/2021	9/23/2021	1

	Particulars	Amount	Date Entered into contract by the LRTA and Supplier	Deadline of Submission to COA (COA Cir. 2009-001)	Actual Date of Submission to COA	Number of Days Delayed
2	Repair/Restoration of Trainsets 13 & 18	13,651,672.01	1/21/2021	1/28/2021	1/29/2021	1
3	2 units Electric Typewriter	45,600.00	2/1/2021	2/8/2021	2/9/2021	1
4	Letterhead and Agenda Folder (A4) with LRTA Logo	146,900.00	7/22/2021	7/29/2021	7/30/2021	1
5	Various Spare Parts (Static Inverter IGBT, Static Inverter Gate Drive Unit, SIV Fuse)	5,998,999.84	3/17/2021	3/24/2021	3/26/2021	2
6	Contract for the Supply of 8 pcs Buffer Amplifier or its equivalent	16,000,000.00	4/20/2021	4/27/2021	4/29/2021	2
7	Various MPV Parts (Cylinder Head Lining, Piston Liner, Connecting Rod Bearing)	220,000.00	11/10/2021	11/17/2021	11/19/2021	2
8	Copy Paper A4 70gsm, Copy Paper Legal Size 70gsm	122,571.00	7/8/2021	7/15/2021	7/19/2021	4
9	3,050 pcs. Customized Alcohol	94,397.50	11/26/2021	12/6/2021	12/15/2021	9
10	Contract for the Supply of One (1) lot Various Spare Parts for 6.6KV Switchgear, Negative Panel and Battery Charger	7,555,400.00	10/15/2021	10/22/2021	11/2/2021	11
11	2 units Server with complete accessories	195,798.00	4/8/2021	4/16/2021	4/29/2021	13
12	1 lot Various MCC Parts	16,561,568.34	4/12/2021	4/19/2021	5/4/2021	15
13	1 lot Restoration of Various Equipment of Santolan Station Electrical	5,200,000.00	5/18/2021	5/25/2021	6/17/2021	23

Particulars	Amount	Date Entered into contract by the LRTA and Supplier	Deadline of Submission to COA (COA Cir. 2009-001)	Actual Date of Submission to COA	Number of Days Delayed
Equipment Room damaged by fire					
14 3 units Cabinet Steel Storage with Vault	31,050.00	9/20/2021	9/27/2021	10/21/2021	24
15 Ink for Monochrome Tank Printer	115,209.00	6/7/2021	6/14/2021	7/12/2021	28
16 One (1) Lot Antivirus Licenses for 400 users for two (2) years	476,000.00	9/15/2021	9/22/2021	10/21/2021	29
17 2 Units of Coin Counter	79,600.00	12/22/2021	12/29/2021	2/7/2022	40
18 Contract for One (1) Lot Various Overheat Traveling Crane Parts	7,580,613.96	12/10/2021	12/17/2021	1/27/2022	41
19 Relocation Survey with aerial drone flight mapping of LRTA properties	260,000.00	3/22/2021	3/29/2021	5/12/2021	44
20 Supply of Various Inc Cartridges	443,732.00	12/28/2021	1/5/2022	2/21/2022	47
21 Security Services for Line 1 (South) Cavite Extension Project	16,065,576.00	7/6/2021	7/13/2021	9/20/2021	69
22 Contract for the Supply of Various Parts for Overhead Catenary System	2,109,885.00	12/12/2021	12/17/2021	3/17/2022	90
23 Supply of 1,035 Bags of Groceries	2,065,860.00	12/14/2021	12/21/2021	3/22/2022	91
24 Contract for One (1) Year Rental/Lease of 35 Units Photocopier Machine	1,452,333.06	10/28/2021	11/5/2021	3/4/2022	119
Total	96,581,765.71				

9.6 Agencies are required by law to furnish the Auditor with a copy of approved awarded Contracts within five (5) working days upon approval together with the supporting documents, thus, non-submission within the prescribed period prevented the timely auditorial and technical review and early communication to Management of any defects/deficiencies found in audit.

9.7 We recommended Management to:

- a. Explain why the 23 procurement contracts amounting to P270.178 million entered with the winning bidders were beyond the ten (10) calendar days in violation of Section 37.2.1 of the RIRR of RA No. 9184; and**
- b. Explain why the 24 procurement contracts amounting to P96.582 million were not timely submitted as set forth in COA Circular No. 2009-001.**

9.8 Management explained that 23 procurement contracts amounting to P270.178 million entered with the winning bidders were beyond the ten (10) calendar days were due change in Management, review of awards and contracts and award approval of higher authority. In addition, the 24 procurement contracts amounting to P95.582 million were not timely submitted as set forth in COA Circular No. 2009-001 due to scarcity of copy paper supply, no provision for overtime pay for the support staff re: photocopying works and unexpected breakdown of photocopying machines.

9.9 As a rejoinder, Section 37.2.1 of the RIRR of RA No. 9184 and Section 3.1 of COA Circular No. 2009-001 timeline is mandatory in nature. Periods of action should be faithfully complied with to avoid delay in the implementation of the projects and strict adherence to the periods of procurement activities and submission of contracts to COA must be followed.

10. Payments of reimbursable allowance to the Office of the Government Corporate Counsel (OGCC) lawyers rendering legal services to the LRTA for the years 2019, 2020 and 2021 totaling P1.097 million were with the following deficiencies:

- a. The agency is directly paying the individual lawyers the reimbursable allowance and failed to deduct and remit taxes totaling P109,650.00 to Bureau of Internal Revenue (BIR) consistently from 2019 to 2021 in violation of BIR Revenue Regulations (RR) No. 11-2018 dated January 31, 2018 which amended the certain provisions in the RR No. 02-98 dated April 17, 1998; and**
- b. An overpayment of P407,285.15 was noted in the allowances paid to the OGCC lawyers based on the date of the Office Orders as compared with the effectivity of their assignment issued by the OGCC. In addition, no office or assignment order was submitted to support for the claims from January to September 2020 amounting to P228,000.00.**

10.1 Section 2 of the BIR RR No. 11-2018 dated January 31, 2018 partly states:

Certain items of Section 2.57.2 of RR No. 2-98 is hereby renumbered and further amended to read as follows:

Income Payments Subject to Creditable Withholding Tax and Rates Prescribed Thereon – Except as herein otherwise provided, there shall be withheld a creditable income tax at rates herein specified for each class of payee from the following items of income payments to persons residing in the Philippines:

- (A) **Professional fees, talent fees, etc. for services rendered** - On the gross professional, promotional, and talent fees or any other form of remuneration for the services rendered by the following:

xxx -

Non-individual payee:

If gross income for the current year did not exceed P720,000.00- Ten percent (10%);

If gross income exceeds P720,000.00 - Fifteen percent (15%)

- (1) Those individually engaged in the practice of profession or callings; lawyers, certified public accountants; doctors of medicines; architects; civil, electrical, chemical, mechanical...xxx

- 10.2 Quoted hereunder is the paragraph below Section 2, -- included in subsection (A) No. (11) - xxx

The amounts subject to withholding tax under this subsection (A) shall include not only fees but also per diem, fees, allowances and other form of income payments not subject to withholding tax on compensation.

- 10.3 Moreover, Section 2.57.4 of BIR RR No. 02-98 dated April 17, 1998 prescribes that:

Time of Withholding. — The obligation of the payor to deduct and withhold the tax under Section 2.57 of these Regulations arises at the time an income payment is paid or payable, or the income payment is accrued or recorded as an expense or asset, whichever is applicable, in the payor's books, whichever comes first. The term "payable" refers to the date the obligation becomes due, demandable or legally enforceable.

Provided, however, that where income is not yet paid or payable but the same has been recorded as an expense or asset, whichever is applicable, in the payor's books, the obligation to withhold shall arise in the last month of the return period in which the same is claimed as an expense or amortized for tax purposes.

- 10.4 Examination of the reimbursable allowances paid by LRTA to the individual OGCC lawyers rendering legal services to the agency for the years covering 2019, 2020 and 2021 disclosed the following deficiencies:

- a. LRTA is directly paying the individual lawyers the reimbursable allowance and failed to deduct and remit taxes totaling P109,650.00 to BIR consistently from 2019 to 2021 in violation of BIR RR No. 11-2018 dated January 31, 2018 which amended the certain provisions in the RR No. 02-98 dated April 17, 1998.

- a.1 Review of the documents relative to the payment of reimbursable allowance paid to 12 OGCC lawyers from CYs 2019 to 2021 amounting to P1.097 million disclosed the non-withholding of tax as required by BIR RR No. 11-2018 dated January 31, 2018 and the RR No. 02-98 dated April 17, 1998, to wit:

PAYEE	AMOUNT PAID				TOTAL	PRESCRIBED WITHHOLDING TAX RATE	WITHHOLDING TAX
	CY 2019	CY 2020	CY 2021	CY 2021 (2)			
A	30,000.00	36,000.00	58,500.00	42,000.00	166,500.00	10%	16,650.00
B	24,000.00	0.00	0.00	0.00	24,000.00	10%	2,400.00
C	24,000.00	22,500.00	71,500.00	36,000.00	154,000.00	10%	15,400.00
		7,500.00	0.00	0.00	7,500.00	10%	750.00
D	24,000.00	17,500.00	71,500.00	36,000.00	149,000.00	10%	14,900.00
		12,500.00	0.00	0.00	12,500.00	10%	1,250.00
F	30,000.00	0.00	58,500.00	0.00	88,500.00	10%	8,850.00
G	7,500.00	0.00	0.00	0.00	7,500.00	10%	750.00
H	24,000.00	30,000.00	0.00	33,000.00	87,000.00	10%	8,700.00
I	24,000.00	30,000.00	71,500.00	36,000.00	161,500.00	10%	16,150.00
J	24,000.00	0.00	0.00	33,000.00	57,000.00	10%	5,700.00
K	3,000.00	30,000.00	0.00	33,000.00	66,000.00	10%	6,600.00
L	24,000.00	0.00	0.00	33,000.00	57,000.00	10%	5,700.00
M	-	0.00	58,500.00	-	58,500.00	10%	5,850.00
TOTAL	238,500.00	186,000.00	390,000.00	282,000.00	1,096,500.00		109,650.00

- a.2 This is contrary to 2018 payments wherein the amount paid to 10 OGCC lawyers amounting to P258,000.00 were properly withheld by ten percent (10%) amounting to P25,800.00 recorded under JEV No. 502-19-03-178 dated March 2019. Moreover, the remaining amount of P232,200.00 were directly paid by the LRTA to the individual OGCC lawyers.
- b. An overpayment of P407,285.15 was noted in the reimbursable allowances paid to the OGCC lawyers based on the date of the Office Orders as compared with the effectivity of their assignment issued by the OGCC. In addition, no office order or assignment order was submitted to support for the claims from January to September 2020 amounting to P228,000.00.
- b.1 Review of the Office Orders issued by the OGCC to the lawyers who perform additional duties to handle special legal service to the LRTA showed that the period covered of their assignments were not indicated. Also, we noted that when the OGCC request and follow up for the payment of the individual allowances, the period covered was identified including their individual rates per month which include periods earlier than the date of the Office Orders for the years 2019, 2020 and 2021. Summarized overpayment paid to the individual lawyers are as follows:

PAYEE	OVERPAYMENT			TOTAL OVER PAYMENT
	2019	2020	2021	
F	1,339.29	0.00	0.00	1,339.29
A	3,839.29	3,000.00	14,000.00	56,113.48
G	3,071.43	1,500.00	11,000.00	15,571.43
B	3,071.43	1,500.00	0.00	4,571.43
I	3,071.43	1,500.00	11,000.00	15,571.43
H	3,071.43	1,500.00	12,000.00	68,410.14
		3,725.81	48,112.90	
C	3,071.43	1,500.00	12,000.00	68,410.14
		3,725.81	48,112.90	
D	3,071.43	1,500.00	12,000.00	68,410.14
		3,725.81	48,112.90	
K	0.00	0.00	11,000.00	11,000.00
J	0.00	7,500.00	11,000.00	18,500.00
E	8,839.29	0.00	35,274.19	44,113.48
L	0.00	0.00	35,274.19	35,274.19
TOTAL	32,446.45	30,677.43	344,161.27	407,285.15

b.2 Comparing the dates of the issued Office Orders with the period paid to the OGCC lawyers, we have noted that the payments included periods rendered prior to the dates of issuance of Office Orders, thus, incurring overpayments amounting to P407,285.15. In addition, the claims from January 2020 to September 2020 amounting to P228,000.00 was not supported with Office Orders.

10.5 We recommended that Management require the concerned OGCC lawyers to:

- a. Refund the withholding tax of P109,650.00 not withheld from the payments made to them, and remit the same to BIR in compliance with BIR RR No. 11-2018; and henceforth, directly remit the reimbursable allowance to OGCC instead to the individual lawyers, net of the applicable withholding tax;
- b. Refund the overpayment amounting to P407,285.15; and
- c. Submit the Office Order and detailed tasks to support for the claims covering the period from January 2020 to September 2020 amounting to P228,000.00, otherwise the payment shall be disallowed.

10.6 Management replied during the exit conference that they will coordinate with OGCC on the subject taxes not deducted and remitted to BIR and the remittance of reimbursable allowance of OGCC lawyers. Reply from OGCC will be furnished to COA.

10.7 Management also insist that the rate prescribed in the GAA CY 2020 and 2021 refers on authorized allowance of P5,000.00 for each appearance or attendance to court hearings but shall not exceed 50 percent of the government lawyer's monthly basic salary which is being paid to LRTA lawyers, while special allowance (legal fees) paid to the 3 OGCC lawyers is based on OGCC rate(P5,500/month/lawyer).

The observation was already communicated with the OGCC. As to the overpayment, Management requested a reconciliation on the details of the amounts.

C. GENDER AND DEVELOPMENT (GAD)

11. Audit of the LRTA GAD plan and accomplishments for CY2021 disclosed the following deficiencies:

- a. LRTA's Gender and Development Plan and Budget (GPB) for CY 2021 which was only P22.671 million or 0.21 percent of the approved Corporate Operating Budget (COB) totaling P10.918 billion was less than the required five percent of the budget appropriation, contrary to Section 32 of the General Provisions of RA No. 11518 or the General Appropriations Act (GAA) of FY 2021, and Section 6.1 of Philippine Commission on Women (PCW)-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM) Joint Circular (JC) No. 2012-01, thus not endorsed by PCW for not conforming to the provisions of Section 8.6 of the same JC and Section 1.2.2.1 of PCW Memorandum Circular No. 2020-05;
- b. Out of the P22.671 million total GAD fund allocation, only 24.10 percent or P5.463 million was utilized in the implementation of GAD related activities; and
- c. Out of the 21 approved PAPs in the GPB, 10 were fully accomplished, four were partially accomplished and seven were not accomplished. Further, activities which were not included in the GPB were undertaken contrary to Section 9.2 of PCW-NEDA-DBM JC No. 2012-01.

11.1 Section 32 of the General Appropriations Act (GAA) of 2021 states that:

All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provision under R.A. No. 9710 or the Magna Carta of Women, xxx.

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five per cent (5%) of their budgets xxx. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

11.2 Similarly, Section 6.1 of the PCW_NEDA-DBM JC No. 2012-01 provides that:

At least five percent of the total agency budget appropriations authorized under the annual GAA shall be drawn from the agency's maintenance and other operating expenses (MOOE), capital outlay (CO) and personnel services (PS)xxx.

11.3 Further, Section 8.6 of the same joint circular provides that:

PCW shall endorse agency GPBs only under the following conditions:

- 8.6.1 if they are reviewed by the mother or central office;*
- 8.6.2 if the requested revisions or additional information in answer to questions about the GPB are accepted by PCW within the prescribed deadlines; and*
- 8.6.3 if they are accompanied by the GAD AR.*

11.4 Lastly, Section 1.2.2.1 of PCW Memorandum Circular 2020-05 states that:

As provided under Section 36(a) of the MCW, the GAD budget, which is the cost of implementing GAD programs, shall be at least five per cent (5%) of the agency's total budget appropriations. As such, GPBs that do not meet the minimum 5% requirement shall not be reviewed nor endorsed by PCW. xxx.

11.5 Review disclosed that the GPB for 2021 was not approved/endorsed by PCW, as required under Section 8.6 of PCW-NEDA-DBM JC No. 2012-01 since out of LRTA's approved COB amounted to P10.918 billion only P22.670 million was allotted for GAD related activities which is equivalent to 0.21% of the total budget which is way below the five per cent requirement under the Section 32 of GAA of 2021 and Section 6.1 of PCW-NEDA-DBM JC No. 2012-01.

11.6 Despite non-approval/non-endorsement of 2021 GPB, LRTA carried out some of the GAD PAPs. However, it was not yet ascertained whether those activities undertaken were responsive with the gender issues of the organization and its clients. Inquiry with Management revealed that PCW did not endorse their GPB due to failure to meet the minimum required budget for GAD related activities in compliance with Section 1.2.2.1 of PCW Memorandum Circular 2020-05.

11.7 More so, review of the communication between LRTA's Chairperson, GAD Focal Point System (GFPS) and PCW reviewer disclosed that one of the reasons why LRTA does not meet the required budget was due to Management's belief that some of the GAD PAPs can only be charged to Maintenance and Other Operating Expense (MOOE) classification contrary to PCW standpoint that Capital Outlay (CO) items can also be considered as pursuant to Section 6.1 of the PCW_NEDA-DBM JC No. 2012-01. Thus, PCW suggested the conducting of online session to discuss which programs may be attributed to GAD using the Harmonized Gender and Development Guidelines (HGDG) tool.

11.8 It was also noted that the total GAD budget was not fully utilized as the actual GAD expenditure amounted to only P5.463 million or 24.10% of the total fund allocated for the implementation of GAD related activities.

11.9 Section 9.2 of PCW-NEDA-DBM JC No. 2012-01 provides that:

Agencies shall inform the PCW in writing if there are changes in the PCW-endorsed GPBs as a result of revising the GPB based on the approved GAA and or the need to implement additional PAPs relevant

to current gender issues or GAD-related undertakings as needed. PCW, in turn, shall acknowledge receipt of adjusted GPB and shall inform the agencies if the GAD PAPs or activities in the adjusted GPB are acceptable.

- 11.10 Twenty-one PAPs addressing various GAD issues were identified in the GPB, as summarized below:

GAD PLAN AND BUDGET		GAD ACCOMPLISHMENT REPORT		
Programs, Projects, and Activities	No. of Activity	No. of Activity		
		Done	Partially Done	Not Done
Client-focused	7	4	-	3
Organizational-focused	14	6	4	4
Total	21	10	4	7

- 11.11 It was also noted there were some activities not indicated in the GPB but were incorporated in the GAD AR, to wit:

GAD Activity	Actual Cost/Expenditure
Webinar on HGDG participated by LRTA Officers, GAD FPS-TWG, PMO, Engineering, Planning Dept., CAMT, and Office-based	16,200.00
General Management and Supervision--Project Management	0.00

- 11.12 Management was not able to provide details of the activities regarding General Management and Supervision--Project Management which prevented further evaluation/validation of the PAPs implemented. Further review disclosed that there was P15,297million budget allocation for these activities despite non-inclusion in the GPB as reflected in the GAD AR.

- 11.13 We recommended and Management agreed to:

- Direct the GFPS to comply with the provisions in Sections 6.1 and 8.6 PCW-NEDA-DBM JC No. 2012-01 and Section 1.2.2.1 of PCW MC No. 2020-005 in the timely preparation of GPB for endorsement to PCW and closely coordinate with PCW to properly assess PAPs attributable to GAD;
- Institute GAD client and organization-focused activities in the GPB that are aligned with the agency's PAPs; and
- Ensure that all GAD activities are implemented during the year and reported in the GBP and GAD AR.

- 11.14 Management commented during the exit conference that it has an ongoing discussion with the PCW Analyst for attribution of actual activities in 2021. As to the GPB, LRTA was advised by the PCW that endorsement could no longer be done for CY 2021 and will be pursuing this for the CY2024 GPB.

- 11.15 LRTA admitted that they never reached the minimum requirements of at least five percent of the GAD budget. The GFPS Committee members are giving their best effort to reach this goal and will be adopting the recommendations set forth to ensure the implementation of GAD programs and projects. We will take note these challenges and the lessons learned to avoid the recurrence.
- 11.16 Management will comply with the recommendations and will communicate to PCW for the planned reprogramming of GAD activities in the GAD Plan and Budget per attached Letter to PCW dated November 4, 2021 and Memorandum dated November 8, 2021.

B. COMPLIANCE WITH TAX LAWS

LRTA complied with the Bureau of Internal Revenue (BIR) regulations and properly recorded, withheld and remitted taxes within the prescribed period. The following were the taxes remitted to the BIR for CY 2021:

Particulars	Period Withheld	Date Filed	Amount
Withholding Tax on Compensation	January	February 9, 2021	2,869,925.67
	February	March 9, 2021	2,248,909.27
	March	April 7, 2021	2,779,076.16
	April	May 7, 2021	2,240,153.88
	May	June 8, 2021	2,222,718.00
	June	July 8, 2021	2,423,177.59
	July	August 8, 2021	2,283,588.68
	August	September 8, 2021	2,264,361.79
	September	October 6, 2021	2,239,829.58
	October	November 8, 2021	2,242,658.58
	November	December 7, 2021	2,432,931.63
	December	January 13, 2022	4,187,429.17
Expanded Withholding Tax	January	February 9, 2021	1,351,682.17
	February	March 9, 2021	1,295,972.36
	March	April 7, 2021	2,305,188.16
	April	May 6, 2021	422,840.49
	May	June 8, 2021	4,201,030.81
	June	July 7, 2021	1,633,747.30
	July	August 9, 2021	2,228,694.91
	August	September 7, 2021	2,568,201.16
	September	October 7, 2021	820,799.71
	October	November 7, 2021	1,929,217.46
	November	December 8, 2021	944,796.28
	December	January 12, 2022	809,053.08
Percentage Tax	1st Quarter	April 15, 2021	1,639,077.33
	2nd Quarter	July 18, 2021	1,196,456.18

Particulars	Period Withheld	Date Filed	Amount
	3rd Quarter	October 18, 2021	1,384,422.00
	4th Quarter	January 19, 2022	2,678,918.88
Value-Added Tax on Rentals	January	February 18, 2021	221,074.65
	February	March 16, 2021	76,866.63
	March	April 15, 2021	96,084.48
	April	May 17, 2021	153,743.81
	May	June 15, 2021	5,862.73
	June	July 18, 2021	6,790.04
	July	August 16, 2021	2,277.83
	August	September 20, 2021	29,683.83
	September	October 18, 2021	19,628.38
	October	November 16, 2021	159,345.88
	November	December 19, 2021	82,429.67
	December	January 19, 2022	305,645.89
Withholding Tax on VAT on Purchase of Goods and Services and Persons Exempt from VAT	January	February 9, 2021	4,114,296.38
	February	March 9, 2021	3,256,475.40
	March	April 7, 2021	5,645,601.65
	April	May 6, 2021	1,016,071.25
	May	June 8, 2021	10,878,078.64
	June	July 7, 2021	6,285,056.14
	July	August 9, 2021	5,932,482.01
	August	September 7, 2021	7,072,750.19
	September	October 7, 2021	2,056,704.24
	October	November 7, 2021	4,859,671.54
	November	December 8, 2021	2,228,058.58
	December	January 6, 2022	1,680,989.83

C. COMPLIANCE WITH RULES ON THE GOVERNMENT MANDATORY DEDUCTIONS

LRTA has been compliant with the mandatory withholding and remittance of mandatory obligations required by law. For CY 2021, LRTA made the following remittances:

Particulars	Period Withheld	Date Remitted	Amount Remitted
GSIS Premium contributions and Loan amortization	January	February 8, 2021	6,713,789.23
	February	March 10, 2021	6,846,068.40
	March	April 8, 2021	7,117,437.79
	April	May 7, 2021	7,080,553.49
	May	June 9, 2021	7,264,494.57
	June	July 9, 2021	7,257,720.03
	July	August 5, 2021	7,283,388.55
	August	September 8, 2021	7,233,553.28
	September	October 8, 2021	7,301,650.36
	October	November 9, 2021	7,289,637.18
	November	December 10, 2021	7,508,434.36

Particulars	Period Withheld	Date Remitted	Amount Remitted
	December	January 10, 2022	7,323,942.17
Pag-IBIG	January	February 15, 2021	756,031.11
Contributions and	February	March 11, 2021	730,385.63
Loan	March	April 16, 2021	736,609.38
	April	May 14, 2021	738,863.59
	May	June 8, 2021	740,680.53
	June	July 14, 2021	731,719.64
	July	August 11, 2021	715,552.09
	August	September 14, 2021	712,256.78
	September	October 12, 2021	671,975.09
	October	November 10, 2021	663,328.33
	November	December 13, 2021	670,701.88
	December	January 12, 2022	685,321.42
PhilHealth	January	February 9, 2021	384,677.11
Insurance	February	March 12, 2021	516,178.30
Premiums	March	April 12, 2021	383,322.15
	April	May 11, 2021	381,638.74
	May	June 9, 2021	513,970.40
	June	July 12, 2021	379,186.97
	July	August 6, 2021	380,015.44
	August	September 9, 2021	518,940.72
	September	October 12, 2021	377,909.10
	October	November 10, 2021	376,295.76
	November	December 10, 2021	516,339.04
	December	January 11, 2022	371,649.45

D. INSURANCE OF PROPERTIES

LRTA covered its insurable properties with the GSIS for CY2021 in compliance with RA No. 656 (Property Insurance Law).

E. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

As at December 31, 2021, there are no audit suspensions and charges, however, the audit disallowances that remained unsettled amounted to USD58,800.00 and P167.717 million, as follows:

Audit Action	Beginning Balance January, 1, 2021	This Period		Ending Balance December 31, 2021
		Issued	Settled	
Suspensions	0	0	0	0
	US\$58,800	0	0	US\$58,800
Disallowances	P167,716,580.18	0	0	P167,716,580.18
Charges	0	0	0	0
	US\$58,800			US\$58,800
Total	P167,716,580.18			P167,716,580.18

PART III – STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 33 audit recommendations contained in the prior years' Annual Audit Report, 15 were fully implemented, and 18 were partially implemented. The details are presented below:

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
CY 2020 AAR, Observation No. 1, pages 60-68	The faithful representation of Property Plant and Equipment (PPE) with carrying amount of P47.380 billion as at December 31, 2020 was not established due to the following errors and deficiencies, contrary to paragraph 27 of International Public Sector Accounting Standard (IPSAS) 1, to wit:	a. Require the AMD and Accounting Division to reconcile the variance between the Physical Inventory Report and the PPE Ledger Card maintained by the Accounting Division;	Partially Implemented. <i>Reiterated in Audit Observation No.3 of this AAR.</i> <i>This observation was first raised in the AAR 2019 and reiterated in CY 2020</i>
	a. Unaccounted variance amounting to P5.634 million between the Physical Inventory of PPE against the Property Card Record maintained by the Asset Management Division (AMD). Moreover, reconciliation of the results of the physical count with the Accounting Records was not implemented as recommended from previous year's audit pursuant to Section 5.4 of COA Circular No. 80-124;	b. Require the Accounting Division to prepare the necessary adjustments to derecognize the disposed unserviceable LRV and Conveying System (Escalators and Elevators) with carrying amount P141.459 million;	Fully Implemented.
		c. Require the Accounting Division to reclassify the Land subject for lease amounting to P508.584 million to Investment Property;	Fully Implemented.
	b. The cost and the corresponding Accumulated Depreciation of the unserviceable Light Rail Vehicles (LRV)	d. Require the Accounting Division to adjust the balance of PPE items below the capitalization threshold of P15,000.00 costing P340,403 to PPE and	Fully Implemented.

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	<p>and Conveying System (Escalators and Elevators) sold thru public auction with proceeds of P625,000.00 were not yet derecognized in the books of accounts contrary to paragraphs 82 and 86 of IPSAS 17 resulting to overstatement of the carrying amount of PPE by P141.459 million and income from sale of PPE by P0.625 million, and understating loss on sale of PPE by P140.834 million.</p> <p>c. Land subject for lease with an aggregate cost of P508.584 million was not reclassified to Investment Property contrary to IPSAS 16 - Investment Property, hence, overstating the Land account by same amount.</p> <p>d. Tangible items below the capitalization threshold of P15,000.00 amounting to P340,403 were recorded as PPE contrary to Section 7.d.4 (a.-b.) of COA Circular No. 2017-004 dated December 13, 2017 and Section 5.4 of COA Circular</p>	<p>Accumulated Depreciation by P340,403 and P294,078, respectively, and Accumulated Surplus/Deficit by P46,325; and</p> <p>e. Require the Accounting Division to analyze the negative balances of PPE items and take up the required adjustments.</p>	Fully Implemented.

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	<p>No. 2016-006 dated December 29, 2016, overstating PPE by P46,325.33; and</p> <p>e. Existence of abnormal balance of some PPE items with negative acquisition cost and carrying amount of P4.415 million and P106,724.64, respectively.</p>		
CY 2020 AAR, Observation No. 2, pages 68-69	The correctness and reliability of Other Assets account amounting to P1.488 billion as at December 31, 2020 was not ascertained due to lack of details and records to support the subsidiary ledger balances contrary to paragraph 27 of IPSAS 1 and Section 111 (1) of P.D. 1445.	Require the Accounting Division to prepare the necessary schedules on specific nature and type of the Other Assets account, provide sufficient details and records of transactions, and take up the necessary adjustment based on the earliest available records.	<p>Partially Implemented.</p> <p>Submitted and prepared necessary schedules but the account remained unadjusted.</p>
CY 2020 AAR, Observation No. 3, pages 69-70	The accounts Due to Line 1 North Extension Project (NEP) and Due to Line 2 PMO amounting to P1.283 billion and P77.994 million, respectively, as at December 31, 2020 remained unadjusted to proper accounts due to improper recognition of transactions and lack of supporting documents to substantiate the claims contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting (GPFR) and Sections 4.6	Strictly implement the 2019 Revised Chart of Accounts in the recognition of transactions, make the necessary adjustments on accounts Due to Line 1 NEP and Due to Line 2 PMO amounting to P1.283 billion and P77.994 million, respectively, provide supporting documents pursuant to Sections 4.6 and 114 of P.D. 1445 and consider seeking an opinion from the Technical Assistance Support Services of the GAS on the proper	<p>Partially Implemented.</p> <p>Only P77.994 million was adjusted.</p> <p><i>Reiterated in Observation No 1 of this AAR.</i></p>

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	and 114 of P.D. 1445.	adjustments or disposition of said balances.	
CY 2020 AAR, Observation No. 4, pages 70-77	<p>The completeness and accuracy of the balance of Cash in Bank (CIB) account in the financial statements with an aggregate amount of P5.854 billion as at December 31, 2020 was not established due to the following errors and deficiencies which are contrary to paragraphs 3.10 and 3.12 of IPSAS 1:</p> <p>a. Non-preparation of BRS for the 22 CIB accounts amounting to P4.452 billion contrary to Section 74 of P.D. 1445;</p> <p>b. Unrecorded book reconciling items amounting to P206.153 million;</p> <p>c. Stale checks amounting to P2.641 million were not yet reverted to Cash in Bank. Further, debit memo amounting to P99,050.30 was also included under the bank reconciling items;</p> <p>d. Erroneous inclusion and adjustment of book reconciling items amounting to P26,600.00 to recognize the payment for services rendered by JTT in</p>	<p>a. Prepare Bank Reconciliation Statements (BRS) for the 22 bank accounts and submit the same to the Audit Team for verification;</p> <p>b. Prepare adjusting entries for the identified book reconciling items;</p> <p>c. Revert stale checks amounting to P2.641 million to the respective Cash in Bank accounts;</p> <p>d. Exclude and make the necessary adjustments in the books of the book reconciling items in the Bank Reconciliation Statement for LBP C/A No. xxxx-xx37-56 per JEV Nos. L1-502-20-09-541 and L1-502-20-11-659;</p> <p>e. Make representation with the foreign banks or with the appropriate foreign office (Embassy) to determine the current bank balances and real status of the Foreign</p>	<p>Partially Implemented.</p> <p>BRS for 2 (two) BNP Paribas accounts remained unsubmitted.</p> <p>Partially Implemented.</p> <p><i>Reiterated in Audit Observation No.2 of this AAR.</i></p> <p>Partially Implemented.</p> <p><i>Reiterated in Audit Observation No. 2 of this AAR.</i></p> <p>Fully Implemented.</p> <p>Partially Implemented.</p> <p>Communication were made but the real status of the accounts remained undetermined.</p>

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	<p>the BRS of LBP C/A No. xxxx-xx37-56;</p> <p>e. Dormant Foreign Currency – Savings Account with recorded peso equivalent amounting to P3.422 million recorded in the books for the past nine years was revalued using the foreign currency balance stated in the Statement of Account (SOA) as of July 7, 2010.</p> <p>f. Non-translation of Time Deposit – Foreign Currency Account balance with peso equivalent amounting to P3.137 million using closing rate as at December 31, 2020 contrary to paragraph 27 of IPSAS 4 on The Effects of Changes of Foreign Exchange.</p>	<p>Currency – Savings Account and Time Deposit – Foreign Currency Account; and</p> <p>f. Translate the latest foreign currency balance of Time Deposit – Foreign Currency Account using the closing rate as at last banking day of December and accordingly prepare adjusting entries in accordance with IPSAS.</p>	Fully Implemented.
CY 2020 AAR, Observation No. 5, pages 78-81	<p>The reliability and collectability of Receivables with carrying amount of P1.299 billion as of December 31, 2020 cannot be ascertained due to:</p> <p>a. Unadjusted balance amounting to P399.520 million of Due from Line 1 South Extension Project (SEP) account and</p>	<p>a. Submit pertinent supporting documents on the adjustment of the reciprocal accounts amounting to P1.659 billion and consider seeking an opinion from the Technical Assistance Support Services of the Government Accountancy Sector (GAS) on the proper disposition of the remaining balance of</p>	<p>Partially Implemented.</p> <p>Submitted documents. However, account balance remained unadjusted.</p> <p><i>Reiterated in Observation No 1 of this AAR.</i></p>

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	<p>unsupported adjustments made amounting to P1.659 billion to close the reciprocal accounts;</p> <p>b. Unreconciled variance amounting to P103.977 million between the books of LRTA and PS-DBM for account Due from National Government Agencies (PS-DBM) contrary to Section 7.1 and 7.2 of COA Circular 2016-05 dated December 19, 2016; and</p> <p>c. Existence of past due accounts for over 10 years amounting to P29.544 million, contrary to paragraphs 3.10 and 3.12 of Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities.</p>	<p>reciprocal account – Due from Line 1 SEP amounting to P399.520 million;</p> <p>b. Reconcile the variance amounting to P103.977 million of the Due from National Government Agencies account with the records of PS-DBM and make the necessary adjustments where necessary; and</p> <p>c. Request for authority to write-off the uncollected dormant receivable accounts amounting to P29.544 million in accordance with COA Circular No. 2016-005 dated December 19, 2016.</p>	<p>Partially Implemented.</p> <p><i>Reiterated in Observation No 4 of this AAR.</i></p> <p>Partially Implemented.</p> <p>Submitted documents were incomplete.</p>
CY 2020 AAR, Observation No. 6, pages 81-84	<p>The existence, completeness and valuation of Inventories amounting to P675.063 million as at December 31, 2020 were not established due to: a) unreconciled variance amounting to P52.946 million between the Subsidiary Ledger (SL) and Physical Inventory Report; and b) non-recognition of spare parts already received and</p>	<p>a. Require the Accounting Division personnel to reconcile the variance between the SL/Inventory Ledger Cards and the Physical Inventory Report to identify the causes of the inventory count variance and effect the necessary adjustments where appropriate for fair presentation in the</p>	<p>Fully Implemented.</p>

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	accepted amounting to P30.035 million resulting in the understatement of Inventory, contrary to paragraphs 3.10 and 3.12 of Conceptual Framework for GPFR by Public Sector Entities.	financial statements; and b. Require the Accounting Division personnel to reconcile the Delivery Inspection and Acceptance Report (DIAR) against SL/Inventory Ledger Cards and make necessary adjustments pertaining to unrecorded receipts amounting to P30.035 million. Also, require the AMD to revise the Work Instruction Manual (WIM) to conform with the accrual basis of accounting in the recording of receipts of inventories.	Fully Implemented.
CY 2020 AAR, Observation No.7, pages 84-86	Interest Income for the year amounting to P149.384 million and Accumulated Surplus/ Deficit of P23.546 billion as of December 31, 2020 were understated by P2.743 million and P926,042.75 respectively, due to non-recognition of interest earned from the Trust Account for the periods February to December 2019 and CY 2020.	Require the Accounting Division to adjust the Accumulated Surplus/ Deficit account by P926,042.75 and Interest Income account amounting P2.743 million for the interest earned for the periods February to December 2019 and CY 2020.	Fully Implemented.
CY 2020 AAR, Observation No.8, pages 86-88	The validity and reliability of Advances to Contractors account with year-end balance of P122.490 million is not ascertained due to: a)	a. Require the Accounting personnel concerned to reconcile the variance amounting to P4.563 million between the	Fully Implemented.

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	variance amounting to P4.563 million between the subsidiary ledger and Index of Payments; and b) absence of schedules to support the Subsidiary Ledger balance totaling P81.668 million contrary to Section 111 (1) of P.D No. 1445, and paragraphs 3.10 and 3.12 of the Conceptual Framework for GPFR by Public Sector Entities.	<p>subsidiary ledger and Index of Payments of Advances to Contractors account and prepare adjusting journal entries where appropriate for fair presentation in the financial statements;</p> <p>b. Require the Accounting personnel concerned to record properly the corresponding recoupments of the Advances to Contractors; and</p> <p>c. Prepare detailed schedules to support the subsidiary ledger balance of the Advances to Contractors account.</p>	<p>Fully Implemented.</p> <p>Fully Implemented.</p>
CY 2020 AAR, Observation No.9, pages 88-89	Input VAT amounting to P1.770 million was erroneously recorded as Withholding Tax at Source resulting in the understatement of Input Tax account and overstatement of Withholding Tax at Source account by the said amount.	Require the Accounting Division to reclassify the Input VAT for the month of February 2020 amounting to P1.770 million from Withholding Tax at Source account to Input Tax account for fair presentation in the financial statements	Fully Implemented.
CY 2020 AAR, Observation No.10, pages 89-92	Despite completion of 10 projects thru the Procurement Service of Department of the Budget and Management (PS-DBM), the Procuring Agent tapped by LRTA, submission of Liquidation Report and refund of unexpended balance	Require the Procuring Agent (PS-DBM) to render Liquidation Report and to refund the unexpended/unutilized balance amounting to P27.853 million including interest earned for the 10 completed projects pursuant to the provisions	<p>Partially Implemented.</p> <p>Series of communications were already coordinated with the PS-DBM. However, unexpended balances were not</p>

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	were not enforced by LRTA from PS-DBM as required under COA Circular No. 94-013 and the pertinent provisions of the Memorandum of Agreement between LRTA and PS-DBM. Also, out of the total fund transfer of P707.997 million, only 10 out of 16 projects or 62.50 percent with total cost of P397.821 million were completed by LRTA thru the PS-DBM.	of the MOA and COA Circular No. 94-013.	yet refunded and Liquidation Report remained unsubmitted.
CY 2020 AAR, Observation No.11, pages 92-96	The Quarterly Concession Payments payable to Government (DOTr and LRTA) amounting to P333.932 million for Manila LRT 1 Extension, Operation and Maintenance Project, classified as due and demandable was not paid by the Concessionaire as of December 31, 2020, contrary to Sections 20.5 and 20.6 a to d of the Concession Agreement.	Formally request DOTr to demand payment by Concessionaire of the outstanding balance of the Concession Payments of P333.932 million as of December 31, 2020.	Fully Implemented.
CY 2020 AAR, Observation No.12, pages 96-98	Requests for Relief from Property Accountabilities were not yet filed to COA for the fire incidents at Rectifier Substation (RSS) Five, Six and Santolan Electrical Room and the Train Collision of Trainset Nos. 13 and 18 contrary to Section 73 of P.D. 1445.	Immediately file a Request for Relief from Property Accountability with COA for the damaged assets caused by fire and collision incidents together with complete documentary requirements and notify the Audit Team once a request has been filed for reference and monitoring.	Partially Implemented. Request for relief were returned due to incomplete documentation.

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
CY 2020 AAR, Observation No.13, pages 99-101	The prescribed guidelines on the Information and Publicity on Programs/ Projects/Activities (PPAs) of Government in Reporting and Monitoring were not complied by LRTA as 85 Projects under LRT Lines 1 & 2 Rehabilitation Projects lack the required project details and the list of all ongoing projects were not submitted to COA contrary to COA Circular No. 2013 – 004.	a. For succeeding quarters, provide the details on project duration, date started, completion date, percentage of completion and cost incurred to date pertaining to projects under Line 1 and 2 Rehabilitation Projects that were not included to the submitted Report and submit all ongoing projects/programs/activities at the beginning of the year in compliance with COA Circular No. 2013 – 004; and	Partially Implemented. Details of projects were already compliant. However, all ongoing projects/programs/ activities at the beginning of the year were not submitted.
		b. Strictly comply with the prescribed guidelines as stated in COA Circular No. 2013 – 004 dated January 30, 2013 on Information and Publicity on PPA of Government Agencies in reporting and monitoring of all the projects being undertaken by the Agency.	Partially Implemented. CY 2021 Quarterly Report on Publicized Programs, Projects and Activities (QRPPPA) were not timely submitted.
CY 2020 AAR, Observation No.14 pages 101-105	Only P870,851 out of P7.804 million or 11.16 percent of the total GAD Budget was utilized by LRTA in the implementation of its GAD Plan, Programs and Activities due to: a) failure to incorporate GAD in all aspects of the agency's operation due to lack of	a. Utilize online platforms to conduct GAD activities and designate personnel that would facilitate such activities; b. Strengthen Gender Mainstreaming to build awareness and commitment in the	Partially Implemented. <i>Reiterated in Audit Observation No. 11 of this AAR.</i> Partially Implemented. Not all GAD

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	<p>Gender Mainstreaming; and b) inadequate Gender Analysis and Sex-disaggregated Data which are essential elements in identifying GAD issues and designing strategies.</p> <p>Moreover, online platforms to conduct GAD activities were not fully utilized.</p>	<p>implementation of GAD Plans, Programs and activities; and</p> <p>c. Gather sufficient Sex Disaggregated Data and determine gender issues to be addressed by GAD interventions in the agency.</p>	<p>activities in CY2021 GPB to addressed gender mainstreaming were implemented.</p> <p>Fully Implemented.</p>
2019			
CY 2019 AAR, Observation No.2, pages 66-68	<p>Impairment Loss was not recognized for the damages to Property, Plant and Equipment relative to the incidents of Train Collision of Trainsets No. 13 and 18 and Fire Incident at Rectifier Substation 5 and 6, contrary to the provision of IPSAS 21 - Impairment of Non-Cash Generating Assets.</p>	<p>Compute and recognize the Impairment Loss pertaining to Train Collision and Fire incidents.</p>	<p>Partially Implemented</p> <p>Only amounts pertaining to Train Collision of Trainsets No. 13 and 18 were adjusted.</p>
2017			
CY 2017 AAR, Observation No.5, pages 72-74	<p>Included in the Other Payables and Other Deferred Credits accounts are Security Deposits pertaining to expired lease contracts of Line 1 and Line 2 operations in the amount of P1.578 million and P4.869 million, respectively contrary to paragraphs 3.10, 3.12 and 3.25 of IPSAS 1.</p>	<p>Determine and review the security deposits pertaining to Line 1 and 2 with expired lease contracts are still valid deposits or whether the concerned lessees have no arrears in their rental payments so that it can be deducted from the security deposits.</p>	<p>Partially Implemented.</p> <p>No supporting documents were submitted by Management to support the validity of security deposits pertaining to expired lease contracts (Lines 1 and 2) included in the Other Deferred Credits accounts.</p>

SUBJECT:
COA ANNUAL AUDIT REPORT
CY 2021
(QUALIFIED OPINION)

STATUS: Qualified Opinion for CY 2021 Annual Audit Report

No. of COA Observations	Recommendations (For 6 AOMs Issued)
First Three (3)	4
Three (3) other Significant Observations	8
TOTAL	12

STATUS: COA Recommendations for CY 2021 ARR As of June 30, 2022

Status	Recommendations (For 14 AOMs Issued)
Fully Implemented	26
Partially Implemented	14
Not Implemented	0
TOTAL	40

Status of Implementation of COA Recommendations As of June 30, 2022

COA AAR Calendar Year	Fully Implemented	Partially Implemented	Not Implemented	Total COA Recommendations
CY 2021(14 AOMs)	26	14	0	40
CY 2020(14 AOMs)	15	16	0	31
CY 2019(15 AOMs)	43	1	0	44
CY 2018(3 AOMs)	12	0	0	12
CY 2017(6 AOMs)	12	1	0	13
Total (52 AOMs)	108(77%)	32(23%)		140

For Management Action:

- Update the status of compliance;
- Submit to COA the management's Action Plan and Status of Implementation of COA recommendations within 60 days from the date of receipt(June 30, 2022) in compliance with COA letter dated June 29, 2022;
- Report to Board Finance Committee; and
- Continue monitoring the implementation of management's Action Plan on COA recommendations.

FOR INFORMATION OF THE BOARD

Thank you!

Qualified Opinion due to the following:

1. Intra-agency Payable with balance of P1.283B and Intra-agency Receivable with balance of P399.520million as of December 31, 2021 remain unadjusted, hence said accounts are overstated, and other related accounts were misstated, due to improper recognition of transactions pertaining to reciprocal accounts contrary to paragraphs 3.10 & 3.12 of the Conceptual Framework for General Purpose Financial Accounting.

COA Recommendation on Intra-agency Payable & Intra-agency Receivable:

a) Accounting Division to take up the adjustments for the remaining balances of Due to Line 1 NEP and Due from L1 South Extension Project under Intra-agency Payable and Intra-agency Receivable accounts amounting to P1.283B and P399.20M, respectively, duly supported by documents.

Qualified Opinion due to the following:

2. Faithful representation of Property, Plant and Equipment (PPE) accounts with a carrying value of P43.952 billion as at December 31, 2021 was not established due to the following error and deficiencies, contrary to par. 27 of IPSAS 1-Presentation of Financial Statements (a) non recognition of Impairment on non operational and heavily defective Trainsets and Transportation Equipment-Trains account with carrying amount of P1.725 billion pursuant to the provision of IPSAS 26-Impairment of Cash Generating Assets; (b) lack of reconciliation between the results of physical inventory and the PPE Ledger Cards (PPELCs) maintained by the Accounting Division contrary to the provision of COA Cir. No. 2020-006.

Qualified Opinion due to the following:

COA Recommendation on Property, Plant and Equipment:

- a) Accounting Division to recognize impairment loss on the non-operational, heavily defective and obsolete PPE items and expedite disposal to avoid further deterioration and decline in value thereof; and
- b) Asset Management and Accounting Divisions to reconcile the variance between Physical Inventory Report (PIR) and the PPE Ledger Card (PPELC) and strictly comply with the provisions of COA Cir. No. 2020-006 to properly address the unaccounted PPE items.

Qualified Opinion due to the following:

3. Unreconciled variance amounting to P31.513 million between the balancer of Due from National Government Agencies-(PS-DBM) account presented under Receivables as of December 31, 2021 and the result of confirmations with PS-DBM, contrary to Sec. 7.1 & 7.2 of CO Cir. 2016-05 dated December 19, 2016.

COA Recommendation on Due from National Government Agencies:

a) Accounting Division to coordinate with the Accounting Division of PS-DBM to reconcile the variance amounting to P31.513 million, and accordingly, take up the required adjustment.

Other Significant Observations & Recommendations

1. Payments to the Maintenance Contractor for the non-operational equipment line items amounting to P28.693 million for the periods Jan. to Nov. 2021 is not in accordance with Art. 8.0.4 of the TOR of the Contract for the maintenance of Manila LRT 2 System. Moreover, minimum train availability of 10 train sets was not provided by the Maintenance Contractor for months of Jan.-Nov. 2021, and the applicable penalties were not imposed and deducted in the contractor's monthly payment, contrary to Art. 8.1.3 and Art. 9 of the contract, respectively.

COA recommendations:

- a) Provide legal basis for the payments of non-operational equipment line items of P28.693 million for the periods Jan.-Nov. 2021, otherwise deduct to the claims or refund from the Maintenance Contractor.

Other Significant Observations & Recommendations

- b) Require the Maintenance Contractor to explain the non compliance /non achievement of the minimum train availability of 10 train sets; and
- c) Requires the Lines 1 & 2 Engineering Dept. to provide explanation/justification on the non-imposition of penalties on the Contractor's Monthly Payments as required in Art. 9 of the TOR of the Contract despite the aforementioned deficiencies.

Other Significant Observations & Recommendations

2. Interest earned from the project funds of Rehabilitation and Restoration Projects and Extension Projects invested in High Yield Savings Accounts (HYSA) amounting to P45.485 million and P185.849 million, respectively, for CYs 2020 and 2021 were transferred to various corporate and OPEX Payroll accounts of LRTA instead of to the fund to which the account was opened or maintained contrary to Sec. 65 (1) of PD No. 1445, Sec. 5.3.2 of DOF Cir. No. 01-2017 dated May 11, 2017 and Art. III of the MOA for the Extension Projects.

Other Significant Observations & Recommendations

COA Recommendations:

- a) Remit to the BTr the interest earned from the HYSAs of Rehabilitation and Restoration Projects amounting to P45.485million;
- b) Revert the interest earned amounting to P185.849 million for Extension Projects accounts transferred to various corporate and Payroll accounts in compliance with Sec. 65(1) of PD 1445, Sec. 5.3.2 of DOF Cir. No. 01-2017 dated May 11, 2017 and MOA for Extension Projects;
- c) Refrain from transferring interest earned from one bank to another bank account.

Other Significant Observations & Recommendations

3. Fifty nine or 13 out of 22 Line 2 Rehabilitation Projects with an aggregate contract cost of P984.563 million were already delayed from their target completion ranging from 77 to 1,065 days as at December 31, 2021, thus, depriving general public of the intended benefits yhat may be derived therefrom.

COA Recommendations:

- a) Require Planning Dept. and Line 2 PMO-Rehabilitation Projects end user to impose liquidated damages to contractors who have failed to satisfactorily complete the project within target date of completion; and
- b) b) Consider blacklisting the contractors involved, and initiate immediate takeover process of terminated projects, if necessary.