



**LIGHT
RAIL
TRANSIT
AUTHORITY**

05 June 2023

MEMORANDUM

FOR : THE MEMBERS OF THE LRTA BOARD OF DIRECTORS

**SUBJECT : LETTER FROM COA DATED 01 JUNE 2023 ON THE ANNUAL AUDIT REPORT
OF LRTA FOR YEARS ENDED DECEMBER 31, 2022 AND 2021.**

May we please furnish you copy of the above-mentioned subject as received from the Commission on Audit (COA).

Please be informed that the said matter will be included in the upcoming LRTA Board of Directors Meeting.

Likewise, please be informed that the same was already furnished to the Managers of LRTA for their appropriate action.

For your proper reference and information, please.

Thank you.


ATTY. PATRICK HENRY M. VILLANUEVA
Corporate Board Secretary



2023-MM-OCS-051

Address:

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



**LIGHT
RAIL
TRANSIT
AUTHORITY**

MEMORANDUM

FOR:

DA PAUL Y. CHUA PhD
DA Operations and Engineering

ATTY. JOSE JOBEL V. BELARMINO
*OIC, DA for Admin., Finance & AFCS
Manager, Legal Department*

MR. FELIX GERARD R. LEYSON
*Manager, Line 1 Operations
Department/CAMT*

ENGR. LORELIE L. REYES
OIC, Internal Audit Department

MS. MARILOU B. LISCANO
Manager, Finance Department

MS. ANNABELLE C. GANANCIAL
Manager, BD & PR Department

MS. ELEANORE T. DOMINGO
Department Manager A

MR. NICOLAS G. OMBAO
Manager, AFCS Department

MR. DOMINIC F. KABIGTING
OIC, Planning Department

MS. DIVINA J. GUISON
OIC, Administrative Department

ENGR. SANTOS G. ABRAZADO
*Manager, Lines 1 & 2
Engineering Department*

MR. RAYMOND C. VAZQUEZ
OIC, Line 2 Operations Department

MS. LEOMARIE V. OBIAS
OIC, Business Development Division.

ENGR. JOSEPH DEXTER S. BUENCONSEJO
*Project Manager, Line 2 East Ext.
Concurrent OIC PM, Line 2 West Ext.*

MS. ELEONOR C. PALAYPAYON
OIC, Project Manager, Line 1 CAVEX

MR. JIMMY L. CHUA
Manager, Safety and Security Division

ATTY. AYLWINSTON C. PILLOS
Manager, Procurement Division

SUBJECT: LETTER FROM COA DATED 01 JUNE 2023 ON THE ANNUAL AUDIT REPORT OF LRTA FOR YEARS ENDED DECEMBER 31, 2022 AND 2021.

May we please furnish you with a copy of the above-mentioned subject as received from the Commission on Audit (COA). Please be informed that the said matter will be included in the upcoming LRTA Board of Directors Meeting.

For your proper reference, information, and proper action, please

Thank you.

ATTY. PATRICK HENRY M. VILLANUEVA
Corporate Board Secretary



Address:

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



LRTA Corsec <corsec@lrta.gov.ph>

Letter From COA Dated 01 June 2023 on the Annual Audit Report of LRTA for Years Ended December 31, 2022 and 2021

6 messages

LRTA Corsec <corsec@lrta.gov.ph>

Tue, Jun 6, 2023 at 2:51 PM

To: osec@dotr.gov.ph, NEDA Office of the Secretary <osec@neda.gov.ph>, LTFRB Office Of The Chairman <ochm@ltfrb.gov.ph>, OFFICE OF THE CHAIRMAN <oc@mmda.gov.ph>, bonoanmm@dpwh.gov.ph, secfin@dof.gov.ph, Cesar Chavez <cb.chavez@dotr.gov.ph>, jaquino.dotr@gmail.com, cecile.robles@dotr.gov.ph, sheila.tomas@dotr.gov.ph, "Ma. Catalina E." <cabral.ma_catalina@dpwh.gov.ph>, Dimapuno Datu <attydatudimapuno@gmail.com>, &IS-td <&is-td@neda.gov.ph>, mdjoven@dof.gov.ph, Lyra Relator <lrelator@dof.gov.ph>, LRTA Administrator Office <administrator.office@lrta.gov.ph>, Hernando Cabrera <hernando.cabrera@lrta.gov.ph>, "Joseph J. Capuno" <jjcapuno@neda.gov.ph>, "Jonathan L. Uy" <jluy@neda.gov.ph>, "Roderick M. Planta" <rmplanta@neda.gov.ph>, "Fernandez, Maximilian E." <fernandez.maximilian@dpwh.gov.ph>, attydimapuno@gmail.com, bongarollado97@yahoo.com, rdrtagoranao@gmail.com, obmr@ltfrb.gov.ph, ebrillantes@dbm.gov.ph, cclasara@dbm.gov.ph, Janina Marie Capistrano <jccapistrano@dotrrailways.com>, dmillendez@dbm.gov.ph, joanlapez.dotr@gmail.com, fernandez.ma_elena@dpwh.gov.ph, DBM Office of the Secretary <osec@dbm.gov.ph>, "cc: Leo Michael Surio" <leomichaelsurio@gmail.com>, Patrick Henry Villanueva <atty.v@lrta.gov.ph>, markbenn.tabucol@lrta.gov.ph, Yssel Silbol <yssel.silbol@lrta.gov.ph>, "estrabo.kp@gmail.com" <estrabo.kp@gmail.com>

Cc: krizia.estrabo@lrta.gov.ph, leomichael.surio@lrta.gov.ph, kate.reyes@lrta.gov.ph

Bcc: Leo Michael Surio <leomichaelsurio@gmail.com>, Patrick Henry Villanueva <atty.v@lrta.gov.ph>, markbenn.tabucol@lrta.gov.ph, Yssel Silbol <yssel.silbol@lrta.gov.ph>, "estrabo.kp@gmail.com" <estrabo.kp@gmail.com>

Dear Members of the LRTA Board of Directors:


May we please furnish you a copy of the above-mentioned subject as received from the Commission on Audit (COA). Please be informed that the said matter will be included in the upcoming LRTA Board of Directors Meeting.

For your reference, information and proper action, please.

Thank you!

ATTY. PATRICK HENRY M. VILLANUEVA

Corporate Board Secretary

 For Board of Directors - Memorandum - Annual Audit Report December 31, 2022 and 2021.pdf
5369K

Mail Delivery Subsystem <mailer-daemon@googlemail.com>

To: corsec@lrta.gov.ph

Tue, Jun 6, 2023 at 2:51 PM



Address not found

Your message wasn't delivered to **cclasara@dbm.gov.ph** because the address couldn't be found, or is unable to receive mail.

LEARN MORE

The response was:

550 5.1.1 The email account that you tried to reach does not exist. Please try double-checking the recipient's email address for typos or unnecessary spaces. Learn more at <https://support.google.com/mail/?p=NoSuchUser> t16-20020a508d5000000b005049420836asor3384591edt.7 - gsmtip

Final-Recipient: rfc822; cclasara@dbm.gov.ph

Action: failed

Status: 5.1.1

Diagnostic-Code: smtp; 550-5.1.1 The email account that you tried to reach does not exist. Please try

550-5.1.1 double-checking the recipient's email address for typos or

550-5.1.1 unnecessary spaces. Learn more at

550 5.1.1 <https://support.google.com/mail/?p=NoSuchUser> t16-20020a508d5000000b005049420836asor3384591edt.7 - gsmtip

Last-Attempt-Date: Mon, 05 Jun 2023 23:51:28 -0700 (PDT)

----- Forwarded message -----

From: LRTA Corsec <corsec@lrta.gov.ph>

To: osec@dotr.gov.ph, NEDA Office of the Secretary <osec@neda.gov.ph>, LTFRB Office Of The Chairman <ochm@lfrb.gov.ph>, OFFICE OF THE CHAIRMAN <oc@mmda.gov.ph>, bonoanmm@dpwh.gov.ph, secfin@dof.gov.ph, Cesar Chavez <cb.chavez@dotr.gov.ph>, jaquino.dotr@gmail.com, cecile.robes@dotr.gov.ph, sheila.tomas@dotr.gov.ph, "Ma. Catalina E." <cabral.ma_catalina@dpwh.gov.ph>, Dimapuno Datu <attydatudimapuno@gmail.com>, "&IS-td" <&is-td@neda.gov.ph>, mdjoven@dof.gov.ph, Lyra Relator <lrelator@dof.gov.ph>, LRTA Administrator Office <administrator.office@lrta.gov.ph>, Hernando Cabrera <hernando.cabrera@lrta.gov.ph>, "Joseph J. Capuno" <jjcapuno@neda.gov.ph>, "Jonathan L. Uy" <jluy@neda.gov.ph>, "Roderick M. Planta" <rmplanta@neda.gov.ph>, "Fernandez, Maximilian E." <fernandez.maximilian@dpwh.gov.ph>, attydimapuno@gmail.com, bongarollado97@yahoo.com, rdrtagoranao@gmail.com, obmr@lfrb.gov.ph, ebrillantes@dbm.gov.ph, cclasara@dbm.gov.ph, Janina Marie Capistrano <jccapistrano@dotrailways.com>, dmillendez@dbm.gov.ph, joanlapez.dotr@gmail.com, fernandez.ma_elena@dpwh.gov.ph, DBM Office of the Secretary <osec@dbm.gov.ph>, "cc: Leo Michael Surio" <leomichaelsurio@gmail.com>, Patrick Henry Villanueva <atty.v@lrta.gov.ph>, markbenn.tabucol@lrta.gov.ph, Yssel Silbol <yssel.silbol@lrta.gov.ph>, "estrabo.kp@gmail.com" <estrabo.kp@gmail.com>

Cc: krizia.estrabo@lrta.gov.ph, leomichael.surio@lrta.gov.ph, kate.reyes@lrta.gov.ph

Bcc:

Date: Tue, 6 Jun 2023 14:51:13 +0800

Subject: Letter From COA Dated 01 June 2023 on the Annual Audit Report of LRTA for Years Ended December 31, 2022 and 2021

----- Message truncated -----

NEDA Office of the Secretary <osec@neda.gov.ph>

Tue, Jun 6, 2023 at 3:09 PM

To: LRTA Corsec <corsec@lrta.gov.ph>

Cc: "Melbourne D. Pana" <mdpana@neda.gov.ph>, "Charissa D. Santos" <cdsantos@neda.gov.ph>, "Shiello M. Reyes" <smreyes@neda.gov.ph>, Jan Nicolas Grageda <jgrageda@neda.gov.ph>, "Danilo Lorenzo S. Atanacio" <dsatanacio@neda.gov.ph>, "Charmaine T. Perez" <ctperez@neda.gov.ph>, "Enrico G. Trinidad" <egtrinidad@neda.gov.ph>, "Martin Rafael B. Velasco" <mbvelasco@neda.gov.ph>, "Danna Carissa R. Gonsalves" <drgonsalves@neda.gov.ph>

Dear Atty. Villanueva,

Good day!

This is to acknowledge receipt of your email.

Thank you.

Best,

NEDA COA

From: LRTA Corsec <corsec@lirta.gov.ph>

Sent: Tuesday, June 6, 2023 2:51 PM

To: osec@dotr.gov.ph <osec@dotr.gov.ph>; NEDA Office of the Secretary <osec@neda.gov.ph>; LTFRB Office Of The Chairman <ochm@ltfrb.gov.ph>; OFFICE OF THE CHAIRMAN <oc@mmda.gov.ph>; bonoanmm@dpwh.gov.ph <bonoanmm@dpwh.gov.ph>; secfin@dof.gov.ph <secfin@dof.gov.ph>; Cesar Chavez <cb.chavez@dotr.gov.ph>; jaquino.dotr@gmail.com <jaquino.dotr@gmail.com>; cecile.robres@dotr.gov.ph <cecile.robres@dotr.gov.ph>; sheila.tomas@dotr.gov.ph <sheila.tomas@dotr.gov.ph>; Ma. Catalina E. <cabral.ma_catalina@dpwh.gov.ph>; Dimapuno Datu <attydatudimapuno@gmail.com>; IS-TRANSPORTATION DIVISION <IS-td@neda.gov.ph>; mdjoven@dof.gov.ph <mdjoven@dof.gov.ph>; Lyra Relator <lrelator@dof.gov.ph>; LRTA Administrator Office <administrator.office@lirta.gov.ph>; Hernando Cabrera <hernando.cabrera@lirta.gov.ph>; Joseph J. Capuno <jjcapuno@neda.gov.ph>; Jonathan L. Uy <jluy@neda.gov.ph>; Roderick M. Planta <rmplanta@neda.gov.ph>; Fernandez, Maximilian E. <fernandez.maximilian@dpwh.gov.ph>; attydimapuno@gmail.com <attydimapuno@gmail.com>; bongarollado97@yahoo.com <bongarollado97@yahoo.com>; rdrtagoranao@gmail.com <rdrtagoranao@gmail.com>; obmr@ltfrb.gov.ph <obmr@ltfrb.gov.ph>; ebrillantes@dbm.gov.ph <ebrillantes@dbm.gov.ph>; cclasara@dbm.gov.ph <cclasara@dbm.gov.ph>; Janina Marie Capistrano <jccapistrano@dotrailways.com>; dmillendez@dbm.gov.ph <dmillendez@dbm.gov.ph>; joanlapez.dotr@gmail.com <joanlapez.dotr@gmail.com>; fernandez.ma_elena@dpwh.gov.ph <fernandez.ma_elena@dpwh.gov.ph>; DBM Office of the Secretary <osec@dbm.gov.ph>; cc: Leo Michael Surio <leomichaelsurio@gmail.com>; Patrick Henry Villanueva <atty.v@lirta.gov.ph>; markbenn.tabucol@lirta.gov.ph <markbenn.tabucol@lirta.gov.ph>; Yssel Silbol <yssel.silbol@lirta.gov.ph>; estrabo.kp@gmail.com <estrabo.kp@gmail.com>

Cc: krizia.estrabo@lirta.gov.ph <krizia.estrabo@lirta.gov.ph>; leomichael.surio@lirta.gov.ph <leomichael.surio@lirta.gov.ph>; kate.reyes@lirta.gov.ph <kate.reyes@lirta.gov.ph>

Subject: Letter From COA Dated 01 June 2023 on the Annual Audit Report of LRTA for Years Ended December 31, 2022 and 2021

[EXTERNAL EMAIL] CAUTION: This email originated outside of our organization. DO NOT CLICK links or open attachments unless you recognize the sender and know the content is safe. When in doubt, always check the FULL email address of the sender.

[Quoted text hidden]



National Economic and
Development Authority



NEDA Office of the Secretary

12 St. J. Escrivá Drive, Ortigas Center, Pasig City 1605 Philippines

Tel: [+632] 8631-09-45 to 55 | Fax:

<https://neda.gov.ph>

pd@neda.gov.ph | 2040@neda.gov.ph | sdg@neda.gov.ph

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Clarice Cañete <ccanete@finance.gov.ph>

To: corsec@lirta.gov.ph

Cc: Perlito Panganiban <ppanganiban@dof.gov.ph>, Andrea Salvaleon <asalvaleon@dof.gov.ph>, Lagrimas Lantin <llantin@dof.gov.ph>, Euodia Grace Garvida <egarvida@dof.gov.ph>, Iana Martie Cabarle <icabarle@dof.gov.ph>, Claine Avelino <davelino@dof.gov.ph>

Tue, Jun 6, 2023 at 3:41 PM

Dear Sir/Ma'am:

This is to acknowledge receipt of your e-mail message addressed to the Secretary of Finance.

Please be informed that your message has been referred to the concerned office for appropriate action.

Thank you.

Regards,



Clarice S. Cañete
Office of the Secretary
Department of Finance
6/F DOF Building, BSP Complex
Roxas Boulevard, Manila City
Tel. No. 5317-6363 loc. 1218

----- Forwarded message -----

From: **LRTA Corsec** <corsec@lrta.gov.ph>

Date: Tue, Jun 6, 2023 at 2:51 PM

Subject: Letter From COA Dated 01 June 2023 on the Annual Audit Report of LRTA for Years Ended December 31, 2022 and 2021

[Quoted text hidden]

[Quoted text hidden]

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LTFRB Office Of The Chairman <ochm@ltfrb.gov.ph>

Tue, Jun 6, 2023 at 4:14 PM

To: **LRTA Corsec** <corsec@lrta.gov.ph>

Cc: osec@dotr.gov.ph, NEDA Office of the Secretary <osec@neda.gov.ph>, OFFICE OF THE CHAIRMAN <oc@mmda.gov.ph>, bonoanmm@dpwh.gov.ph, secfin@dof.gov.ph, Cesar Chavez <cb.chavez@dotr.gov.ph>, jaquino.dotr@gmail.com, cecile.robles@dotr.gov.ph, sheila.tomas@dotr.gov.ph, "Ma. Catalina E." <cabral.ma_catalina@dpwh.gov.ph>, Dimapuno Datu <attydatudimapuno@gmail.com>, &IS-td <&is-td@neda.gov.ph>, mdjovent@dof.gov.ph, Lyra Relator <lrelator@dof.gov.ph>, LRTA Administrator Office <administrator.office@lrta.gov.ph>, Hernando Cabrera <hernando.cabrera@lrta.gov.ph>, "Joseph J. Capuno" <jjcapuno@neda.gov.ph>, "Jonathan L. Uy" <jluy@neda.gov.ph>, "Roderick M. Planta" <rmplanta@neda.gov.ph>, "Fernandez, Maximilian E." <fernandez.maximilian@dpwh.gov.ph>, attydimapuno@gmail.com, bongarollado97@yahoo.com, rdrtagoranao@gmail.com, obmr@ltfrb.gov.ph, ebrillantes@dbm.gov.ph, cclasara@dbm.gov.ph, Janina Marie Capistrano <jccapistrano@dotrailways.com>, dmillendez@dbm.gov.ph, joanlapez.dotr@gmail.com, fernandez.ma_elena@dpwh.gov.ph, DBM Office of the Secretary <osec@dbm.gov.ph>, "cc: Leo Michael Surio" <leomichaelsurio@gmail.com>, Patrick Henry Villanueva <atty.v@lrta.gov.ph>, markbenn.tabucol@lrta.gov.ph, Yssel Silbol <yssel.silbol@lrta.gov.ph>, "estrabo.kp@gmail.com" <estrabo.kp@gmail.com>, krizia.estrabo@lrta.gov.ph, leomichael.surio@lrta.gov.ph, kate.reyes@lrta.gov.ph

Dear **Atty. Villanueva**,

This is to acknowledge receipt of your email.

Thank you very much.

On behalf of the Office of the Chairperson,

Executive Assistant II

Land Transportation Franchising and Regulatory Board (LTFRB)

East Avenue, Brgy. Pinyahan, Quezon City

[Quoted text hidden]

Office of the Secretary DOTr <osec@dotr.gov.ph>

To: LRTA Corsec <corsec@lrta.gov.ph>

Thu, Jun 8, 2023 at 11:11 AM

Acknowledging receipt of your email.

Thank you and God Bless.

Celine



Office of the Secretary
DEPARTMENT OF TRANSPORTATION
Telephone #: (02) 7944-2002

On Tue, Jun 6, 2023 at 2:51 PM LRTA Corsec <corsec@lrta.gov.ph> wrote:

[Quoted text hidden]



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

**CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 3 - PUBLIC UTILITIES**

June 1, 2023

Atty. HERNANDO T. CABRERA

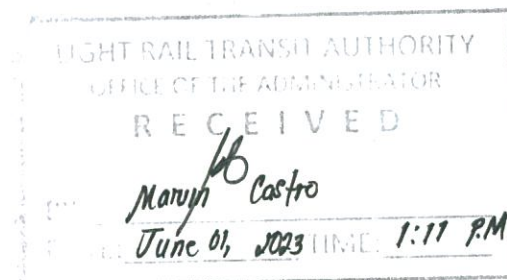
Administrator

Light Rail Transit Authority

Administration Building,

Line 2 Depot, Marcos Highway,

Santolan, Pasig City



Dear Administrator Cabrera:

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 **Light Rail Transit Authority (LRTA)** for the years ended December 31, 2022 and 2021.

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

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

1. The balance of Property, Plant and Equipment (PPE) account amounting to P45.769 billion as at December 31, 2022 did not include the remaining components of LRT Line 2 East Extension Project (EEP) estimated at P4.682 billion, which was substantially completed and became commercially operational in CY 2021 contrary to paragraph 14 of IPSAS 17 – PPE, resulting in the understatement of the balance of PPE account and its related depreciation. Also, recognized under PPE are: a) land amounting to P3.568 billion without supporting documents, and b) untitled land amounting to P891.144 million not disclosed in the Notes to the Financial Statements.
2. The Intra-agency Payable account with a balance of P1.283 billion and Intra-agency Receivable of P347.816 million, recorded under Receivable account, as at December 31, 2022 remained unadjusted to the proper accounts for more than 15 years. Hence, the faithful representation of the intra-agency accounts and the related accounts as at reporting dates was not ascertained contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of IPSAS.

For the abovementioned observations which caused the issuance of a qualified opinion, we recommended that Management:

1. a) Require the Project Management Office – East Extension Project and Asset Management Division to follow up the request with the Department of Transportation for the submission

of supporting documents needed for the costing of the unrecognized LRT 2 East Extension Project with an estimated amount of P4.682 billion and for the Accounting Division to recognize the same as PPE and make necessary adjustments for prior years' depreciation expense; b) Require Asset Management Division and Project Management Office – South Extension Project to provide the Accounting Division with copies and other documents to establish the details of the unverified land amounting to P3.568 billion; and c) Require the Asset Management Division to submit the documentary requirements for the transfer of ownership of land amounting to P891.144 million to Local Government Units and Land Registration Authority, and for the Accounting Division to disclose in the Notes to the Financial Statements the existence and amounts of restrictions on titles of PPE recognized in the books.

2. Require the Accounting Division to locate the General Journals and other supporting documents of the transactions recorded under the Intra-agency Payable and Receivable accounts and prepare adjusting entries to close the balances of the Intra-agency Payable and Receivable accounts amounting to P1.283 billion and P347.816 million, respectively, and recognize the proper accounts.

The foregoing audit observations and recommendations, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 13, 2023, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and submitting the same to us within 60 days from the date of receipt.

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

Very truly yours,

COMMISSION ON AUDIT

By:


MILAGROS B. SONIDO
OIC - Director IV

Copy furnished:

The President 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



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

**CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 3 - PUBLIC UTILITIES**

June 1, 2023

June 1, 2023 - 1:07PM - mitch

THE BOARD OF DIRECTORS

Light Rail Transit Authority
Administration Building,
Line 2 Depot, 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 **Light Rail Transit Authority (LRTA)** for the years ended December 31, 2022 and 2021.

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

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

1. The balance of Property, Plant and Equipment (PPE) account amounting to P45.769 billion as at December 31, 2022 did not include the remaining components of LRT Line 2 East Extension Project (EEP) estimated at P4.682 billion, which was substantially completed and became commercially operational in CY 2021 contrary to paragraph 14 of IPSAS 17 – PPE, resulting in the understatement of the balance of PPE account and its related depreciation. Also, recognized under PPE are: a) land amounting to P3.568 billion without supporting documents, and b) untitled land amounting to P891.144 million not disclosed in the Notes to the Financial Statements.
2. The Intra-agency Payable account with a balance of P1.283 billion and Intra-agency Receivable of P347.816 million, recorded under Receivable account, as at December 31, 2022 remained unadjusted to the proper accounts for more than 15 years. Hence, the faithful representation of the intra-agency accounts and the related accounts as at reporting dates was not ascertained contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of IPSAS.

For the abovementioned observations which caused the issuance of a qualified opinion, we recommended that Management:

1. a) Require the Project Management Office – East Extension Project and Asset Management Division to follow up the request with the Department of Transportation for the submission

of supporting documents needed for the costing of the unrecognized LRT 2 East Extension Project with an estimated amount of P4.682 billion and for the Accounting Division to recognize the same as PPE and make necessary adjustments for prior years' depreciation expense; b) Require Asset Management Division and Project Management Office – South Extension Project to provide the Accounting Division with copies and other documents to establish the details of the unverified land amounting to P3.568 billion; and c) Require the Asset Management Division to submit the documentary requirements for the transfer of ownership of land amounting to P891.144 million to Local Government Units and Land Registration Authority, and for the Accounting Division to disclose in the Notes to the Financial Statements the existence and amounts of restrictions on titles of PPE recognized in the books.

2. Require the Accounting Division to locate the General Journals and other supporting documents of the transactions recorded under the Intra-agency Payable and Receivable accounts and prepare adjusting entries to close the balances of the Intra-agency Payable and Receivable accounts amounting to P1.283 billion and P347.816 million, respectively, and recognize the proper accounts.

The foregoing audit observations and recommendations, which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 13, 2023, are presented in detail in Part II of the report.

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

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

Very truly yours,

COMMISSION ON AUDIT

By:


MILAGROS B. SONIDO
OIC - Director IV

Copy furnished:

The President 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



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, 2022 and 2021

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 ten 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

Financial Position

	2022	2021 As restated	Increase (Decrease)
Assets	54,463,735,876	53,249,666,227	1,214,069,649
Liabilities	60,941,804,468	59,530,925,336	1,410,879,132
Equity	(6,478,068,592)	(6,281,259,109)	(196,809,483)

Financial Performance

	2022	2021 As restated	Increase (Decrease)
Total Revenue	1,062,050,893	679,231,740	382,819,153
Total Current Operating Expenses	(5,578,298,806)	(5,575,074,999)	3,223,807
Gains	793,059,565	764,935,831	28,123,734
Losses	(20,513,578)	(481,910,983)	(461,397,405)
Subsidy from National Government	3,638,062,855	1,405,010,602	2,233,052,253
Net Deficit	(105,639,071)	(3,207,807,809)	3,102,168,738

<i>Budget Utilization</i>			
	Budget	Expenditures	Differences
Personnel Services	643,479,363	569,401,142	74,078,221
Maintenance and Other Operating Expenses	1,260,746,073	984,933,896	275,812,177
Capital Outlay	4,794,850,062	615,441,829	4,179,408,233
Financial Expenses	3,319,200,357	3,521,644,092	(202,443,735)
Total Payments	10,018,275,855	5,691,420,959	4,326,854,896

C. Scope and Objectives of Audit

The audit covered the examination, on a test basis, of the accounts and transactions of LRTA for the period January 1 to December 31, 2022 in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2022 and 2021. Also, we conducted our audit to assess compliance of LRTA with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

D. Auditor's Opinion

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements for the years December 31, 2022 and 2021 due to the following:

1. The balance of Property, Plant and Equipment (PPE) account amounting to P45.769 billion as at December 31, 2022 did not include the remaining components of LRT Line 2 East Extension Project (EEP) estimated at P4.682 billion, which was substantially completed and became commercially operational in CY 2021 contrary to paragraph 14 of IPSAS 17 – PPE, resulting in the understatement of the balance of PPE account and its related depreciation. Also, recognized under PPE are: a) land amounting to P3.568 billion without supporting documents; and b) untitled land amounting to P891.144 million not disclosed in the Notes to Financial Statements.
2. The Intra-agency Payable account with a balance of P1.283 billion and Intra-agency Receivable of P347.816 million, recorded under Receivable account, as at December 31, 2022 remained unadjusted to the proper accounts for more than 15 years. Hence, the faithful representation of the intra-agency accounts and the related accounts as at reporting dates was not ascertained contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of IPSAS.

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

1. a) Require the Project Management Office – East Extension Project and Asset Management Division to follow up the request with the Department of Transportation for the submission of supporting documents needed for the costing of the unrecognized LRT 2 East Extension Project with an estimated amount of P4.682 billion and for the

Accounting Division to recognize the same as PPE and make necessary adjustments for prior years' depreciation expense; b) Require Asset Management Division and Project Management Office – South Extension Project to provide the Accounting Division with copies and other documents to establish the details of the unverified land amounting to P3.568 billion; and c) Require the Asset Management Division to submit the documentary requirements for the transfer of ownership of land amounting to P891.144 million to Local Government Units and Land Registration Authority, and for the Accounting Division to disclose in the Notes to the Financial Statements the existence and amounts of restrictions on titles of PPE recognized in the books.

2. Require the Accounting Division to locate the General Journals and other supporting documents of the transactions recorded under the Intra-agency Payable and Receivable accounts and prepare adjusting entries to close the balances of the Intra-agency Payable and Receivable accounts amounting to P1.283 billion and P347.816 million, respectively, and recognize the proper accounts.

E. Significant Audit Observations and Recommendations

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

1. The correctness of the balances of two dormant foreign deposit accounts of LRTA with BNP-Paribas with peso equivalent of P6.485 million as at December 31, 2022, recognized under Cash and Cash Equivalents account, was not ascertained due to its valuation using the balance stated in the Statement of Account (SOA) dated July 7, 2010 and the lack of documents supporting the balance of the account, contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework by Public Sector Entities of IPSAS.

Recommendations:

- a. Require the Finance Department to follow up and seek further assistance of the Bangko Sentral ng Pilipinas to confirm the real status of the two foreign bank accounts with BNP Paribas; and
 - b. Require the Accounting Division to provide the lacking documents to establish the correct balances of the accounts
2. The advance payment to the contractor of the Line 1 North Extension Project (NEP) amounting to P32.354 million was not yet recouped, contrary to Section 4.3, Annex E of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184.

Recommendations:

- a. Deduct the unrecouped advance payment from the remaining claim of Contractor; and
- b. Pursue legal action to recover the outstanding balance, if warranted.

F. Status of Audit Suspensions, Disallowances and Charges

For CY 2022, transactions disallowed in audit amounted to P72,247,360.24 and P306,766.89 was settled in audit. The Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2022 showed unsettled disallowances amounting to US\$58,800 and P239,657,173.53. Details are shown in Part II of the Report.

G. Status of Implementation of Prior Years' Recommendations

Of the 25 audit recommendations contained in the prior year's Annual Audit Report, 18 were fully implemented and 7 were not implemented. Details are presented in Part III of this Report.

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PART I – AUDITED FINANCIAL STATEMENTS

PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

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



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, 2022 and 2021, 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, 2022, 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 LRTA as at December 31, 2022 and 2021 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

As at December 31, 2022, LRTA did not recognize as asset the remaining component of LRT Line 2 East Extension Project (EEP) estimated at P4.682 billion, which was substantially completed and became commercially operational in 2021, contrary to the recognition criteria of an asset under IPSAS 17. Had the asset been recognized, the balance of Property, Plant and Equipment (PPE) account amounting to P45.769 billion as at reporting date, would have increased by an estimated amount of P4.682 billion.

Also, land recorded at P3.568 billion were without supporting documents while ownership of land recorded at 891.144 million is not yet transferred to LRTA and these were not disclosed in the Notes to financial statements. Due to the absence of documents and titles to support the validity of these land recognized under PPE, we were unable to obtain sufficient evidence to determine the balance of PPE that should have been recognized as at December 31, 2022 and 2021.

Further, the balances of Intra-agency Payable amounting to P1.283 billion as at December 31, 2022 and 2021, and Intra-agency Receivable of P347.816 million and P399.520 million as at December 31, 2022 and 2021, respectively, remained unadjusted to the proper accounts. There are no documents/records to support the entries and balances of the

reciprocal accounts. Due to the absence of documents supporting the balances of the accounts, we were unable to obtain sufficient evidence nor we were able to satisfy ourselves by other audit procedures that the balances of the intra-agency accounts as at December 31, 2022 and 2021 were free from material misstatements.

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 38 to the financial statements disclosing among others 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. Our opinion is not modified in respect of this matter.

Other Matter

In our report dated June 15, 2022, we expressed a qualified opinion on the financial statements of LRTA for the years ended December 31, 2021 and 2020 due to the following, among others: a) non-recognition of impairment loss on non-operational and heavily defective Trainsets under PPE-Transportation account with carrying amounts of P1.725 billion and P2.171 billion as at December 31, 2021 and 2020; and b) unreconciled variance amounting to P31.513 million and P103.977 million as at December 31, 2021 and 2020, respectively, between the Due from National Government Agencies (PS-DBM) account presented under Receivables and the confirmed balance of PS-DBM.

In CY 2022, the subject PPE was provided with impairment loss amounting to P945.108 million with corresponding restatement of the 2021 beginning Accumulated Surplus account. Also, the unreconciled variance of the Due from National Government Agencies (PS-DBM) account was already identified and reconciled. Accordingly, our present opinion on the 2021 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 37 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



Atty. JOYCE MARIE M. MANICAP-OTOMAN
OIC - Supervising Auditor

May 31, 2023





**LIGHT
RAIL
TRANSIT
AUTHORITY**

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the **LIGHT RAIL TRANSIT AUTHORITY (LRTA)** is responsible for the preparation and fair presentation of the financial statements of LRTA, including schedules attached therein, for the years ended December 31, 2022 and 2021, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement whether due to fraud or error.

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

The Board of Directors is responsible for overseeing LRTA's financial reporting process.

The Board of Directors reviews and approves the financial statements before such statements are issued to the stakeholders and users.

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


JAIME J. BAUTISTA
DOTr SECRETARY



31 MAY 2023

Date Signed


MARILOU B. LISCANO
Manager, Finance Department

4-14-2023

Date Signed




ATTY. HERNANDO T. CABRERA
Administrator

20 April 2023

Date Signed

Address:

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

**LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2022 and 2021**

	<u>NOTE</u>	<u>2022</u>	<u>2021</u> (As Restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	7	5,711,612,138	5,273,767,363
Receivables	8	1,642,146,243	1,451,089,984
Inventories	9	700,217,076	712,736,424
Other Current Assets	14.1	164,029,967	186,407,483
Total Current Assets		<u>8,218,005,424</u>	<u>7,624,001,254</u>
Non-Current Assets			
Property, Plant and Equipment	10	45,769,492,237	43,727,938,795
Investments in Time Deposits	11	555,344	7,512,080
Investment Property	12	475,466,370	508,583,864
Other Investments	13	216,501	216,501
Other Non-Current Assets	14.2	0	1,381,413,733
Total Non-Current Assets		<u>46,245,730,452</u>	<u>45,625,664,973</u>
Total Assets		<u>54,463,735,876</u>	<u>53,249,666,227</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	15	2,096,919,735	2,058,073,616
Inter-Agency Payables	16.1	714,228,419	703,861,232
Intra-Agency Payables	17	1,283,353,083	1,283,353,083
Trust Liabilities	18	2,427,685,714	1,671,088,540
Deferred Credits and Unearned Revenue/Income	19	18,464,154	11,353,649
Other Payables	20	25,091,110	20,417,012
Provisions	21	144,189,368	134,896,430
Total Current Liabilities		<u>6,709,931,583</u>	<u>5,883,043,562</u>
Non-Current Liabilities			
Financial Liabilities	15	10,600,222,253	12,969,282,542
Inter-Agency Payables	16.2	43,631,650,632	40,678,599,232
Total Non-Current Liabilities		<u>54,231,872,885</u>	<u>53,647,881,774</u>
Total Liabilities		<u>60,941,804,468</u>	<u>59,530,925,336</u>
Net Assets (Total Assets Less Total Liabilities)		<u>(6,478,068,592)</u>	<u>(6,281,259,109)</u>
NET ASSETS/EQUITY			
Government Equity	31	2,985,545,824	2,985,545,824
Contributed Capital	32	17,695,276,398	17,695,276,398
Accumulated Deficit	33	(27,158,890,814)	(26,962,081,331)
Total Net Assets/Equity		<u>(6,478,068,592)</u>	<u>(6,281,259,109)</u>

The notes on pages 11 to 64 form part of these statements.

**LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF FINANCIAL PERFORMANCE
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	<u>NOTE</u>	<u>2022</u>	<u>2021</u> (As Restated)
Revenue			
Service and Business Income	22	1,062,050,893	679,231,740
Total Revenue		<u>1,062,050,893</u>	<u>679,231,740</u>
Current Operating Expenses			
Personnel Services	23	(584,680,231)	(517,004,126)
Maintenance and Other Operating Expenses	24	(163,513,540)	(135,061,570)
Financial Expenses	25	(1,532,890,307)	(1,404,021,184)
Direct Costs	26	(932,297,526)	(1,019,012,881)
Non-Cash Expenses	27	(2,364,917,202)	(2,499,975,238)
Total Current Operating Expenses		<u>(5,578,298,806)</u>	<u>(5,575,074,999)</u>
Deficit from Current Operations		<u>(4,516,247,913)</u>	<u>(4,895,843,259)</u>
Other Non-Operating Income	28	1,554,180	0
Gains	29.1	791,505,385	764,935,831
Losses	29.2	(20,513,578)	(481,910,983)
Deficit		<u>(3,743,701,926)</u>	<u>(4,612,818,411)</u>
Subsidy from National Government	30	3,638,062,855	1,405,010,602
Net Surplus/(Deficit) for the Period		<u><u>(105,639,071)</u></u>	<u><u>(3,207,807,809)</u></u>

The notes on pages 11 to 64 form part of these statements.

**LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	Accumulated Surplus/(Deficit)	Government Equity	Contributed Capital	Total
BALANCE AT JANUARY 1, 2021	(24,013,043,237)	2,985,545,824	18,672,884,953	(2,354,612,460)
Changes in Net Assets/Equity for CY 2021				
Add/(Deduct):				
Deficit for the Period	(3,207,807,809)	0	0	(3,207,807,809)
Additional Capital from National Government	0	0	0	0
Other Adjustments	258,769,715	0	(977,608,555)	(718,838,840)
RESTATED BALANCE AT DECEMBER 31, 2021	(26,962,081,331)	2,985,545,824	17,695,276,398	(6,281,259,109)
Changes in Net Assets/Equity for CY 2022				
Add/(Deduct):				
Deficit for the Period	(105,639,071)	0	0	(105,639,071)
Additional Capital from National Government	0	0	0	0
Other Adjustments	(91,170,412)	0	0	(91,170,412)
BALANCE AT DECEMBER 31, 2022	(27,158,890,814)	2,985,545,824	17,695,276,398	(6,478,068,592)

The notes on pages 11 to 64 form part of this statement.

**LIGHT RAIL TRANSIT AUTHORITY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 and 2021**

	<u>2022</u>	<u>2021</u> (As Restated)
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Revenue	725,158,620	309,639,791
Receipts of Assistance/Subsidy	1,018,152,000	1,018,152,000
Trust Receipts	831,605,085	25,964,171
Other Receipts	48,355,221	48,032,042
Total Cash Inflows	<u>2,623,270,926</u>	<u>1,401,788,004</u>
Cash Outflows		
Payment of Expenses	1,294,603,712	1,114,593,652
Purchase of Inventories	208,178,251	459,928,622
Other Disbursement	42,732,834	70,697,364
Total Cash Outflows	<u>1,545,514,797</u>	<u>1,645,219,638</u>
Net Cash Provided by/(Used in) Operating Activities	<u>1,077,756,129</u>	<u>(243,431,634)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Sale/Disposal of Property, Plant and Equipment	0	1,913,864
Receipts of Interest Earned	40,440,057	54,174,054
Total Cash Inflows	<u>40,440,057</u>	<u>56,087,918</u>
Cash Outflows		
Purchase/Construction of Property, Plant and Equipment	679,953,831	395,503,630
Purchase of Investments	397,580	0
Total Cash Outflows	<u>680,351,411</u>	<u>395,503,630</u>
Net Cash Used in Investing Activities	<u>(639,911,354)</u>	<u>(339,415,712)</u>
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	437,844,775	(582,847,346)
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>5,273,767,363</u>	<u>5,856,614,709</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>5,711,612,138</u></u>	<u><u>5,273,767,363</u></u>

The notes on pages 11 to 64 form part of these statements.

LIGHT RAIL TRANSIT AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Between Final Budget and Actual	
	Original	Final			
NOTE					
RECEIPTS					
Service and Business Income	35	4,582,133,679	4,582,133,679	6,043,473,577	(1,461,339,898)
Assistance and Subsidy	35	5,439,963,176	5,439,963,176	5,359,599,520	80,363,656
Total Receipts		10,022,096,855	10,022,096,855	11,403,073,097	(1,380,976,242)
PAYMENTS					
Personnel Services	35	643,479,363	643,479,363	569,401,142	74,078,221
Maintenance and Other Operating Expenses	35	1,264,567,073	1,260,746,073	984,933,896	275,812,177
Capital Outlay	35	4,794,850,062	4,794,850,062	615,441,829	4,179,408,233
Financial Expenses	35	3,319,200,357	3,319,200,357	3,521,644,092	(202,443,735)
Total Payments		10,022,096,855	10,018,275,855	5,691,420,959	4,326,854,896
NET RECEIPTS/PAYMENTS		0	3,821,000	5,711,652,138	(5,707,831,138)

The notes on pages 11 to 64 form part of this statement.

LIGHT RAIL TRANSIT AUTHORITY NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION/ENTITY PROFILE

The Light Rail Transit Authority (herein referred to as LRTA or the Authority) 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 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, 2022 is composed of 332 permanent, 430 contractual, 694 contract of services and 55 Project Management Office (PMO) contractual employees.

The LRTA's registered office is located in the Administration Building, Line 2 Depot, Marcos Highway, Santolan, Pasig City.

The financial statements of LRTA was authorized for issue on May 31, 2023 as shown in the Statement of Management Responsibility for Financial Statements signed by DOTr Sec. Jaime J. Bautista and Administrator Hernando T. Cabrera, as the Authorized Representatives.

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 and construct the LRT Line 1 Cavite Extension Project. 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 National Government (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 recognize the share in Service Concession Revenue and Receivable in compliance with IPSAS 32 on Service Concession Arrangements (SCA)–Grantor and Par. 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 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 to Republic Act (RA) No.10149 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 2022, the submission of the mandatory requirements for performance accomplishment for the Performance-Based Bonus (PBB) is ongoing. In 2022, Line 2 transported 31.64 million passengers or a 167 percent increase over the 2021 level of 11.84 million with a daily average of 108,762 passengers, 226.83 percent increase from 2021 average of 33,267.
- c. As to financial standing, the Authority has sustained improved farebox as the deficit level from rail operations against current operating expense for 2022 amounting to P992.73 million decreased by 26 percent compared to 2021 amount of P1.350 billion.
- d. Gross rail revenue collection during the year amounted to P1.074 billion or 61 percent higher than the P667.56 million in 2021. The increase in revenue was attributed to the increase revenue in rail operations and collections attributed to stall rentals, land lease, advertising spaces and other miscellaneous income derived from non-rail business of the Authority.
- e. On the other hand, the Authority incurred an increase in operating expenses for 2022 amounting P1.618 billion, two percent higher than the 2021 level of P1.580 billion due to implementation of GCG approved Compensation and Position Classification System (CPCS) and inflationary factors affecting direct (i.e. Rolling Stock Spare parts, utilities, etc.) and indirect expenses.

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 (AFCS) 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 LRT 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 Bacoar, 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 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 and 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 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, 2022, the following are the physical accomplishments:

1. The Concessionaire's overall physical accomplishment posted 88.93 percent complete to wit:

Concessionaire's Project Component	Percentage of Completion
1. Existing System Works (ESW)	99.91%
2. Cavite Extension Works (CEW)	77.95%

2. The Grantor's overall physical accomplishment posted 88.18 percent complete to wit:

Grantor's Project Component	Percentage of Completion
1. Procurement of 120 New Rolling Stock Light Rail Vehicles (LRVs)	74.96%
2. Expansion of the Existing Depot at Baclaran and Construction of a New Satellite Depot at Zapote	97.31%
3. Consulting Services for LRT Line 1 South (Cavite Extension Project)	80.62%
4. Right of Way (ROW) Acquisition and Resettlement	88.02%
5. Consultancy for Topographical, Geotechnical and Geological Survey and Investigation	100.00%

c. Line 2 East Extension Project

It is the extension of the existing LRT Line 2 by 3.793 km eastward from the existing Santolan Station at Marcos Highway, terminating at the intersection of Marcos Highway and Sumulong Highway. With two additional stations proposed, Marikina Station in front of Robinson's Metro East mall and the Sta. Lucia East Grand mall in Cainta; and Antipolo Station near the junction of Marcos Highway and Sumulong Highway in Masinag, Antipolo City. The two additional Stations namely Marikina and Antipolo Station were inaugurated on July 1, 2021 and its commercial operation started on July 5, 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. Project status as at December 31, 2022 are as follows:

Contracts	Status
Civil Works Consultancy	<p>The requested realignment and extension of contract duration by the Consultant was approved by DOTr, the S-curve is likewise revised to conform with the new contract duration</p> <p>The consultant requested for additional contract to supervise the Construction of Package 2 – Design and Build of Stations</p> <p>98.46% physical accomplishment</p>
Interface Consultancy	<p>Ongoing interfacing works with the Package 2 and 3 Contractors and Consultant</p> <p>Ongoing supervision of the defects liability claims</p> <p>100% physical accomplishment</p>

Contracts	Status
Civil Works Package 1 – Construction of Viaduct	100% physical accomplishment
Civil Works Package 2 – Design and Build of Stations	Ongoing construction activities for the Antipolo Station Eastbound Access Stairs Ongoing defect liability claims work 99.995% physical accomplishment
Electromechanical Consultancy	Ongoing interfacing with Civil Works Ongoing supervision of the defects liability claims 99.52% physical accomplishment
Design and Construction of Electro-mechanical Equipment – Package 3	Ongoing defects liability claims works 99.998% physical accomplishment

The over-all project accomplishment of Line 2 East Extension Project as at December 31, 2022 is 99.89 percent. LRTA made partial recognition on the turned over and operational extension projects pertaining to Viaduct, Consulting Services-Civil Works and Office Furniture, Fixture and Equipment scope of the contract.

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 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.

The project will include right-of-way acquisition (ROWA), as well as procurement of additional electromechanical requirement including five four (4)-car rolling stocks.

Its project timeline is from third quarter of 2019 to fourth quarter of 2023 (excluding Defects Liability Period (DLP)) with a total project cost of P10.118 billion (NEDA Approved). As of December 31, 2022, financial disbursement was P96.479 million and its physical completion/accomplishment was at 1.11 percent and the financial is at 1.02 percent level.

e. LRT Rehabilitation Projects

The Rehabilitation Program comprises the systems and facilities improvement, rehabilitation and modernization program for LRT Lines 1 and 2 projects.

The project involves major repair/rehabilitation of existing Lines 1 and 2 rolling stocks, systems, structures and facilities such as Restoration of Rectifier Substation (RSS) 4, 5 and 6 (Goods), Maintenance of Line 2 System under the LRTA Maintenance Transition Team (MTT), Repair of Unbonded Concrete Plinth of LRT 2 System, Design and Build for the Improvement of Line 2 Stations and Facilities, Testing and Commissioning of 45 Brand New Escalators and Comprehensive Maintenance of 32 Elevators and 58 Escalators, Rehabilitation of Fire Detection Alarm System and Fire Suppression System, and other rehabilitation projects.

It aims to address the problems of deteriorating rolling stocks, tracks and facilities and to increase the number of running trains/LRV's and it will further enhance the capacity, safety and reliability of the LRT systems.

The total number of projects is 92 with a total project cost of P10.967 billion and its project timeline covers 2011-2025. As at December 31, 2022, 71.74 percent of the total rehabilitation projects were completed.

The following are the ongoing rehabilitation projects and its status as at December 31, 2022:

PROJECTS	STATUS
1. Supply, Delivery, Testing and Commissioning of OCS Truck (Truck & Rail Vehicle) Goods	For finalization of Inspection Acceptance Committee (IAC) Joint Inspection and Evaluation Report
2. Rehabilitation of Fire Detection and Alarm System and fire Suppression System (Goods)	Awaiting recommendation of submitted Verified Report for the termination of the contract and blacklisting of Contractor
3. Improvement of Line 2 Depot Offices (Infrastructure)	Ongoing review and finalization of Contractor submitted documents
4. Contract for the Replacement of Precision Air Conditioning System (Goods)	Actual Accomplishment is 97.06%. Ongoing commissioning of newly installed Air Handling Unit (AHU) and Fan Coil Unit (FCU), for schedule of Technical Training and Submission of pertinent documents including As-Built Plan
5. Design and Build for the Improvement of Line 2 Stations and Facilities (Infrastructure)	Actual Accomplishment is 95.09%

PROJECTS	STATUS
6. Consulting Services for the Structural Investigation and Related Works of LRT Line 1 & 2 Systems (Services)	100% completed. For issuance of Completion Certificate upon completion of punch list
7. Consulting Services for Restoration of Various L2 System Equipment damaged by Fire (Goods)	100% completed. For issuance of Completion Certificate upon completion of required documents
8. Acquisition of one unit Rescue and Emergency Road / Rail Vehicle (Goods)	Awaiting delivery. The supplier submitted a letter for the Factory Acceptance Test (FAT)
9. Restoration of Rectifier Substation (RSS) 4, 5, & 6 (Goods)	Actual Accomplishment is 39.07%
10. Repair of Unbonded Concrete Plinth at LRT Line 2 Mainline – Phase 2 (Infrastructure)	Accomplishment is 90.40%

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

3.1 Statement of Compliance

The financial statements have been prepared in compliance with the International Public Sector Accounting Standards (IPSASs) issued by the International Public Sector Accounting Standards Board (IPSASB) which were adopted and prescribed by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014, COA Resolution No. 2017-006 dated April 26, 2017 and COA Resolution No. 2020-01 dated January 9, 2020. It adopted appropriate accounting standards, which prescribed new accounting measurement and disclosure practices in conformity with IPSAS and accompanying Philippine Application Guidance (PAG) issued by COA 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 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.

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 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.

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.

3.2 Basis of Preparation

The financial statements have been prepared on accrual basis using the historical cost, unless stated otherwise. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. The Statement of Cash Flows prepared using the direct method.

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

3.3 Functional and Presentation Currency

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 accompanying financial statements of the LRTA have been prepared on an accrual basis in accordance with IPSAS.

4.2 Preparation of Financial Statements and Other Financial Reports

The LRTA's accounting system currently uses account codes and titles based on the approved Accounting Manual of the Authority. However, in compliance to the above Circular, the prescribed line items used in the preparation and presentation of financial statements are based on the Updated Revised Chart of Accounts for

Government Corporations (2019) issued by COA. It also complies with the COA Circular No. 2017-004, which prescribed the guidelines on the preparation of financial statements and other financial reports and implementation of the Philippine Financial Reporting Standards (PFRS) by Government Corporations classified as Government Business Enterprises (GBE) and Philippine Public Sector Accounting Standards (PPSAS) by Non-Government Business Enterprises (Non-GBE), dated December 13, 2017.

4.3 Current versus Non-current Classification

The LRTA presents assets and liabilities in the Statements of Financial Position based on current and non-current classifications.

- a. Current/Non-current Assets. An asset shall be classified as current when it satisfies any of the following criteria:
 - 1. It is expected to be realized in, or is held for sale or consumption in, the entity's normal operating cycle;
 - 2. It is held primarily for the purpose of being traded;
 - 3. It is expected to be realized within twelve months after the reporting date; or
 - 4. It is cash or a cash equivalent, unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets shall be classified as non-current. (*Par. 76, IPSAS 1*)

- b. Current/Non-current Liabilities. A liability shall be classified as current when it satisfies any of the following criteria:
 - 1. It is expected to be settled in the entity's normal operating cycle;
 - 2. It is held primarily for the purpose of being traded;
 - 3. It is due to be settled within twelve months after the reporting date; or
 - 4. The entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the reporting date. xxx

All other liabilities shall be classified as non-current. (*Par. 80, IPSAS 1*)

4.4 Financial Instruments

a. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of IPSAS 41-*Financial Instruments: Recognition and Measurement* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. LRTA determines the classification of its financial assets at initial recognition.

LRTA's financial assets include cash and cash equivalents, trade, and other receivables.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification:

▪ Financial assets at fair value through surplus or deficit

Financial assets at fair value through surplus or deficit include financial assets held for trading and financial assets designated upon initial recognition at fair value through surplus or deficit. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

▪ Receivables

Receivables are initially measured at face value and subsequently at amortized cost using the effective interest method. Impairment loss is recognized using an allowance account.

These are classified as current assets as they are expected to be collected within 12 months after the financial reporting date, except the restructured accounts which are classified as non-current assets.

b. Derecognition

LRTA derecognizes a financial asset or where applicable, a part of a financial asset or part of LRTA of similar financial assets when:

- The contractual rights to the cash flows from the financial asset expired or waived; and
- LRTA has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in IPSAS 41; and either the entity has: (i) transferred substantially all the risks and rewards of ownership of the financial asset; or (ii) neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the assets.

c. Impairment of financial assets

LRTA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

A financial asset or a group of financial assets is deemed to be impaired if and only if, there is an objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred “loss event”) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty;
- Default or delinquency in interest or principal payments;
- The probability that debtors will enter bankruptcy or other financial reorganization; and
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

d. Financial assets carried at amortized cost

For financial assets carried at amortized cost, the LRTA first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the LRTA determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset’s carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset’s original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced using an allowance account and the amount of the loss is recognized in surplus or deficit.

e. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit, or loans and borrowings, as appropriate. LRTA determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transactions costs. LRTA's financial liabilities include trade and other payables and loans and borrowings.

ii. Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in surplus or deficit when the liabilities are derecognized as well through the amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

When an existing financial liability is replaced by another from the same lender or substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

4.5 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.

4.6 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 on the next page:

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.

4.7 Inventories

Inventory is measured at cost upon initial recognition.

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

After initial recognition, inventory is measured using the moving-weighted average method.

Inventories are recognized as an expense or asset as applicable, when deployed for utilization or consumption in the ordinary course of operations of LRTA.

IPSAS 12-*Inventories* suggests the write down of inventories below cost to net realizable value which is consistent with the view that assets are not to be carried in excess of the future economic benefits or service potential expected to be realized from their sale, exchange, distribution or use.

4.8 Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment properties are measured using the cost model and are depreciated over its estimated useful life.

Investment properties are derecognized either when they have been disposed of or when the investment property is permanently withdrawn from use and no

future economic benefit or service potential is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use. The LRTA uses the cost method for the measurement of investment property after initial recognition.

4.9 Property, Plant and Equipment

a. Recognition

Property, Plant and Equipment (PPE) that qualifies for recognition as an Asset if it meets the characteristics and recognition criteria as follows:

- i. Tangible items
- ii. It is probable that the future economic benefits or service potential associated with the item will flow to the entity;
- iii. The cost or fair value of the item can be measured reliably;
- iv. Beneficial ownership and control clearly rest with the government;
- v. The asset is used to achieve government objectives; and
- vi. It meets the capitalization threshold of P50,000.00 based on COA Circular No. 2022-004 dated May 31, 2022.

b. Measurement at recognition

Property, Plant and Equipment that qualifies for recognition as an Asset measured at cost. 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.

c. Measurement after recognition

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

When significant parts of PPE are required to be replaced at intervals, LRTA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly.

Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the PPE as a replacement if the recognition criteria are satisfied.

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

d. Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month.

However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method and Estimated Useful Life

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 (COA Circular No. 2017-004)
Land Improvement	10-25 years
Infrastructure Assets	20-50 years
Buildings & Other Structures	30-50 years
Machinery & Equipment	5-15 years
Transportation Equipment:	
Motor Vehicles	5-15 years
Trains	10-20 years
Other Transportation Equipment	5-10 years
Furniture & Fixtures	2-15 years
Service Concession Assets	Over the useful life of the asset or remaining term of SCA, whichever is shorter.

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.

iii. Residual Value

LRTA applied prospectively the residual value of at least five percent of the cost of the PPE in 2018 onwards.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

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

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

4.10 Construction-in-Progress

Construction-in-Progress is stated at cost. This includes the cost of construction, plant and equipment and other direct costs. Likewise, all expenses such as personal services, etc. except for Maintenance and Other Operating Expenses (MOOE) during the construction period shall be capitalized. As soon as the construction is completed, this account shall be reclassified to the proper asset account.

4.11 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, 2022. The resulting gains or losses arising from the exchange differences are recognized in the Statement of Comprehensive Income, in compliance with IPSAS 4.

4.12 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.

4.13 Revenue Recognition

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

a. 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.

b. 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.

c. 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.

4.14 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 Other Matters Note 38. Similarly, a contingent asset is not recognized but disclosed when an inflow of economic benefits is probable.

4.15 Changes in Accounting Policies and Estimates

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

LRTA recognizes the effects of changes in accounting estimates prospectively through surplus and deficit.

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

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

- b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

4.16 Employees Benefits

The employees of LRTA are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage. LRTA provides employees benefits that are stipulated in EO No. 150 such as Standards Allowances and Benefits i.e. Year-End Bonus (YEB), Cash Gift, Uniform/Clothing Allowance (UCA) and Personnel Economic Relief Allowance (PERA).

Recognition and measurement

- a. When an employee has rendered service during an accounting period, LRTA recognized the gross amount of employees benefits expected to be paid in exchange for that service as:
 1. Liability
 2. Expense
- b. LRTA may pay employees for leave of absences for various reasons, including holidays, sickness, maternity or paternity whether accumulating or non-accumulating.

5. CHANGES IN ACCOUNTING POLICY - Section 23 of the General Provisions of RA No. 11639

Pursuant to COA Circular No. 2022-04 dated May 31, 2022 – Guidelines on the implementation of Section 23 of the General Provisions of RA No. 11639 also known as the General Appropriation Act (GAA) for fiscal year (FY) 2022 relative to the increase in the capitalization threshold from P15,000.00 to P50,000.00, tangible items which meet the definition and recognition criteria of PPE below fifty thousand pesos (P50,000) threshold shall be accounted in the books as semi-expendable property.

6. PRIOR PERIOD ADJUSTMENTS

In compliance with paragraph 47 of IPSAS 3 - Accounting Policies, Changes in Accounting Estimates and Errors, CY 2021 portion of the Comparative Financial Statements due to prior years' errors and adjustments amounting to P316.177 million were restated. Details are as follows:

	Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
1	Payment for Meralco bills, Miscellaneous expense and Security Services incurred in	Expense,	(866,045.95)

	Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
	2021	Accounts Payable	
2	Interest Earned for the year 2021	Interest Income, Cash in Bank	255.45
3	Interest Earned for December 31, 2021	Interest Income, Cash in Bank	25,020.33
4	Unrecorded Direct Costs - Maintenance for issued of Spare parts from Maintenance Contractor (AMSCO-JV) for the month of June 2021 and October 2021	Direct Cost – Maintenance, Spare parts Inventory	(8,487,424.00)
5	Adjustment on entries made in JEV # L1-502-21-10-581 dated October 2021.re: Restoration of various Equipment room damaged by fire project completed on September 01, 2021 and JEV # L1-502-20-08-426 dated August 2020 on Restoration of damaged burnt cable trays/ walkways project completed on June 29, 2020	Impairment Loss - PPE, Accumulated Impairment Loss- PPE	(5,451,020.00)
	Sub-total		(14,779,214.17)
6	Reimbursement of miscellaneous expenses incurred from November to December 2021	Expense, Due to Officers and Employees	(27,282.71)
7	Reversal on the Derecognition of CY 2021 Spare parts Inventory	Spare parts Inventory, Impairment Loss, Allowance for Impairment Loss	4,948,629.97
8	To close in CY 2021 the Other Payable in 2019 per Section 98 of PD 1445	Miscellaneous Income, Other Payables	238,629.89
9	Unrecognized Interest Income for December 1- 31, 2021 -DBP S/A #465-XXXX-530 (Non-Rail)	Interest Income, Cash in Bank	6,837.59
10	Unrecognized Interest Income for the year 2021 -Cash in Bank - LC ROW (Line 1 South Cavite Expro. accounts)	Interest Income, Cash in Bank	523,737.53
	Sub-total		5,690,552.27
11	Adjustment on Depreciation of Mass Thermal Imaging Camera	Depreciation Expense Accumulated Depreciation	(444,124.98)
12	Under Accrual of Direct Cost - Maintenance account for the months of October and November 2021	Direct Cost – Maintenance, Accounts Payable	(90.42)
13	Over Accrual of Janitorial expense account for the month of December 2021	Utility expense, Accounts Payable	729.44

	Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
14	Correction of entry JEV# 502-22-03-172 dated March 31, 2021- Trust Liability	Trust Liability	(157,971.25)
	Sub-total		(601,457.21)
15	To close Other Payable entries as per Section 98 of PD 1445	Miscellaneous Income,	897.68
16	To correct entry made JEV# L2 502-20-08-443 dated August 31, 2020 - Fines and Penalty	Other Payable Fines and Penalty, Other Payables	34,561.95
17	Adjustment on under accrual GSIS (Life & Retirement) account ref. JEV# L2 502-20-12-797	GSIS (Life & Retirement), Due to GSIS	(76,000.00)
18	Adjustment on over accrual GSIS (Life & Retirement) account JEV# 502-17-12-829, JEV# L2 502-19-12-914, JEV# 502-20-12-820 dated December 31,2017, 2019 and 2020, respectively	GSIS (Life & Retirement) , Due to GSIS	207,468.29
19	Recognition of first year fees in compliance with the requirements of the Trade Finance unit relative to the amendment of irrevocable Standby letter of credit effective December 16, 2019	Other MOOE, Cash in Bank	(453,262.02)
20	Recognition of Bank charges for the renewal for two years of standby letter on favor of the AFP Inc. effective December 16, 2019	Bank charges, Cash in Bank	(51,205.50)
21	Adjustment on unrecorded prior years' issuances of Spare parts	Spare parts Inventory,	(93,037.10)
22	Adjustment on unrecognized expenses from prior years-power consumption 2021	Direct Cost - Maintenance Direct Cost – Power, Accounts Payable	(14,976,135.90)
23	Adjust entry made in JEV# 502-18-07-533 dated July 31, 2018	Interest Income, Cash in Bank	(0.02)
24	Adjustment on refund Bid Documents fee of the cancelled public bidding of the procurement of contract for the disinfection (fogging) of LRTA offices and other facilities inside the Line 2 depot Area, Revenue Line 2 Trainsets & Service vehicle under PR No. GSD 2108-125	Miscellaneous Income, Other Payables	(5,000.00)
25	Accrual of accumulated unused leave credits by each LRTA employees for CY 2021	Leave Benefits Payable, Terminal Leave Benefits	(25,330,822.28)
26	Payment prior year's salaries, overtime and other payables for regular and	Expense, Due to Officers and	(27,474.50)

	Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
	contractual personnel paid on April 2022.	Employees	
27	Correction of entry in ref to JEV# L1-502-21-01-048 dated January 31, 2021 on interest income	Interest Income, Cash in Bank	(32.51)
	Sub-total		(40,770,041.91)
28	Bank reversal of LC Bank Charges for AFPI Settlement Account incurred prior years and correction of JEV# 502-22-04-209 dated April 30, 2022	Bank charges, Cash in Bank	8,453.70
29	Collection of Non-rail Revenue for the month of June 2022 from prior years	Business Income - Rent/lease, Operating Lease Receivable	3,500.00
30	Correcting entry: Double recording of interest earned for 1st quarter of CY 2020.	Interest Income, Cash in Bank	(1,598.73)
31	CY 2021 Adjustment on Legal Services account in JEV# 502-22-02-065 dated February 2022	Legal Services, Accounts Payable	(282,000.00)
32	Correction of prior years' issuances of Spare parts	Direct Cost – Maintenance, Spare parts Inventory	22,193.21
33	Correction of recorded depreciation due to reclassification from PPE to Spare parts Inventory	Depreciation Expense-PPE, Spare parts Inventory	1,424,344.82
	Sub-total		1,174,893.00
34	Correcting entry on JEV# 502-22-02-086 dated February 28, 2022 re: prior year's Allowance for Impairment -Operating Lease Receivable	Impairment Loss, Allowance for Impairment - Operating Lease Receivable	63,007.78
35	Issued Spare parts of Maintenance Contractor (AMSCO-JV) for the months of March 2021 to December 2021	Direct Cost – Maintenance, Spare parts Inventory	(45,988,700.00)
36	Correcting Entry to record Notice of Finality of Decision (NFD) # 2016-32 dated July 26, 2016	Receivables-Disallowance/Charges, Miscellaneous Income	1,961,833.16
37	Correcting Entry on the recognized disallowances with ref JEV# 502-21-04-265	Receivables-Disallowance/Charges, Miscellaneous Income	(266,000.00)
38	Correcting entry on JEV# 502-22-03-146 Re: GSIS Life and Retirement October to December 2021	GSIS (Life & Retirement), Due to GSIS	16,264.40

	Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
	Sub-total		(44,213,594.66)
39	Accumulated Impairment losses of four units unserviceable trainsets	Impairment Loss, Accumulated Impairment Loss	(210,354,822.85)
40	Adjustment of one unit Type 64 Structure Ground Relay- Other Machinery and Equipment	Depreciation Expense, Accumulated Depreciation	(19,360.00)
41	Additional correcting entry on Over Accrual of Expenses re: GSIS Life & Retirement for October to December 2021	GSIS (Life & Retirement), Due to GSIS	8,173.30
	Sub-total		(210,366,009.55)
42	Adjustment to prior years' Depreciation due to revision of estimated useful life	Depreciation Expense, Accumulated Depreciation	(8,578,100.67)
43	Derecognition of PPE - loss of laptop	Depreciation Expense, Accumulated Depreciation, Property Plant and Equipment	(61,772.34)
	Sub-total		(8,639,873.01)
44	Adjustment on interest earned dated October 4, 2021 - Cash in Bank - C/A 0272-XXXX-69	Interest Income, Cash in Bank	16.62
45	Recognition of Interest Income from ESCROW Account No. 016-27-XXXXX for the month of December 2017	Interest Income, Cash in Bank	168,200.88
46	Recognition of Trust Fees from Account No.016-27-XXXXXX for the 4th quarter 2017	Bank charges, Cash in Bank	(38,639.28)
47	Unrecognized interest earned for the CY 2021 from Trust Account No.016-27-XXXXX	Interest Income, Cash in Bank	255,380.79
48	Unrecognized Trust fees for the CY 2021 from trust Account No.016-27-XXXXX.	Bank charges, Cash in Bank	21,969.40
49	Adjustment made on JEV# 502-22-05-327 dated May 31, 2022 re: disbursement made from downloaded funds - P977M Trust Liabilities	Subsidy Income from NG, Trust Liability	(7,382,000.00)
	Sub-total		(6,975,071.59)
50	Close prior year payables in compliance with Section 98 of PD 1445	Miscellaneous Income, Other Payables	2,944,148.87
51	Adjustment on Cash in Bank- Local Currency - HYSAs due to over recording of	Interest Income, Cash in Bank	(0.07)

	Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
	prior years' interest		
52	Revaluation adjustment of Cash in Bank-Foreign Savings Account using Statement of Account dated July 7, 2010	Gain on Forex Exchange, Cash in Bank	116,728.98
53	Close other deferred credits/payable account as per Section 98 of PD 1445	Miscellaneous Income, Other Payables	241,526.77
	Sub-total		3,302,404.55
	Total		(316,177,412.28)

7. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	2022	2021 (As restated)
Cash on Hand	6,196,151	1,700,932
Cash in Banks - Local Currency	5,691,292,517	5,265,581,348
Cash in Banks - Foreign Currency	3,347,308	3,347,308
Cash Equivalents	10,776,162	3,137,775
Total	5,711,612,138	5,273,767,363

Cash and Cash Equivalents include the following:

Cash in bank represents the balance of deposits to different Authorized Government Depository Banks (AGDBs) such as Land Bank of the Philippines (LBP), Development Bank of the Philippines (DBP) and Philippine National Bank (PNB). It also includes the following accounts:

- a. *Line 1 South, Rehabilitation Projects and North Extension Projects accounts* represent the balances of the subsidies received from the National Government intended for the aforesaid projects. These also include 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.

Cash equivalents includes High-Yield Savings Accounts (HYSA) deposit of LRTA with a placement term of 90-days or less.

8. RECEIVABLES

Particulars	2022	2021 (As restated)
Receivables	1,086,845,087	825,105,214
Lease Receivables	20,250,409	10,288,267
Inter-Agency Receivables	149,391,059	178,308,443
Intra-Agency Receivables	347,815,867	399,520,033
Other Receivables	37,843,821	37,868,027
Total	1,642,146,243	1,451,089,984

8.1 Receivables

Particulars	2022	2021 (As restated)
Interest Receivable	8,522,099	7,666,818
Dividend Receivable	4,099	4,099
<i>Allowance for Impairment Loss</i>	(4,099)	(4,099)
Net Value of Dividend Receivables	0	0
Service Concession Arrangement Receivable	1,078,322,988	817,438,396
Total	1,086,845,087	825,105,214

Interest Receivables are receivable representing the accrual of interest earned 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. The balance represents the quarterly concession payments that should have been received by the grantor for the remaining periods of the concession agreement.

8.2 Lease Receivables

Particulars	2022	2021 (As restated)
Operating Lease Receivable	25,181,700	11,432,641
<i>Allowance for Impairment Loss</i>	(4,931,291)	(1,144,374)
Total	20,250,409	10,288,267

Operating Lease Receivable represents the amount due from various lessees of LRTA from commercial advertisements, lease of lands and other non-rail business of the Authority.

8.3 Inter-Agency Receivables

Particulars	2022	2021
Due from National Government Agency	149,387,459	177,349,866
Due from Government Corporation	265,077	261,077
<i>Allowance for Impairment Loss</i>	(261,477)	0
Net Value of Due from Government Corporation	3,600	261,077
Due from Subsidies and Affiliates	0	697,500
Total	149,391,059	178,308,443

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 PS-DBM and LRTA.

8.4 Intra-Agency Receivables

Particulars	2022	2021
Due from Line 1 South Extension Project	347,815,867	399,520,033

8.5 Other Receivables

Particulars	2022	2021 (As restated)
Receivables – Disallowance/Charge	37,234,328	37,048,948
Due from Officers and Employees	264,265	74,626
<i>Allowance for Impairment Loss</i>	(154,498)	0
Net Value of Due from Officers and Employees	109,767	74,626
Other Receivables	30,452,348	30,452,348
<i>Allowance for Impairment Loss</i>	(29,952,622)	(29,707,895)
Net Value of Other Receivables	499,726	744,453
Total	37,843,821	37,868,027

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

8.6 Aging/Analysis of the Receivables

Gross	Total	Current	Past Due		
			<30 days	30-60days	>60days
Interest Receivable	8,522,099	8,522,099	0	0	0
Service Concession					
Arrangement Receivable	1,078,322,988	21,740,382	0	239,144,210	817,438,396
Lease Receivable	20,250,409	872,711	0	13,119,910	6,257,788
Inter-Agency Receivables	149,391,059	3,020	0	1,395,240	147,992,799
Intra-Agency Receivables	347,815,867	0	0	0	347,815,867
Other Receivables	37,843,821	0	0	90,487	37,753,334
Total	1,642,146,243	31,138,211	0	253,749,847	1,357,258,184

9. INVENTORIES

This account consists of inventory held for consumption:

Particulars	2022	2021
		(As restated)
Spare Parts Inventory	703,203,286	710,177,306
Allowance for Impairment Loss	(4,948,630)	0
Net Value of Spare Parts Inventory	698,254,656	710,177,306
Office Supplies Inventory	1,058,243	1,784,044
Other Supplies & Materials Inventory	827,177	775,074
Semi-Expendable Furniture, Fixture & Books	77,000	0
Total	700,217,076	712,736,424

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 of Service Vehicles and for COVID 19 related supplies.

10. Property Plant and Equipment

This account is composed of the following for CY 2022:

Particulars	Land	Land Improvements	Building & Other Structures	Infrastructure Assets	Machinery & Equipment	Transportation Equipment	Furniture & Fixtures	AFCS Equipment	Service Concession Assets	Construction In Progress	TOTAL
Carrying Value January 1, 2022	6,214,041,022	682,668,680	985,672,859	12,617,284,351	352,540,977	1,530,639,477	838,278	21,177,927	19,146,563,231	2,176,511,993	43,727,938,795
Additions	381,164,439	0	14,343,106	2,621,550,234	59,515,966	472,505	0	0	0	1,515,325,424	4,592,371,674
Adjustments	558,833,391	(657,218,705)	(80,639)	(61,243,225)	(29,515,653)	(8,900,419)	(139,808)	0	(10,253,899)	12,524,178	(195,994,779)
Total	7,154,038,852	25,449,975	999,935,326	15,177,591,360	382,541,290	1,522,211,563	698,470	21,177,927	19,136,309,332	3,704,361,595	48,124,315,690
Depreciation	0	(19,518,959)	(39,680,721)	(462,445,951)	(50,800,353)	(415,199,750)	(137,350)	0	(1,367,040,369)	0	(2,354,823,453)
Carrying Value December 31, 2022	7,154,038,852	5,931,016	960,254,605	14,715,145,409	331,740,937	1,107,011,813	561,120	21,177,927	17,769,268,963	3,704,361,595	45,769,492,237
Cost	7,154,038,852	37,529,624	1,522,582,800	24,345,031,015	881,950,232	6,040,951,100	7,860,483	213,914,263	38,937,969,571	3,704,361,595	82,846,189,535
Accumulated Depreciation	0	(31,598,608)	(562,328,195)	(9,283,935,708)	(550,209,295)	(3,988,830,944)	(7,299,363)	(111,371,628)	(21,168,700,608)	0	(35,704,274,349)
Acc. Impairment Loss	0	0	0	(345,949,898)	0	(945,108,343)	0	(81,364,708)	0	0	(1,372,422,949)
Carrying Value December 31, 2022	7,154,038,852	5,931,016	960,254,605	14,715,145,409	331,740,937	1,107,011,813	561,120	21,177,927	17,769,268,963	3,704,361,595	45,769,492,237

Property, Plant and Equipment
As at December 31, 2021 (As restated)

Particulars	Land	Land Improvements	Building & Other Structures	Infrastructure Assets	Machinery & Equipment	Transportation Equipment	Furniture & Fixtures	AFCS Equipment	Service Concession Assets	Construction In Progress	TOTAL
Carrying Value January 1, 2021	6,501,225,163	380,151,231	1,051,551,334	13,406,433,148	390,016,269	2,258,067,039	802,272	98,985,953	21,181,362,492	2,111,252,179	47,379,847,080
Additions	281,763,780	318,041,526	0	123,334,978	23,016,456	5,264,000	235,000	0	0	260,522,913	1,012,178,653
Adjustments	(568,947,921)	(269)	(25,880,022)	(545,670,112)	(4,603,971)	(214,949,264)	(27,562)	(77,808,026)	(531,790,313)	(195,263,099)	(2,164,940,559)
Total	6,214,041,022	698,192,488	1,025,671,312	12,984,098,014	408,428,754	2,048,381,775	1,009,710	21,177,927	20,649,572,179	2,176,511,993	46,227,085,174
Depreciation	0	(15,523,808)	(39,998,453)	(366,813,663)	(55,887,777)	(517,742,298)	(171,432)	0	(1,503,008,948)	0	(2,499,146,379)
Carrying Value December 31, 2021	6,214,041,022	682,668,680	985,672,859	12,617,284,351	352,540,977	1,530,639,477	838,278	21,177,927	19,146,563,231	2,176,511,993	43,727,938,795
Cost	6,214,041,022	708,983,923	1,508,355,476	21,685,764,085	919,001,408	6,037,299,088	8,896,629	213,914,263	38,943,249,581	2,176,511,993	78,416,017,468
Accumulated Depreciation	0	(26,315,243)	(522,682,617)	(8,722,529,836)	(566,460,431)	(4,296,304,788)	(8,058,351)	(111,371,628)	(19,796,686,351)	0	(34,050,409,245)
Acc. Impairment Loss	0	0	0	(345,949,898)	0	(210,354,824)	0	(81,364,706)	0	0	(637,669,428)
Carrying Value December 31, 2021	6,214,041,022	682,668,680	985,672,859	12,617,284,351	352,540,977	1,530,639,476	838,278	21,177,929	19,146,563,230	2,176,511,993	43,727,938,795

11. INVESTMENT IN TIME DEPOSITS

Particulars	2022	2021
Investments in Time Deposits-Local Currency	555,344	1,096,344
Investments in Time Deposits-Foreign Currency	0	6,415,736
Total	555,344	7,512,080

Investment in Time Deposits are mainly placement of time deposit for 91 days.

12. INVESTMENT PROPERTY

Particulars	2022	2021
Investment Property-Land	475,466,370	508,583,864

Investment Property-Land represents the cost of land used to earn rentals and other idle lands of the Authority.

13. OTHER INVESTMENTS

Particulars	2022	2021
Other Investments	14,716,501	14,716,501
<i>Allowance for Impairment Loss</i>	(14,500,000)	(14,500,000)
Total	216,501	216,501

This account pertains to investments in Philippine Long Distance Telephone Company which remained dormant as at year-end.

14. OTHER ASSETS

14.1 Other Current Assets

Particulars	2022	2021
Advances to Contractors	70,190,325	88,376,007
Guaranty Deposits	38,086,101	37,086,101
Input Tax	28,537,200	40,241,952
Withholding Tax at Source	22,092,204	17,676,461
Prepaid Insurance	4,649,297	2,552,122
Other Prepayments	474,840	474,840
Total	164,029,967	186,407,483

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.

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.

14.2 Other Non-Current Assets

This account is composed of the following:

Particulars	2022	2021
Other Assets	1,381,413,733	1,381,413,733
<i>Accumulated Impairment Losses</i>	(1,381,413,733)	0
Total	0	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.

15. FINANCIAL LIABILITIES

This account consists of the following:

Particulars	2022		2021	
	Current	Non-Current	Current	Non-Current
Payables	324,316,460	0	195,084,168	0
Loans				
Payables	1,772,603,275	10,600,222,253	1,862,989,448	12,969,282,542
Total	2,096,919,735	10,600,222,253	2,058,073,616	12,969,282,542

15.1 Payables

Particulars	2022	2021 (As restated)
Accounts Payable	249,437,652	114,956,296
Due to Officers & Employees	1,356,674	1,346,580
Interest Payable	73,522,134	78,781,292
Total	324,316,460	195,084,168

15.2 Loans Payable

Particulars	2022		2021	
	Current	Non-Current	Current	Non-Current
Loans Payable- Foreign	1,772,603,275	10,600,222,253	1,862,989,448	12,969,282,542

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	2022	2021
Foreign Loans				
Belgian State Loan	30 years	5.02%+1%	204,226,900	215,375,907
DOF-Belgian State Loans				
Rehab I	30 years	Interest Free	0	10,692,593
Rehab II	20 years	1% relending rate	29,998,793	38,307,969
Natexis Banque	21 years	1.5% + 1%	6,429,507	16,898,267
Japan Bank for International Corporation Loans				
PH-P137	30 years	3%+ 2% relending rate	24,345,702	51,481,120
PH-P148	20 years	3%+1.9%	379,698,134	602,178,724
PH-P167	20 years	Prin I – 2.7%, Prin II– 2.3% + 1% SF	1,466,925,405	1,994,105,743
PH-P171	20 years	Prin I – 2.7%, Prin II –2.3% + 1% SF	2,391,845,071	3,090,856,951
PH-P185	30 years	0.75% + 1% SF	2,950,559,578	3,314,583,865
PH-P211	30 years	0.75% + 1% SF	4,480,008,681	5,007,353,130
PH-P211A		0.75% + 1% SF	438,787,757	490,437,721

Total	12,372,825,528	14,832,271,990
Current Portion	(1,772,603,275)	(1,862,989,448)
Long-Term Loans Payable	10,600,222,253	12,969,282,542

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 percent per annum plus one percent, 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 BFR 150,000,000. 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 BFR 131,670,000.

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	1,259,000,000
PH-P-148	12-20-1994	Line 1 Capacity Expansion Project, Phase1	9,795,000,000
PH-P-167	03-26-1996	Line 2 Project – Non-consulting services (Principal 1) and Consulting services (Principal II)	24,712,000,000
PH-P-171	10-14-1997	Line 2 Package 3 Project	26,344,000,000
PH-P-185	09-18-1998	Line 2 Package 4 Project	23,668,000,000
PH-P-211	04-07-2000	Line 1 Capacity Expansion	
PH-P211A	10-31-2000	Project Phase II	22,262,000,000

16. INTER-AGENCY PAYABLES

16.1 Current Inter- Agency Payables

Particulars	2022	2021 (As restated)
Due to LGUs	676,863,411	676,863,411
Due to BIR	26,932,404	17,105,680
Due to GSIS	8,344,010	8,354,165
Due to PhilHealth	1,134,453	653,713
Due to Pag-IBIG	877,220	884,263
Value Added Tax Payable	76,921	0
Total	714,228,419	703,861,232

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.

16.2 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	2022	2021
Regular Loans		
Line 1		
Belgian State Loan (#12) BFr 150M	54,655,628	43,517,919
Belgian State Loan (#13) BFr 131.67M	50,273,685	40,306,967
OECF/JBIC Loan PH P 148 & 137	1,371,623,076	1,147,524,277
NG Spread for JBIC Loan PH P 137	4,924,305	4,008,481
NG Spread for JBIC Loan PH P 148	111,816,473	101,946,588
OECF/JBIC Loan PH P 211	1,864,526,206	1,565,588,035
OECF/JBIC Loan PH P 211A	141,794,125	113,644,587
NG Spread for JBIC Loan PH P 211 & 211A	309,819,823	259,160,411
French Protocol	60,204,123	49,185,368
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	119,430,573	98,375,337
PCIR & New Money Bonds (1992 Financing Plan		
Bond Conversion)	574,185,054	574,185,054
Swiss Transfer Facility	391,517	391,516
Line 2		
OECF Loan PH P167	10,002,430,553	9,534,923,602
OECF Loan PH P171(including NG Spread)	14,739,571,927	14,088,722,476
OECF Loan PH P185 (including NG Spread)	4,402,420,605	4,158,465,190
Guarantee Fee Line1 –French Protocol & Line 2 – OECF PH P 167	1,038,746,111	1,023,947,045
Interest on Net Lending – Regular Loans Line 1 & Line 2	8,707,734,502	7,819,890,093
Interest on Net Lending – PCIR & NMBs	54,660,205	54,660,205
Total Loans	43,609,364,572	40,678,599,232
Other Payables	22,286,060	0
Total	43,631,650,632	40,678,599,232

17. INTRA-AGENCY PAYABLES

Particulars	2022	2021
Due to Line 1 North Extension Project	1,283,353,083	1,283,353,083

18. TRUST LIABILITIES

Particulars	2022	2021 (As restated)
Trust Liabilities	2,198,457,700	1,458,214,303
Guaranty/Security Deposit Payable	202,321,612	187,347,258

Particulars	2022	2021 (As restated)
Customers Deposits Payable	26,906,402	25,526,979
Total	2,427,685,714	1,671,088,540

Trust Liabilities represents the outstanding balance of fund transfers received mainly from the DOTr in compliance with various projects agreements requiring periodic liquidation.

Guaranty/Security Deposit Payable represents the amount of received/withheld cash from contractors required in the performance of the contract and security to correct all discovered defects and settle third party liabilities

Customers Deposits Payable 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.

19. DEFERRED CREDITS AND UNEARNED REVENUE/INCOME

This account consists of the following:

Particulars	2022	2021 (As restated)
Deferred Credits	7,239,638	129,133
Unearned Revenue/Income	11,224,516	11,224,516
Total	18,464,154	11,353,649

19.1 Deferred Credits

Particulars	2022	2021 (As restated)
Deferred Credits	7,239,638	129,133

Deferred Credits or *Unearned Revenue/Income* 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.

19.2 Unearned Revenue/Income

Particulars	2022	2021
Unearned Revenue/Income	11,224,516	11,224,516

20. OTHER PAYABLES

Particulars	2022	2021
Other Payables	25,091,110	20,417,012

Other payables represent obligations to various parties not falling under any of the specific payable accounts. This includes cash received by LRTA from Phoenix Omega Development Management Corporation (PODMC) for Line I lease agreement for the latter rental payment for remittance to LRMC.

21. PROVISIONS

Particulars	2022	2021
Leave Benefits Payables	144,189,368	134,896,430

Leave Benefits Payables represents the accrual of money value of the earned leave credits of LRTA personnel.

22. SERVICE AND BUSINESS INCOME

Particulars	2022	2021 (As Restated)
Service Income		
Fines and Penalties-Service Income	1,418,031	650,546
Other Service Income – Gross Availability Payment	41,863,318	42,467,266
Total Service Income	43,281,349	43,117,812
Business Income		
Transportation System Fees	625,077,529	229,962,479
Service Concession Revenue	260,884,593	260,884,593
Rental Income	103,678,314	71,119,849
Interest Income	29,129,108	68,724,128
Other Business Income	0	5,422,879
Total Business Income	1,018,769,544	636,113,928
Total	1,062,050,893	679,231,740

Transportation System Fees represents the amount of ticket sales from the revenue operation of LRT Line 2.

Service Concession Revenue represents the amount of accrual of the of the Total Concession Fee of P9.350 billion for the Service Concession Agreement (SCA) with Light Rail Manila Corporation (LRMC) for the Extension, Operations and Maintenance of Manila LRT1 System. The concession period is 32 years effective on September 12, 2015.

Rental Income includes income from non-rail business of the Authority such as commercial advertisements, stall rentals, land lease and inter-connection access.

Interest Income represents the amount of interests earned from deposits from the AGDBs of the Authority.

Other Service Income – Gross Availability Payment represents cash received from AF Payments, Inc. (AFPI) as specified under (Section 16.2 of) the Automated Fare Collection System (AFCS) Concession Agreement.

23. PERSONNEL SERVICES

This account consists of the following:

Particulars	2022	2021 (As restated)
Salaries and Wages	336,353,586	298,739,685
Other Compensation	140,280,929	113,943,026
Personnel Benefit Contributions	48,580,033	41,392,621
Other Personnel Benefits	59,465,683	62,928,794
Total	584,680,231	517,004,126

The increase in Salaries and Wages and Other Compensation is attributable to the implementation of adjustment in the salary rates of personnel under EO No. 150 s. 2021 Compensation and Position Classification System (CPCS) of GOCCs.

23.1 Salaries and Wages

Particulars	2022	2021 (As restated)
Salaries and Wages- Regular	210,643,267	188,935,603
Salaries and Wages- Casual/Contractual	125,710,319	109,804,082
Total	336,353,586	298,739,685

23.2 Other Compensation

Particulars	2022	2021 (As restated)
Year End Bonus	30,586,597	24,657,130
Mid-Year Bonus	26,990,336	24,803,231
Overtime Pay	19,441,177	16,229,599
Personal Economic Relief Allowance	17,885,409	18,167,091
Hazard Pay	6,755,500	5,586,000
Clothing Allowance	4,578,000	4,602,000
Cash Gift	3,763,250	3,737,000
Representation Allowance	2,972,625	2,806,250
Transportation Allowance	1,666,875	1,416,125
Longevity Pay	520,000	635,000
Directors & Committee Members Fee	364,000	0
Productivity Incentive Allowance	22,048	0
Other Bonus and Allowances	24,735,112	11,303,600
Total	140,280,929	113,943,026

23.3 Personnel Benefit Contributions

Particulars	2022	2021 (As restated)
Retirement and Life Insurance Premiums	40,326,737	35,383,197
PhilHealth Contributions	6,460,196	4,197,424
Employees Compensation Insurance Premiums	896,100	905,200
Total	48,580,033	41,392,621

23.4 Other Personnel Benefits

Particulars	2022	2021 (As restated)
Terminal Leave Benefits	35,491,818	26,388,862
Other Personnel Benefits	23,973,865	36,539,932
Total	59,465,683	62,928,794

24. MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)

This account consists of the following:

Particulars	2022	2021 (As restated)
Professional Services	70,453,870	48,666,761
Taxes, Insurance Premiums and Other Fees	41,272,156	35,982,097
Supplies and Materials Expenses	20,768,695	12,938,816
General Services	16,258,983	7,868,617
Repairs and Maintenance	3,684,285	19,756,888
Communication Expenses	3,013,654	3,494,989
Utility Expenses	2,482,052	2,121,165
Training and Scholarship Expenses	1,286,079	718,983
Awards/Rewards Expenses	160,000	0
Survey Expenses	45,000	359,000
Travelling Expenses	17,600	0
Other Maintenance and Operating Expenses	4,071,166	3,154,254
Total	163,513,540	135,061,570

24.1 Professional Services

Particulars	2022	2021 (As restated)
Consultancy Services	18,833,917	1,240,961
Auditing Services	9,421,810	8,316,300
Legal Services	1,108,072	1,438,067
Other Professional Services	41,090,070	37,671,432
Total	70,453,869	48,666,760

24.2 Taxes, Insurance Premiums and Other Fees

Particulars	2022	2021
Taxes, Duties and Licenses	30,369,728	25,895,196
Insurance Expenses	10,318,304	9,849,895
Fidelity Bond Premiums	584,124	237,006
Total	41,272,156	35,982,097

24.3 Supplies and Materials Expenses

Particulars	2022	2021 (As restated)
Fuel, Oil, and Lubricant Expenses	2,171,706	1,853,744
Office Supplies Expenses	4,082,969	2,581,218
Semi-Expendable-Machinery & Equipment Expenses	382,726	432,850
Semi-Expendable-Furniture & Fixture Expenses	409,226	0
Other Supplies and Material Expenses	13,722,068	8,071,004
Total	20,768,695	12,938,816

24.4 General Services

Particulars	2022	2021
Security Services	16,258,983	7,868,617

24.5 Repairs and Maintenance

Particulars	2022	2021 (As restated)
Repairs & Maintenance-Motor Vehicles	645,597	566,959
Repairs & Maintenance-Power & Energy	0	5,451,020
Repairs & Maintenance-Machinery & Equipment	0	11,568
Repairs & Maintenance-Office Building	2,699,313	28,919
Repairs & Maintenance-Office Equipment	0	46,750
Repairs & Maintenance-Trains	339,375	13,651,672
Total	3,684,285	19,756,888

24.6 Communication Expenses

Particulars	2022	2021 (As restated)
Telephone Expense-Mobile	1,259,400	1,184,500
Internet Subscription Expenses	1,165,753	1,684,322
Telephone Expense-Landline	560,118	603,675
Postage and Courier Services	28,383	12,239

Particulars	2022	2021 (As restated)
Cable, Satellite, Telegraph & Radio Expenses	0	10,253
Total	3,013,654	3,494,989

24.7 Utility Expenses

Particulars	2022	2021 (As restated)
Electricity Expenses	2,474,982	2,108,950
Water Expenses	7,070	12,215
Total	2,482,052	2,121,165

24.8 Training and Scholarship Expenses

Particulars	2022	2021 (As restated)
Training Expenses	1,286,079	718,983

24.9 Awards/Rewards Expenses

Particulars	2022	2021
Awards/Rewards Expenses	160,000	0

24.10 Survey Expenses

Particulars	2022	2021
Survey Expenses	45,000	359,000

24.11 Travelling Expenses

Particulars	2022	2021
Travelling Expenses-Local	17,600	0

24.12 Other Maintenance and Operating Expenses

Particulars	2022	2021 (As restated)
Representation Expenses	390,256	467,806
Miscellaneous & Extraordinary Expenses	77,954	83,421
Documentary Stamp Expenses	38,121	5,605
Printing & Binding Expenses	34,750	0
Advertising, Promotional & Marketing Expenses	33,054	0
Rent/Lease Expenses	3,600	0
Transportation & Delivery Expenses	3,514	28,450

Particulars	2022	2021 (As restated)
Other MOOE-Other Expenses	3,489,917	2,568,972
Total	4,071,166	3,154,254

25. FINANCIAL EXPENSES

Particulars	2022	2021
Interest Expenses	1,532,233,711	1,403,102,761
Bank Charges	656,596	918,423
Total	1,532,890,307	1,404,021,184

26. DIRECT COSTS

This account is comprised of the following:

Particulars	2022	2021 (As restated)
Maintenance LRT System	368,621,601	352,399,460
Overhead	270,641,240	250,549,409
Power	229,753,713	159,529,241
Materials	63,280,972	256,534,771
Total	932,297,526	1,019,012,881

Direct Costs represents the amount incurred from the labor, spare parts issued, power, and other overhead expenditures for operations in maintaining LRT Line 2 system.

27. NON-CASH EXPENSES

This account consists of the following:

Particulars	2022	2021 (As restated)
Depreciation	2,354,823,453	2,499,146,379
Impairment Loss	10,093,749	828,859
Total	2,364,917,202	2,499,975,238

27.1 Depreciation

Particulars	2022	2021
Depreciation-Service Concession Assets	1,367,040,369	1,503,008,948
Depreciation-Trains	412,345,392	515,182,727
Depreciation-Railway System	458,842,325	348,205,053
Depreciation-Buildings	26,359,429	26,359,429
Depreciation-Office Equipment	11,235,857	12,528,959

Particulars	2022	2021
Depreciation-Communication Equipment	0	3,938,714
Depreciation-ICT Equipment	3,306,363	4,113,857
Depreciation-Water Supply System	3,603,626	2,343,450
Depreciation-Motor Vehicle	2,189,358	1,894,571
Depreciation-Land Improvements	19,518,959	15,523,808
Depreciation-Furniture, Fixtures & Books	137,350	171,432
Depreciation-Other Equipment	36,258,133	35,306,247
Depreciation-Other Transportation Equipment	665,000	665,000
Depreciation-Other Structures	13,321,292	13,639,024
Depreciation-Electrification, Power & Energy Structure	0	16,265,160
Total	2,354,823,453	2,499,146,379

27.2 Impairment Loss

Particulars	2022	2021
Impairment Loss-Other Receivables	5,145,119	(252,508)
Impairment Loss-Spare parts Inventory	4,948,630	0
Impairment Loss-Operating Lease Receivable	0	1,081,367
Total	10,093,749	828,859

28. OTHER NON-OPERATING INCOME

Particulars	2022	2021
Miscellaneous Income	1,554,180	0

29. GAINS AND LOSSES

29.1 Gains

Particulars	2022	2021 (As restated)
Gain on Foreign Exchange (FOREX)	791,505,385	764,935,831

29.2 Losses

Particulars	2022	2021 (As restated)
Loss on FOREX	20,513,578	179,384
Loss on Sale of PPE	0	276,325,406
Loss on Impairment-Spare parts Inventory	0	(4,948,630)
Loss on Impairment-PPE	0	210,354,823
Total	20,513,578	481,910,983

Gain/Loss on Foreign Exchange is a result of repayment and revaluation of various foreign-denominated loans, especially JBIC loans. The 2022 foreign exchange rate was US\$1 to P56.120 compared to US\$1 to P50.774 in December 2021.

Particulars	2022	2021 (As restated)
Conversion Rate of a Dollar to Peso	56.120	50.774
Foreign Loans	12,372,825,528	15,550,227,470
Repayment Revaluation-Gain	1,335,826,617	1,860,523,576
Repayment Revaluation-Loss	436,776,658	2,465,873
Total	14,145,428,803	17,413,216,919
Gain on FOREX		
On Repayment (Realized)	95,378,629	46,349,782
On Revaluation (Unrealized)	695,098,117	717,955,480
On Dollar Deposit	1,028,638	513,840
On Foreign Currency Deposit	0	116,729
Total	791,505,385	764,935,381
Loss on FOREX		
On Repayment (Realized)	(11,905,826)	(17,518)
On Revaluation (Unrealized)	(8,254,931)	(161,866)
On Dollar Deposit	(352,821)	0
Total	20,513,578	(179,384)

30. SUBSIDY FROM NATIONAL GOVERNMENT

Particulars	2022	2021 (As restated)
Subsidy	3,638,062,855	1,405,010,602

Subsidy from National Government represents the 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. It also includes liquidation of capitalizable expenditures incurred from fund transfers from the DOTr for LRT extension projects.

31. GOVERNMENT EQUITY

The P3.0 billion approved capitalization of LRTA, under EO No. 603, amended by EO No. 830 and EO No. 210 on September 22, 1982, and July 7, 1987, respectively is almost fully subscribed amounting to P2.985 billion.

32. CONTRIBUTED CAPITAL

This account represents mainly the net assets from the consolidation of all accounts of Fund 101 and 102 under the Modified Disbursement Scheme (MDS) to LRTA books.

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.

33. ACCUMULATED DEFICIT

The amount represents the cumulative result of normal and continuous operations of LRTA including prior period effects of changes in accounting policy and errors.

34. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

Cash Flows from Operating Activities	2022	2021
Cash Inflows		
Collection of Revenue	725,158,620	309,639,791
Receipts of Assistance/Subsidy	1,018,152,000	1,018,152,000
Receipts of Intra-Agency Fund Transfers	0	0
Trust Receipts	831,605,085	25,964,171
Other Receipts	48,355,221	48,032,042
Total Cash Inflows	2,623,270,926	1,401,788,004
Cash Outflows		
Payment of Expenses	1,294,603,712	1,114,593,652
Purchase of Inventories	208,178,251	459,928,622
Remittance of Personnel Benefit	45,449,079	48,089,292
Contribution and Mandatory Deductions		
Other Disbursement	(2,716,245)	22,608,072
Total Cash Outflows	1,545,514,797	1,645,219,638
Net Cash Provided by/(Used in) Operation	1,077,756,129	(243,431,634)

- Increase in the Trust Receipts was due to the Receipt of Downloaded Funds thru DOTr for Line 1 SEP.
- Increase in the Payment of Personnel Services was due to the implementation of CPCS.

35. RECONCILIATION OF BUDGET AND ACTUAL INFORMATION

The annual budget of the LRTA is prepared on a cash basis in compliance with EO No. 91 dated September 19, 2019 and Section 36, Chapter 5, Book VI of EO No. 292 or the “Administrative Code of 1987” and is published in the government website.

Cash-based budgeting is a budget system that proposes cash-based appropriations, which guarantees and authorizes payments for the items (goods and services) that are included in the budget over a limited period of time, generally corresponding to the fiscal year in consideration.

An explanation of variance in the final budget and actual amounts of receipts is as follows:

Particulars	Final Budget (a)	Actual Amounts (b)	Difference (a-b)
Receipts			
National Government Subsidy	1,018,152,000	1,018,152,000	0
Subsidy/Downloaded Thru DOTr	1,144,334,324	819,763,428	324,570,896
Subsidy for Conversion of NG			
Advances	295,858,000	295,858,000	0
Corporate Funds	4,582,133,679	6,043,473,577	(1,461,339,898)
<i>Rail Revenues</i>	710,077,500	628,875,840	81,201,660
<i>Non-Rail Revenues</i>	230,691,738	197,929,331	32,762,407
<i>Prior Year's Subsidy</i>	2,422,515,394	2,422,515,394	0
<i>Other Corporate Funds</i>	1,218,849,047	2,794,153,012	(1,575,303,965)
Net Lending (BTr Advances)	2,981,618,852	3,225,786,092	(244,167,240)
Total Receipts	10,022,096,855	11,403,033,097	(1,380,936,242)
Payments			
Personal Services	643,479,363	569,401,142	74,078,221
Maintenance and Other Operating			
Expenses	1,260,746,073	984,933,896	275,812,177
Capital Outlay	4,794,850,062	615,441,829	4,179,408,233
Prior Years' Payables	41,723,505	0	41,723,505
Debt Service/ Financial Expenses	2,981,618,852	3,225,786,092	(244,167,240)
<i>Principal Repayment</i>	2,358,720,706	1,689,140,519	669,580,187
<i>Interest Payment</i>	622,898,146	1,536,645,573	(913,747,427)
Conversion of BTr Advances into			
Subsidy	295,858,000	295,858,000	0
Total Payments	10,018,275,855	5,691,420,959	4,326,854,896
Net Receipts/Payments	3,821,000	5,711,612,138	(5,707,791,138)

- Projections for downloaded funds thru DOTr for Line 1 PMO SEP & Line 2 PMO West Extension Project amounting to P1.144 billion while actual amount received was P819 million for Line 1 SEP only.
- Budgeted amount was only a projection, the difference between the budgeted and actual amount was due to the implementation of Libreng Sakay Program for students from August 2022 to November 2022.

- c. Target collection for 2022 was P230 million. Actual amount of collection from Lease was P197 million.
- d. The budgeted amount for Personnel Services includes the proposed additional positions for the Line 2 East additional two sections which were not yet filled-up, while actual amount includes salaries & wages and other allowances of existing filled-up positions.
- e. The budgeted amount for MOOE includes the projected expenses for the take-over of the maintenance of Line 2 System by LRTA effective July 1, 2022.
- f. The difference between the budget and actual was due to the inclusion of the reprogrammed prior years unobligated allotment for various projects.
- g. Debt Services Expenses were based on Actual Advances made by the BTR (using Due Date Exchange Rate) plus interest on Net Lending for the year ended December 31, 2022.

36. INCOME TAXES

LRTA is subject to Regular Corporate Income Tax (RCIT). 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 RCIT due.

37. INFORMATION REQUIRED UNDER REVENUE REGULATIONS 15-2010 OF THE BUREAU OF INTERNAL REVENUE

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 requiring 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	2022	2021	Remarks
Common Carriers	15,049,467	5,475,401	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.

Tax Type	2022	2021	Remarks
Value-Added Tax	5,345,890	868,243	VAT output tax declaration on rental income with respect to the LRTA's non-rail operations as a VAT-registered entity.
Documentary Stamp	0	5,605	LRTA paid DST on Domestic Loans with its LBP Omnibus Credit Line of P1,767,271,000.
Withholding Tax on:			
a. Compensation and Benefits	43,493,286	32,356,151	
b. Creditable Withholding on:			
b.1 VAT	49,243,000	62,032,507	
b.2 EWT	19,779,273	22,834,190	
All Other Taxes			
a. Licenses and permits	1,392,190	4,702,251	
b. Car Registration	120,254	132,915	
Total	134,423,360	128,407,263	

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. As of December 31, 2022, 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
Total	3,422,878,213

38. OTHER MATTERS

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

- 38.1** 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.

38.2 Civil Cases

Case Title	Status/Remarks
LRTA VS. SIGHTS AND SITES OUTDOOR ADVERTISING INC.	Scheduled for presentation of evidence.
R-RH-14-15654 RTC Branch 115, Pasay City	
LRTA VS. RAYMOND TRANSPORT and all other persons claiming rights over it.	RTC remanded the case to MeTC for submission of Position Paper.
MTC Manila, Branch 18 Rey C. Mordeno (LRT Passenger) vs. LRTA et. Al.	Petition for Review on Certiorari was filed before the Supreme Court last May 2, 2023.
R-RH-14-15648-N RTC Branch 118, Pasay City	
Automation Specialists & Power Exponents Inc. vs. LRTA	Submitted for arbitration.
Civil Case No. MC16-10688 Isetann Department Store, Inc vs. LRTA	Pending with Court Appeals
Civil Case No. 10-122974 RTC Branch 54, Manila	
Phoenix Omega and Development Corporation vs. LRTA	Submitted for resolution by the Tribunal.
Special Proceeding No. RMNL-18-06682-SP LRTA vs. Alimatar Datumanong Malic (Jewelmal)	Case decided in favor of LRTA.
Case No. M-PSY-20-00083-CV	

Case Title	Status/Remarks
LRTA vs. Guidote Mercantile Corp. SCA No. 01101326 RTC Branch 52, Manila	Pending case in Regional Trial Court. There is an ongoing settlement of claims between the previous lawyer of Guidote and Guidote.
Jose Luis Quimson et. Al vs. LRTA SP No. 16135196 RTC Branch 36, Manila	Pending in court for continuation of presentation of evidence.
ICC Case No. 27011/HTG in the Matter of an Arbitration under the 2021 Arbitration Rules of the International Chamber of Commerce between: LRMC and DOTr and LRTA	Submitted for resolution on jurisdictional matter.

38.3 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. The Supreme Court rendered its decision on July 22, 2022, in favor of LRTA and remanded the case to the Court of Tax Appeals for decision.
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.
LRTA vs. Commissioner of Internal Revenue Case No. 8891 3rd Division	LRTA complied with the documentary requirements by the SC 3rd Division dated January 10, 2018. Awaiting resolution.
LRTA vs. Bureau of Internal Revenue represented by Caesar Dulay and/or Manuel Mapoy OSJ Case No. 04-2020	Continuation of the Preliminary Conference set on May 19, 2022.
REAL PROPERTY	
LRTA vs. City of Pasay represented by the City Treasurer and the City Assessor Case No. R-RS-12-09347-CV RTC Branch 109, Pasay City	Supreme Court decided in favor of LRTA.
LRTA vs. City of Caloocan represented by the City Treasurer and the City	Pending with the Supreme Court.

Cases	Status/Remarks
Assessor	
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	Case submitted for resolution.
SCA Case No. 21292-5	
LRTA vs. City of Marikina represented by the City Treasurer and the City Assessor	Case pending with trial court. The City Assessor recognized earlier the Supreme Court decision on Real property tax.
SCA Case No. 12-838 RTC Branch 263, Marikina City	

38.4 Line 1 Expropriation Cases

Cases	Status/Remarks
PACKAGE 1	
LRTA vs. Heirs of Eleuteria Bernardo	Case is now terminated pending payment of just compensation.
Civil Case No. 11-0053/ Branch 195 Parañaque	
LRTA vs. Heirs of Faustino Bernardo	Case is now terminated, Board approved the proposed sale.
Civil Case No. 11-0052 Branch 274 Paranaque	
LRTA vs. Antonio F. Bernardo	Court granted the Writ of Possession and appointed the Board of Commissioners.
Civil Case No. 08-0265 Branch 195 Paranaque	
LRTA vs. Camille Clarisse P. Co	Ongoing trial.
Civil Case No. 2020-062 Branch 196 Paranaque	
LRTA vs. Stella Rodriguez et. al	Awaiting decision of Board of Commissioners.
Civil Case No. 2020-078 Branch 274 Paranaque	
LRTA vs. Heirs of Faustino Bernardo et. al.	LRTA Board approved the proposed sale.
Civil Case No. 2020-107 Branch 257 Paranaque	

Cases	Status/Remarks
LRTA vs. Adelfa Properties, Inc. Civil Case No. 2020-114 Branch 257 Paranaque	Awaiting decision of Board of Commissioners.
LRTA vs. Rosario de Leon and Fine Properties Inc. Civil Case No. 2020-115 Branch 257 Paranaque	Awaiting decision of Board of Commissioners.
PACKAGE 2	
LRTA vs. Carmen Miranda and Heirs of Catalina Aguilar SCA Case No. 08-0029 Branch 255 Las Pinas	The court already issued its decision for the payment of just compensation.
LRTA vs. Sarao Motors, Inc. SCA Case No. 08-001 Branch 198, Las Pinas	Motion for withdrawal of the complaint already granted. Affected by the new alignment.
LRTA vs. Carmen Miranda Villanueva Civil Case No. 21-0001 RTC Branch 254, Las Pinas	Awaiting for the grant of the motion for withdrawal of the complaint. Affected by the new alignment.
LRTA vs. Sps. Nestor and Norma Lim Civil Case No. 20-0006 Branch 201, Las Pinas	Motion for withdrawal of the complaint already granted. Affected by the new alignment.
LRTA vs. Sps. Noel and Irish Lim Civil Case No. 20-0004 Branch 198, Las Pinas	Motion for withdrawal of the complaint already granted. Affected by the new alignment.
LRTA vs. Eduardo de Leon Civil Case No. 20-0005 RTC Branch 253, Las Pinas	Writ of possession already served. Ongoing trial.
LRTA vs. Eartheaven Eco Community Inc. Civil Case No. 20-0003 RTC Branch 275, Las Pinas	Pending with Court of Appeals.
LRTA vs. Unknown Owner Civil Case SCA2 21-002	Ongoing trial.
LRTA vs. Rosario V. Delfin married to Mariano G. Bondoc SCA Case No. 21-0003	Ex-Parte Motion for Issuance of WOP was granted.

Cases	Status/Remarks
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.	Awaiting decision of Board of Commissioners.
SCA Case No. 21-0004 RTC Branch 201, Las Pinas	
PACKAGE 3	
LRTA vs. Julian Gregorio et. al	Court granted the motion for writ of possession. Awaiting decision of Board of Commissioners.
BCV No. 2014-223 Branch 19, Cavite	
LRTA vs. Cesar Eusebio	Ongoing expropriation proceeding. Defendant manifested that LRTA should purchase the orphaned lot. Board of Commissioners convened on May 19, 2022.
BCV No. 2011-45 Branch 89, Bacoar Cavite	
LRTA vs. Estate of Marcela Cuenca et. al.	Awaiting for the issuance of the Writ of Possession.
BCV No. 2009-104 Branch 89, Bacoar Cavite	
LRTA vs. Lucia Kalinisan et. al. (co-owner, Adelfa Properties Inc.)	Ongoing expropriation proceeding. Pre-trial re-scheduled to May 24, 2022.
BCV No. 2011-45 Branch 89, Bacoar Cavite	

38.5 Labor Cases

Cases	Status/Remarks
Ancheta, Joane et. al vs. Variance Security Agency & NLRC	With pending verified comment/opposition.
NLRC NCR No. 11-13663-15	
LRTA vs. Joanne Ancheta et. al.	LRTA submitted a Compliance to the CA in relation to the April 10, 2018 CA decision.
CA-GR SP No. 148759	
Variance Security Agency Corp vs. NLRC, Joanne Ancheta et. al.	Awaiting resolution.
CA-GR SP No. 149440	
Miguel B. Robles vs. MTOI and LRTA	Pending with NLRC.
CA GR SP No. 104848	

Cases	Status/Remarks
LRTA vs. Hon. Labor Arbiter Madjayran H. Ajan and Hon. Sheriff Ireneo dela Cruz of NLRC	On appeal.
NLRC Lic No. 07-12-12	
LRTA vs. NLRC, Hon. Michelle P. Pagtalunan, et. al.	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.
NLRC NCR Case No. 30-02-01191-02	
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	The Court of Appeals Third Division dismissed the appeal of the petitioners. Decision in favor of LRTA.
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	The Court of Appeals Seventh Division dismissed the appeal of the petitioners. Decision in favor of LRTA.

Cases	Status/Remarks
Lolita B. Atis et. al. vs. MTOI/LRTA	Motion for pre-execution conference. Execution is limited to MTOI and LRTA. Decision in favor of LRTA.
Ramon Catalan vs. MTOI/LRTA	Awaiting resolution.
NLRC NCR Case No. 00-07-08543-2003	
Edwin R. Moronia et. al. vs. MTOI/LRTA	Pending with the Commission on Audit Proper.
RCMB-NCR-RTA-08-0207-2019	
Raymond Vasquez et. al. vs. LRTA/MTOI	Pending with the Commission on Audit Proper.
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	

39. KEY MANAGEMENT PERSONNEL

a. Members of the Board

Chairman of the Board	Sec. Jaime J. Bautista	DOTr
Ex-Officio-Member	Atty. Hernando T. Cabrera	LRTA
Ex-Officio-Member	Sec. Amenah F. Pangandaman	DBM
Ex-Officio-Member	Sec. Manuel M. Bonoan	DPWH
Ex-Officio-Member	Sec. Benjamin E. Diokno	DOF
Ex-Officio-Member	Atty. Romando S. Artes	MMDA
Ex-Officio-Member	Atty. Teofilo E. Guadiz III	MMDA
Ex-Officio-Member	Sec. Arsenio M. Balisacan	NEDA
Appointive Member	Atty. Dimapuno R. Datu	Private Sector

b. LRTA Key Officials

LRTA Administrator	Atty. Hernando T. Cabrera
Officer-in-Charge (OIC) - Deputy Administrator for Administrative, Finance and Automated Fare Collection System and Concurrent Legal Department Manager	Atty. Jose Jobel V. Belarmino
OIC - Administrative Department	Ms. Divina J. Guison
Manager, Finance Department	Ms. Marilou B. Liscano
Manager, Automated Fare Collection System Services Department	Mr. Nicolas G. Ombao
Deputy Administrator for Operations And Engineering	Mr. Paul Y. Chua PhD CESO III
Manager, Line 1 Operations Department (CAMT Head)	Mr. Felix Gerard R. Leyson
Manager, Line 2 Operations Department	Mr. Raymond C. Vazquez
Manager, Lines 1 and 2 Engineering Department	Engr. Santos A. Abrazado
Manager, Line 1 South Extension Project	Ms. Eleonor C. Palaypayon
Manager, Line 2 West and East Extension Projects	Engr. Joseph Dexter S. Buenconsejo

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The balance of Property, Plant and Equipment (PPE) account amounting to P45.769 billion as at December 31, 2022 did not include the remaining components of LRT Line 2 East Extension Project (EEP) estimated at P4.682 billion, which was substantially completed and became commercially operational in CY 2021 contrary to paragraph 14 of IPSAS 17 – PPE, resulting in the understatement of the balance of PPE account and its related depreciation. Also, recognized under PPE are: a) land amounting to P3.568 billion without supporting documents, b) untitled land amounting to P891.144 million not disclosed in the Notes to financial statements and, c) unaccounted PPE items amounting to P217,284.30, hence, the faithful representation of the balance of the account in the financial statements as at December 31, 2022 was not ascertained.

- 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 In addition, paragraph 14 of IPSAS 17 provides the following recognition criteria for PPE:

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

a. It is probable that future economic benefits or service potential associated with the item will flow to the entity; and

b. The cost or fair value of the item can be measured reliably.

- 1.3 Paragraph 89 of IPSAS 17 – PPE states, among others, that the financial statements shall also disclose for each class of property, plant, and equipment recognized in the financial statements the existence and amounts of restrictions on title, and property, plant, and equipment pledged as securities for liabilities.
- 1.4 The detailed breakdown of the PPE account and its corresponding Accumulated Depreciation and Impairment Loss as at December 31, 2022 are presented below:

Property Plant and Equipment	Cost	Accumulated Depreciation and Impairment Loss		Carrying Amount
Land	P7,154,038,851.56	P	00.00	P7,154,038,851.56

Property Plant and Equipment	Cost	Accumulated Depreciation and Impairment Loss	Carrying Amount
Land Improvements	37,529,624.59	(31,598,608.23)	5,931,016.36
Water Supply Systems	56,899,361.00	(12,158,654.92)	44,740,706.08
Railways Systems	24,288,131,654.57	(9,617,726,951.26)	14,670,404,703.31
Buildings	1,348,985,533.25	(477,631,818.95)	871,353,714.30
Other Structures	173,597,266.59	(84,696,376.07)	88,900,890.52
Office Equipment	81,490,538.88	(67,314,440.87)	14,176,098.01
Information and Communication Technology Equipment	62,068,143.12	(28,216,668.07)	33,851,475.05
Other Machinery and Equipment	738,391,550.00	(454,678,185.83)	283,713,364.17
Motor Vehicles	42,854,484.22	(31,365,485.97)	11,488,998.25
Trains	5,993,196,615.83	(4,901,243,800.74)	1,091,952,815.09
Other Transportation Equipment	4,900,000.00	(1,330,000.08)	3,569,999.92
Furniture and Fixtures	7,860,483.31	(7,299,363.75)	561,119.56
SCA - Railway Systems	34,526,097,250.64	(20,780,794,616.63)	13,745,302,634.01
SCA - Land	3,021,270,926.58	00.00	3,021,270,926.58
Other SCA	1,390,601,393.19	(387,905,991.13)	1,002,695,402.06
Other PPE - AFCS Equipment	213,914,262.66	(192,736,335.39)	21,177,927.27
Construction in Progress	3,704,361,595.23	00.00	3,704,361,595.23
Total	P82,846,189,535.22	(P37,076,697,297.89)	P45,769,492,237.33

1.5 Audit of the PPE accounts disclosed the following deficiencies:

Remaining components of LRT Line 2 East Extension Project (EEP) estimated at P4.682 billion, substantially completed and became commercially operational in CY 2021 not recognized as Asset

- 1.6 The LRT Line 2 EEP of the Department of Transportation (DOTr) involved the design and construction of the 3.793 km eastern extension of the existing Line 2 from Santolan Station at Marcos Highway, terminating at the intersection of Marcos Highway and Sumulong Highway. The project aims to provide rapid and reliable mode of transit to the east of Manila, and various strategic commercial, industrial and educational districts in Metro Manila either through direct access from LRT Line 2 itself or through interconnections with other LRTs or modes of transport.
- 1.7 Review of the project implementation of LRT Line 2 EEP disclosed that the said project and its components with a total estimated cost of P6.924 billion was already turned-over by DOTr to LRTA for its operation in July 2021.
- 1.8 The LRT Line 2 EEP started its revenue operation last July 5, 2021 and has already been providing service potential to the public and generating economic benefits from its use, hence, the criteria for PPE recognition in accordance with paragraph 14 of IPSAS 17 - PPE is already met.
- 1.9 In addition, the letter dated September 24, 2021 from the DOTr confirmed the transfer of the project to LRTA initially concerning the project's components that have been accepted, certified to be partially completed assets, spares that have been inventoried and components already been partially taken over that the LRTA has already gained control. Also provided in the letter, upon completion,

acceptance, and taking over of all project components, the project will be transferred in full to LRTA.

- 1.10 The LRT Line 2 EEP status as of December 31, 2022 from the LRTA's Quarterly Report of Projects, Programs and Activities (QRPPA) shows that the project components were significantly completed. Details are as follows:

Project Components	Financial Accomplishment	Physical Accomplishment %
Civil Works - Construction of Viaduct	P 2.002 billion	100.0000
Civil Works - Design and Build Station	1.122 billion	99.9950
Electro - Mechanical System	2.876 billion	99.9987
Consultancy Services - Civil Works	.241 billion	98.4601
Consultancy Services - Electro-Mechanical System (EMS)	.539 billion	99.5200
Consultancy Services - Interface	.144 billion	100.0000
Total	P 6.924 billion	99.8989

- 1.11 The PMO already provided the Accounting Division copies of the asset inventory for Package 2 - Stations and Package 3 – EMS and Breakdown of Values for the project. As a result of the audit conducted, Management made partial recognition of P2.243 billion on December 31, 2022 for the Line 2 EEP asset (i.e. Viaduct, Consulting Services-Civil Works and Office Furniture, Fixture and Equipment) based on the Certificate of Acceptance dated July 02, 2020. However, the amount of P4.682 billion for the remaining package, consisting of the following project components, was not yet recognized in the books as at reporting date:

Project Components	Financial Accomplishment (Php)	Physical Accomplishment %
Civil Works - Design and Build Station	P1.122 billion	99.9950
Electro-Mechanical System	2.876 billion	99.9987
Consultancy Services - EMS	.539 billion	99.5200
Consultancy Services - Interface	.144 billion	100.0000
Total	P 4.682 billion	

- 1.12 Management already made request to the DOTr for the documents and detailed costing of the remaining components as basis for recognition. However, the DOTr has not yet replied to the requested supporting documents.
- 1.13 The non-recognition in the financial statements of the remaining components of the Line 2 EEP which is already operational and being utilized since July 2021 is not consistent with the recognition criteria for asset under IPSAS 17. Hence, PPE is understated by P4.682 billion as at December 31, 2022 and the related depreciation expense for the year is likewise understated by an undetermined amount.

Inclusion of unverified land amounting to P3.568 billion and untitled land under court litigation and ongoing transfer of title amounting to P246.424 million and 891.144 million, respectively

- 1.14 Reconciliation by the audit team of the balances of PPE-Land and PPE-SCA-Land accounts recorded in the books against the result of the inventory of Transfer Certificates of Title (TCT) of LRTA disclosed the following:

Account	Balance per books	Balance per Inventory of TCT	Variance
PPE-Land	P7,154,038,851.56	P2,790,403,985.26	P4,363,634,866.30
PPE-SCA-Land	3,021,270,926.58	2,679,731,189.93	341,539,736.65
Total	P10,175,309,778.14	P5,470,135,175.19	P4,705,174,602.95

- 1.15 The audit team requested details of the list of land items and its status from the Asset Management Division (AMD) and Project Management Office – South Extension Project (PMO SEP) to ascertain the existence and rights and obligations of the recorded land properties. The noted variance of P4.705 billion represents Land and Service Concession Asset (SCA)-Land accounts which are unverified and untitled, with the following details:

Particulars	Amount
Unverified land	P3,567,607,093.02
PPE-Land account	P3,555,634,372.52
PPE-SCA-Land account	11,972,720.50
Untitled land	1,137,567,509.93
PPE-Land account	808,000,493.78
PPE-SCA-Land account	329,567,016.15
Total	P4,705,174,602.95

- 1.16 Verification showed that the details of unverified land amounting to P3.568 billion include 87 items of land under PPE-Land account totaling P3.556 billion and three items of land under PPE-SCA-Land account of P11.973 million. These properties were not found in the CY 2022 Inventory of Land Titles or items of land under court litigation/expropriation/ and ongoing transfer of title.
- 1.17 The amounts P3.556 billion and P11.973 million recorded in the PPE-Land account and PPE-SCA-Land account, respectively, were not ascertained due to the absence of posted journal entries in the submitted SL and lack of supporting details in the schedules of the accounts. These items were also not included and accounted in the submitted RPCPPE for Land account as of December 31, 2022.
- 1.18 Inquiry with the personnel of the Accounting Division regarding the unverified land properties disclosed that there is an ongoing reconciliation and retrieval of documents to verify the correctness of the journal entries, posted balances reflected in the SL and line items of land in the schedule of PPE-Land and PPE-SCA-Land accounts.
- 1.19 The schedule of PPE Land and PPE SCA-Land accounts provided by AMD and PMO-SEP also show a list of untitled lands and the corresponding status, as follows:

Status	No. of Land Items	Total Area (sqm)	Amount
Under Court Litigation / Expropriation Proceedings	15	9,326.48	246,423,645.63
Ongoing process of transfer and verification of AMD	47	30,301.41	891,143,864.30

Status	No. of Land Items	Total Area (sqm)	Amount
Total	62	39,627.89	1,137,567,509.93

- 1.20 The land amounting to P891.144 million with a total land area of 30,301.41 sqm. is being used by the LRTA in its rail operations. However, the properties are still in the name of the previous owners. According to Management, the transfer of ownership to the LRTA is hindered due to the lacking documents required by the Registry of Deeds and LGUs for the titling of the said properties.
- 1.21 Review of the submitted Notes to FS revealed that the information pertaining to the status of untitled land amounting to P1.138 billion was not disclosed contrary to the requirements of IPSAS 17 – PPE, thus, did not provide adequate financial information that are relevant to the users of the financial statements.

Inclusion of unaccounted PPE items amounting to P217,284

- 1.22 COA Circular No. 2020-006 provides that the Head of the Property Unit shall be responsible in determining the person/s accountable for non-existing/missing PPEs. It further provides that the Accounting Unit shall take up the necessary accounting entries to recognize in the books of accounts the loss of PPE and to set up the corresponding receivables from concerned accountable officers/personnel for the non-existing/missing PPEs that could not be produced upon demand. If accountability/responsibility over the missing PPE could not be pinpointed, authority for derecognition thereof from the books of accounts may be requested from the COA, in accordance with the procedures provided.
- 1.23 The RPCPPE disclosed that there were five PPE items with a total cost of P217,284.30 consisting of IT equipment which were not presented by the persons responsible during the conduct of physical inventory and tagged as “unaccounted”.
- 1.24 Further verification disclosed that these PPE items were already tagged as unaccounted in the CY 2021 RCPPE. The AMD committed to identify the causes and communicated with the accountable persons for the unaccounted PPE items. In addition, AMD is still waiting for the final computation of the depreciated replacement costs.

Non-reconciliation of the results of physical inventory and the PPE Ledger Cards (PPELCs) maintained by Accounting Division contrary to the provisions of COA Circular No. 2020-006 dated January 31, 2020

- 1.25 This is a reiteration of prior years’ audit observation.
- 1.26 COA Circular No. 2020-006 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 FS. Sections 6.3, 7.5 and 7.6 of the Circular provide that 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.

- 1.27 The annual physical inventory of PPE was conducted in 2022, however, there was no reconciliation made between the RPCPPE and the PPELC despite repeated recommendations of the audit team in previous years' audits. Management commented that reconciliation was not conducted due to incomplete details in the PPELC showing lump-sum amounts instead of per unit of property acquired, compared to the Property Cards maintained by the AMD.
- 1.28 In view of the noted deficiencies, the faithful representation of the balance of Property, Plant and Equipment (PPE) account amounting to P45.769 billion in the financial statements as at December 31, 2022 was not ascertained.
- 1.29 **We recommended and Management agreed to:**
- a. **Require the Project Management Office – East Extension Project and Asset Management Division to follow up the request with the Department of Transportation for the submission of supporting documents needed for the costing of the unrecognized LRT 2 East Extension Project;**
 - b. **Require the Accounting Division to recognize the remaining components of the project estimated at P4.682 billion as PPE and make necessary adjustments for prior years' depreciation expense;**
 - c. **Require Asset Management Division and Project Management Office – South Extension Project to provide the Accounting Division with copies and other documents to establish the details of the unverified land amounting to P3.568 billion;**
 - d. **Require the Asset Management Division to submit to Local Government Units and Land Registration Authority the lacking documentary requirements for the transfer of ownership to LRTA amounting to P891.144 million;**
 - e. **Issue demand letters to the concerned accountable officers for the production of the unaccounted PPEs, if not produced by the accountable officers, set up the receivable to recognize the loss of PPE;**
 - f. **Require the Accounting Division to disclose in the Notes to the CY 2022 Financial Statements the existence and amounts of restrictions on titles of PPE recognized in the books; and**
 - g. **Require the Accounting Division to reconcile the RPCPPE and Property Cards with the PPELC, and effect adjustments, if any.**
- 1.30 During the exit conference, Management instructed the Managers of AMD and PMO-SEP to coordinate directly with the Accounting Division for the submission of details of the noted unverified and untitled land. They also cited difficulty in processing and complying with the documentary requirements for the transfer of land titles imposed by different local government units. They added that certain

items of land in the schedules captioned as “unverified” were not yet fully paid and awaiting the decision of the Regional Trial Court for the determination of the just compensation. In addition, the Accounting Division committed and to submit the requirement for reconciliation for PPE recognized using specific identification. For the unaccounted items during the count, a demand letter will be sent to the accountable persons for the production of the missing PPE items.

2. The Intra-agency Payable account with a balance of P1.283 billion and Intra-agency Receivable of P347.816 million, recorded under Receivable account, as at December 31, 2022 remained unadjusted to the proper accounts for more than 15 years. Hence, the faithful representation of the intra-agency accounts and the related accounts as at reporting dates was not ascertained contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (Conceptual Framework) of IPSAS.

2.1 This is a reiteration of previous years’ observation.

2.2 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

2.3 As at December 31, 2022, balances of Intra-agency Payable (Due to Line I North Extension Project (NEP) and Intra-agency Receivable (Due from Line I South Extension Project (SEP) accounts amounted to P1.283 billion and P347.816 million, respectively.

2.4 The Intra-agency Receivables and Payable accounts pertain to transactions of LRTA with the Project Management Offices (PMOs)/Units. These reciprocal accounts were used by LRTA despite the absence of separate books maintained for PMOs.

2.5 Verification showed that the intra-agency receivable and payable accounts were recognized for transactions pertaining to the placement and roll-over of various matured High Yield Savings Accounts (HYSA), transfer of funds and interest earned for NEP and SEP as shown in the subsidiary ledgers, instead of recognizing these transactions under cash in bank, interest income, banks charges and other project related expenses.

2.6 However, Management has not provided the audit team with general journals, journal entry vouchers (JEV) and documents/records to support the entries and balances of these reciprocal accounts, hence, the necessary adjustments to the affected accounts were not determined.

- 2.7 In a letter dated February 10, 2023 to COA-Government Accountancy Sector (GAS), LRTA Management requested assistance in order to resolve the issue on the improper recognition of intra-agency receivable and payable accounts. In a meeting held in March 2023, the Government Accountancy Office, GAS, recommended that the Accounting Division review the accounting entries of transactions affecting the intra-agency payable and receivable accounts. The said recommendation was based on the response of the Officer-in-Charge, Accounting Division of LRTA that the records and documents are available on file. The stand of GAS on the matter is the same as the audit team, that since there are no separate and complete sets of books maintained for the PMOs, the use of intra-agency accounts by LRTA is not proper.
- 2.8 Due to the non-adjustment of the balances of intra-agency accounts to the proper accounts, the faithful representation of the balances of affected accounts in the financial statements as at December 31, 2022 was not ascertained contrary to the faithful representation requirement of the Conceptual Framework of IPSAS.
- 2.9 Management made partial reclassification of the Due from Line 1 SEP account amounting to P51,704,165.82 per JEV No. 502-22-12-870 dated December 31, 2022, leaving an unadjusted balance of P347.816 million at year-end. The adjustment pertains to the prior years' operating and other expenditures incurred for LRT Line 1 SEP which were reclassified to Construction in Progress (Line 1–SEP) account and to the related expenses.
- 2.10 **We recommended and Management agreed to require the Accounting Division to:**
- a. **Locate the General Journals and other supporting documents of the transactions recorded under the Intra-agency Payable and Receivable accounts; and**
 - b. **Prepare adjusting entries to close the balances of the Intra-agency Payable and Receivable accounts amounting to P1.283 billion and P347.816 million, respectively, and recognize the proper accounts.**
- 2.11 During the exit conference, Management informed that the necessary correcting entries will be recognized and reflected in the financial statements for the period ending May 2023.
3. **The correctness of the balances of two dormant foreign deposit accounts of LRTA with BNP-Paribas with peso equivalent of P6.485 million as at December 31, 2022, recognized under Cash and Cash Equivalents account, was not ascertained due to its valuation using the balance stated in the Statement of Account (SOA) dated July 7, 2010 and the lack of documents supporting the balance of the account, contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework by Public Sector Entities of IPSAS.**
- 3.1 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

- 3.2 As at December 31, 2022, the Cash and Cash Equivalent account includes two foreign bank accounts with BNP-Paribas with a balance of P6.485 million. It was learned that these were opened to comply with the Belgian loan requirements of LRTA. In CY 2014 audit, it was noted that there was no transaction or movement of these bank accounts for the last four years. In the subsequent years, the issues on the dormant status of the two accounts and the correctness of the balances were brought to Management's attention. However, there was no updated revaluation made. The only supporting document provided by Management is the SOA for the Cash in Bank – Foreign Currency – Savings Account dated July 7, 2010. Also, it was noted that the SOA classified the aforementioned account as “current account” while the SL described it as a savings account. Details are provided below:

Account Code	Account Title	Amount
1-01-03-030	Cash in Bank - Foreign Currency - Savings Account	P3,347,308.41
1-01-05-030	Cash Equivalents - Time Deposit - Foreign Currency	3,137,774.66
Total		P6,485,083.07

- 3.3 In CY 2021 audit, the audit team recommended that LRTA make representation or prepare official communication with the local affiliate of the foreign bank in order to determine the most recent status and balance of the foreign bank accounts.
- 3.4 On January 19, 2018 and July 25, 2018, LRTA wrote the Country Manager of BNP-Paribas requesting assistance on the status of the foreign bank accounts. However, the bank has not responded to LRTA's written requests.
- 3.5 The Bangko Sentral ng Pilipinas (BSP) issued Circular Letter No. CL-2019-062 dated August 20, 2019 regarding the cessation of operations of BNP-Paribas – Manila Offshore Banking Unit. In a letter dated September 20, 2019, LRTA requested assistance from the Complaints Management in Belgium and informed them of the BSP Circular. However, no response was received from the Complaints Management.
- 3.6 In a letter dated August 10, 2020, LRTA again requested the status of the two foreign bank accounts from the Authorized Resident Agent of BNP-Paribas based on the contact details provided by BSP. After several follow-up emails and phone calls by the LRTA Legal Department, they learned from the office of the Authorized Agent that they do not have any access to or information on the subject foreign bank accounts.
- 3.7 The Legal Department also sent a request to the official website of BNP-Paribas. However, as of this date, no update on the current status was obtained.

- 3.8 In view of the above conditions, the correctness of the balances of the two foreign bank accounts amounting to P6.485 million as at December 31, 2022, which were not revalued or translated using the latest bank statements, was not ascertained.
- 3.9 Also, the said dormant accounts do not qualify as Cash Equivalent since these are not readily available for use by LRTA for its short-term commitments.
- 3.10 **We recommended and Management agreed to:**
- a. **Require the Finance Department to follow up and seek further assistance of the Bangko Sentral ng Pilipinas to confirm the real status of the two foreign bank accounts with BNP Paribas; and**
 - b. **Require the Accounting Division to provide the lacking documents to establish the correct balances of the accounts.**

B. OTHER AUDIT OBSERVATIONS

4. The advance payment to the contractor of the Line 1 NEP amounting to P32.354 million was not yet recouped, contrary to Section 4.3, Annex E of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184.

- 4.1 Section 4.3, Annex E of the RIRR of RA 9194 states that *the advance payment shall be repaid by the contractor by deducting fifteen percent (15%) from his periodic progress payments a percentage equal to the percentage of the total contract price used for the advance payment.*
- 4.2 The subsidiary ledger of *Advances to Contractors* account showed that advance payments with a total amount of P32.354 million, pertaining to Line 1 NEP completed projects, were not yet recouped as at December 31, 2022. Details are as follows:

Contractor	Project	Balance
Contractor 1	Package A1 Line 1 NEP	P18,102,201.64
Contractor 1	Package A2 Line 1 NEP	1,403,458.32
Contractor 1	Package B Line 1 NEP	12,545,443.25
Contractor 1	EMS-1 Signaling of Line 1 NEP	303,000.00
Total Amount		P32,354,103.21

- 4.3 The advance payments to Contractor 1 for the four packages was granted as early as 2008. These packages were already completed, turned-over and operational in 2010. However, remaining advance payments were not recouped due to non-compliance of the Contractor 1 of the documentary requirements from the remaining billings.
- 4.4 A follow-up inquiry was made by the audit team regarding the status of remaining outstanding advance payment for completed projects. In response, a Memorandum dated February 13, 2023 was issued by PMO-NEP to the audit team informing that the payment of outstanding billings and variation orders were

either not processed by the previous LRTA Management or supporting documents are still being collated. The latest transaction for the said project was way back in 2015.

- 4.5 The team was informed that the contractor has an outstanding claim in the amount of P109.953 million representing the unpaid work accomplishment for the project, where they can deduct the unrecouped advances. Details as follows:

Project	Remaining Billings
Package A1 Line 1 NEP	P13,472,665.16
Package A2 Line 1 NEP	73,262,568.17
Package B Line 1 NEP	21,198,223.23
EMS-1 Signaling of Line 1 NEP	2,020,000.00
Total Amount	P 109,953,456.56*

** Value of remaining billing per PMO-NEP and Accounting Division*

- 4.6 The PMO-NEP informed the audit team that the recoupment of the advance payment will be deducted from other outstanding claims of the contractor.

- 4.7 **We recommended and the Management agreed to:**

- a. **Deduct the unrecouped advance payment from the remaining claim of the Contractor; and**
- b. **Pursue legal action to recover the unrecouped advance from the Contractor, if warranted.**

- 4.8 During the exit conference, Management replied that pending claims/billings submitted by Line 1 NEP contractors are subject to deductions as recoupment of advance payments. Line 1 PMO-NEP has already prepared a deductive variation order to delete the outstanding scope, to be able to finalize the remaining balance, demand the return of remaining advance payments, and close out the contract. Further, upon finalization of the deductive variation order and establishment of final remaining balance, following the issued COA AOM and Special Conditions of Contract, the LRTA shall give notice to the contractor and recover and balance under any other contract between the Authority and the Contractor. Lastly, Management concurred that legal action must be taken to recover the outstanding balance, if needed, to protect the interest of the Authority and the Government.

5. **Liquidated damages were not yet imposed on the contractors of seven rehabilitation projects with an aggregate contract cost of P741.956 million which were not completed on the revised date of completion, with delays ranging from 62 to 1,135 days as of December 31, 2022, contrary to Section 68 of R.A. No. 9184, thus, the government was not protected from losses resulting from breach of contract by the contractors.**

- 5.1 Section 68 of the 2016 RIRR of R.A. No. 9184 provides that:

All contracts executed in accordance with the Act and this IRR shall contain a provision on liquidated damages which shall be payable by

the contractor in case of breach thereof. For the procurement of Goods, Infrastructure Projects and Consulting Services, the amount of the liquidated damages shall be at least equal to one-tenth of one percent (0.001) of the cost of the unperformed portion for every day of delay. Once the cumulative amount of liquidated damages reaches ten percent (10%) of the amount of the contract, the Procuring Entity may rescind or terminate the contract, without prejudice to other courses of action and remedies available under the circumstances.

5.2 Review of the status of implementation of the on-going Line 2 Rehabilitation Projects disclosed delays in the implementation and completion of seven projects ranging from 62 to 1,135 days as of December 31, 2022, summarized as follows:

Line 2 Rehabilitation Projects*	Contract Cost	Percentage of Completion	Project Duration	Date Started	Number of Time Extension/ work suspension Granted	Total days of granted time extension	Revised Target Date of Completion	No. of Days Delayed
1 Design and Build for the Improvement of Line 2 Stations and Facilities Project	P436,736,067.00	95%	450 cd	08/28/2018	7	1065	10/30/2022	62
2 Replacement of Precision Air Conditioning System at Depot	65,900,000.00	97.06%	240 cd	05/19/2020	4	226	08/28/2021	490
3 Improvement of Line 2 Depot Offices	51,501,134.80	100% August 2022	240 cd	03/13/2019	3	296	09/08/2020	844
4 Supply, Delivery, Testing and Commissioning of OCS Truck	44,279,040.00	0%	300 cd	02/06/2018	1	751	12/21/2020	740
5 Consultancy Services for Structural Investigation and Related Works at LRT Lines 1 and 2	45,480,400.00	100% July 2022	10 Months	07/13/2020	1	92	08/28/2021	490
6 Consulting Services for Restoration of Various Line 2 System Equipment Damaged by Fire	71,179,664.00	100% June 2022	20 Months	09/11/2020	0	0	5/10/2022	235
7 Rehabilitation of Fire Detection and Alarm System and Fire Suppression System	26,880,000.00	78.94%	365 cd	06/18/2018	1	157	11/22/2019	1,135
Total	P741,956,305.80							

* Project Status Report as of December 31, 2022

5.3 Since LRTA is a public utilities agency of the government, delay in the completion of the projects as planned has adverse effects on the public that are intended to benefit from such projects. It can also be noted that the granted time extension and work suspension for the projects, especially the Design and Build for the Improvement of Line 2 Stations and Facilities Project and Improvement of Line 2

Depot Offices, reached 1,065 and 751 days, respectively, which exceeded the original duration to complete the projects.

- 5.4 **We recommended and Management agreed to impose liquidated damages to the contractors of the seven projects who failed to satisfactorily complete the project within the target date of completion pursuant to Section 68 of the 2016 RIRR of R.A. No. 9184.**

C. GENDER AND DEVELOPMENT (GAD)

6. **Programs, activities and projects (PAPs) on Gender and Development (GAD) were either partially implemented or not implemented, hence actual expenditures on GAD of P10.761 million is only 1.33% of the GAD Plan and Budget (GPB) for 2022, indicating that funds were not substantially utilized to achieve the GAD objectives for LRTA and its clients.**

- 6.1 Section 34 of the General Appropriations Act (GAA) of 2022 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 provisions 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 percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women's human rights, and practice of gender responsive governance are considered sufficient compliance with the said requirement. **Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.***

- 6.2 Also, Section 6.1 PCW-NEDA-DBM JC No. 2012-01 provides that:

At least five per cent (5%) of the total agency budget appropriations authorized under the annual GAA shall correspond to activities supporting GAD plans and programs. xxx. It is understood that the GAD budget does not constitute an additional budget over an agency's total budget appropriations.

- 6.3 LRTA's GPB for FY 2022 showed that they have allotted the minimum budget of five per cent of the agency's total budget to be allocated to GAD expenditures. However, it was not maximized as some PAPs were either partially implemented or not implemented. Summary of amounts reflected in GAD GPB and Accomplishment Report (AR) for CY 2022 are summarized below:

Corporate Operating Budget (COB) FY 2022	P10,022,097,000.00
Total GAD Budget	808,910,527.45
% of GAD Allocation	8.07%

Actual GAD Expenditure	10,760,863.01
% of GAD Expenditure from GAD Budget	1.33%

- 6.4 Various activities responsive to the gender issues of the organization as identified in the GPB were not undertaken. Comparison between the 2022 LRTA GPB and AR showed that of the 33 activities for the year, only 17 were completed and five were partially implemented. Thus, GAD funds were not fully utilized for the purpose for which they have been appropriated.

GAD Plan and Budget			GAD AR	
Programs, Activities, and Projects	No. of Activities	Done	No. of Activities Partially Done	Not Done
Client-focused	7	2	2	3
Organizational-focused	22	15	3	4
Attributed Program	4	-	-	4
Total	33	17	5	11

- 6.5 Also, it was noted that in CY 2022, LRTA had started including attributed programs in their GPB to be able to attain the minimum requirement of five per cent in compliance with Section 6.1 of PCW-NEDA-DBM JC No. 2012-01. In the previous years, LRTA did not reach the said requirement due to the belief that some projects cannot be attributed to GAD as those were classified as Capital Outlay. Thus, we emphasized that GAD budget attribution is not only limited to Maintenance and Other Operating Expenses, but also includes Personnel Services and Capital Outlay
- 6.6 Accordingly, LRTA was able to attribute in its GPB for FY 2022 some of its major PAPs through the use of the Harmonized Gender and Development Guidelines (HGDG) tool. This is 97.98% of the total GAD budget, detailed as follows:

No.	Attributed Program	Total Agency Approved Budget	Actual Cost/Expenditure
1	Restoration of four down trainsets	P535,625,000.00	P 0.00
2	Consulting Services with GAD expertise for the LRT Line 2 System Capacity Expansion	132,354,000.00	0.00
3	Slip Prevention Solutions on Floorings of LRT 2 Stations	117,453,000.00	0.00
4	Supply, Delivery and Installation for the Replacement of Line 2 Revenue Local Area Network Project	7,170,000.00	0.00
Total		P792,602,000.00	P 0.00

- 6.7 However, as can be gleaned from the above table, there was no fund utilized as at December 31, 2022 for the four projects attributed in the GAD Budget for 2022. These projects were reflected in the GAD AR as pending approval of the LRTA Board for the award of the contracts. Verification of the Invitation to Bid and procurement contracts for CY 2022 submitted by the Procurement Division showed

that these projects were not yet lined-up for procurement. Hence, the low utilization of the GAD budget for 2022.

- 6.8 **We recommended and Management agreed to implement GAD PAPs included in the GPB to maximize the utilization of the GAD budget to address GAD issues.**
- 6.9 Management commented during the exit conference that they will exert best efforts to ensure maximum utilization of GAD budget.

D. 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 2022:

Particulars	Amount
Withholding Tax on Compensation	P 42,723,759.75
Expanded Withholding Tax	21,949,033.61
Percentage Tax	18,752,325.87
Value-Added Tax on Rentals	5,121,165.20
Withholding Tax on VAT on Purchase of Goods and Services and Persons Exempt from VAT	47,584,410.26

E. COMPLIANCE WITH RULES ON THE GOVERNMENT MANDATORY DEDUCTIONS

LRTA has been compliant with the mandatory withholding and remittance of mandatory deductions and obligations required by law. For CY 2022, LRTA made the following remittances:

Particulars	Amount
GSIS Premium contributions and Loan amortization	P 90,293,890.17
Pag-IBIG Contributions and Loan	7,678,154.20
PhilHealth Insurance Premiums	6,519,836.47

F. INSURANCE OF PROPERTIES

LRTA covered its insurable properties with the GSIS for CY 2022 in compliance with R.A. No. 656 (Property Insurance Law) with premium payments amounting to P8.442 million on July 1, 2022.

G. STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)

In CY 2022, transactions disallowed in audit amounted to P72.247 million while the amount P306,766.89 was settled. Details of the SASDC as at December 31, 2022 are shown below:

Audit Action	Beginning Balance	This Period		Ending Balance
	January, 1, 2022	Issued	Settled	December 31, 2022
Suspensions	0.00	0.00	0.00	0.00
Disallowances	US\$58,800.00	0.00	0.00	US\$58,800.00
	P167,716,580.18	72,247,360.24	306,766.89	P239,657,173.53
Charges	0.00	0.00	0.00	0.00
	US\$58,800.00	0.00	0.00	US\$58,800.00
Total	P167,716,580.18	72,247,360.24	306,766.89	P239,657,173.53

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 25 audit recommendations contained in the prior years' Annual Audit Report, 18 were fully implemented (including 5 closed recommendations), and 7 were not implemented. The details are presented below:

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
CY 2021 AAR, Observation No. 1, pages 49-50	Intra-agency Payable and Intra-agency Receivable 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.	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.	Not Implemented. <i>Reiterated in Audit Observation No.2 of this AAR.</i>
CY 2021 AAR, Observation No. 2, pages	The faithful representation of Property, Plant and Equipment (PPE) accounts with a carrying value of P43.952 billion		

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
50-55	<p>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:</p> <p>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</p> <p>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.</p>	<p>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</p> <p>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.</p>	<p>Not Implemented.</p> <p>Not Implemented.</p> <p><i>Reiterated in Audit Observation No. 1 of this AAR.</i></p>
CY 2021 AAR, Observation No. 3, pages 55-59	<p>Cash and Cash Equivalents</p> <p>The Cash and Cash Equivalents account aggregating P5.274 billion as of December 31, 2021 was not adjusted to take</p>		

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	<p>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:</p> <p>a. Unrecorded book reconciling items amounting to P9.611 million;</p> <p>b. Stale checks amounting to P74,591.08 were not yet reverted to Cash in Bank;</p> <p>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</p> <p>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.</p>	<p>Require the Finance Department to:</p> <p>a. Effect the necessary adjustments for the identified book reconciling items amounting to P9.611 million;</p> <p>b. Revert the stale checks amounting to P74,591.08 to the appropriate Cash in Bank and payable accounts;</p> <p>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</p> <p>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.</p>	<p>Implemented.</p> <p>Implemented.</p> <p>Not Implemented. <i>Reiterated in Audit Observation No.3 of this AAR.</i></p> <p>Implemented</p>
CY 2021 AAR, Observation	Due from Procurement Service-Department of Budget and Management	Require the Accounting Division to coordinate with the Accounting Division of	Implemented.

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
No. 4, pages 59-60	(PS-DBM) 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.	PS-DBM to reconcile the variance amounting to P31.513 million, and accordingly, take up the required adjustment.	
CY 2021 AAR, Observation No. 5, pages 60-61	Inventories 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.	Require the Accounting Division personnel to reconcile the variance between the SL and the PIR and effect the necessary adjustments.	Implemented. <i>The total variance of P25.023 million is already reconciled leaving only unreconciled balance of P2.0 million.</i>
CY 2021 AAR, Observation No. 6, pages 61-65	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	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;	Closed. <i>Notice of Disallowance issued.</i>

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	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.	<p>b. Require the Maintenance Contractor to explain the non-compliance/non-achievement of the minimum train availability of 10 train sets; and</p> <p>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.</p>	<p>Closed.</p> <p><i>Notice of Disallowance issued.</i></p> <p>Closed.</p> <p><i>Notice of Disallowance issued.</i></p>
CY 2021 AAR, Observation No. 7, pages 66-70	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	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.	<p>Implemented.</p> <p><i>Management reverted the interest earned to Interest Fund account for transfer to DOTr upon project completion. Due to BTr was recognized instead of the Interest Income account for interest earned for remittance to the BTr.</i></p>

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
CY 2021 AAR, Observation No. 10, pages 78-81	<p>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:</p> <p>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</p> <p>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.</p>	<p>Require the concerned OGCC lawyers to:</p> <p>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 of to the individual lawyers, net of the applicable withholding tax;</p> <p>b. Refund the overpayment amounting to P407,285.15; and</p> <p>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.</p>	<p>Not Implemented</p> <p><i>Management already informed the concerned OGCC lawyers of the non-withholding tax and in CY 2022, payments of lawyers' allowances were directly remitted to OGCC.</i></p> <p>Implemented</p> <p>Implemented</p>

[illegible]

Reference	Audit		Status/ Actions Taken
	Observations	Recommendations	
	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.		
2020			
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.	Implemented. <i>Submitted and prepared necessary schedules for the reclassification of the remaining Other Assets account balance.</i>
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.	Not Implemented. <i>Request for relief were returned due to incomplete documentation.</i>

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	Closed <i>Details of projects were already compliant. However, all on-going PPAs at the beginning of the year (CY 2022) were not submitted.</i>
		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.	Closed <i>CYs 2022 and 2021 Quarterly Report on Publicized Programs, Projects and Activities (QRPPPA) were not timely submitted.</i>