



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

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

May 23, 2024

**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, 2023 and 2022.

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 faithful representation of the Property, Plant and Equipment (PPE) account with an aggregate carrying amount of P51.523 billion and P45.131 billion as at December 31, 2023 and 2022 was not ascertained contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities and International Public Sector Accounting Standard (IPSAS) 17-PPE, due to the following errors and deficiencies:
  - a. Inclusion of Land and Service Concession Assets (SCA) Land accounts amounting to P697.591 million and P11.854 million, respectively, which were not supported with documents to establish existence and ownership, hence we were unable to obtain sufficient evidence in respect of the said amounts;
  - b. Non-recognition in the books as at December 31, 2023 of completed Zapote Satellite Depot Project due to absence of the necessary supporting documents from the Project Management Office (PMO)-South Extension Project and the Department of Transportation, which understated the balance of PPE by P1.361 billion and Subsidy Income from National Government for 2023 by P1.388 billion; and
  - c. Non-recognition of the remaining value of the North Extension Project amounting to P163.229 million as PPE-SCA as at December 31, 2023 due to the absence of documents for determination and accrual of unbilled payables, which understated the balance of PPE by the same amount.

2. The faithful representation of the balance of Due to LGUs account amounting to P676.863 million as at December 31, 2023 presented under Inter-Agency Payables which has been dormant since 2007, could not be ascertained due to the absence of documents supporting the said amount, contrary to paragraph 5.14 of the Conceptual Framework for GPFR by Public Sector Entities.

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

1. Require the a) Asset Management Division to prioritize the proposed Relocation Survey of LRTA Properties Project to verify the balances recorded in the financial statements against the actual land properties and to gather the supporting documents of ownership. Also, require Accounting Division to prepare journal entries once the 56 land items amounting to P709.445 million have been verified; b) Accounting Division and Asset Management Division to obtain from the PMO-South Extension Project and the Department of Transportation the required documents for the recognition and transfer of ownership of the completed Zapote Satellite Depot; and Accounting Division to recognize in the books the completed project as PPE-SCA and its related depreciation; and c) Accounting Division to obtain from the PMO-North Extension Project the documents needed for the accrual of unbilled payables of P163.229 million.
2. Require the Accounting Division to conduct the necessary evaluation procedures to establish the reliability of the dormant Due to LGUs account amounting to P676.863 million, and take up the required adjustment.

The foregoing audit observations and recommendations which were the basis for a qualified audit opinion, together with the other significant audit observations and recommendations which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 16, 2024, 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:

  
**MARILYN C. BRIONES**  
Acting Director IV

LIGHT RAIL TRANSIT AUTHORITY  
OFFICE OF THE  
CORPORATE SECRETARY

DATE: MAY 24 2024  
TIME: 2:39 pm  
RECEIVED BY: Gay

**Copy furnished:**

The President of the Republic of the Philippines

The Vice President

The President of the Senate

The Speaker of the House of Representatives

The Chairperson – Senate Finance Committee

The Chairperson – Appropriations Committee

The Secretary of the Department of Budget and Management

The Governance Commission for Government-Owned or Controlled Corporations

The National Library

The UP Law Center





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

**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF DIRECTORS**

Light Rail Transit Authority  
Administration Building  
Line 2 Depot, 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, 2023 and 2022, 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, 2023, 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, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

***Bases for Qualified Opinion***

The Property Plant and Equipment (PPE) with balances of P51.523 billion and P45.131 billion as at December 31, 2023 and 2022, respectively, includes Land and Service Concession Assets (SCA) - Land accounts amounting to P697.591 million and P11.854 million, respectively, which were not supported with documents. Due to the absence of titles and other documents to support the existence and ownership of these land properties, we were unable to obtain sufficient evidence in respect of the said amounts recognized under Land and SCA - Land accounts as at December 31, 2023 and 2022.

Also, a completed Project in 2023 was not yet recognized in the books as at December 31, 2023 due to absence of the necessary supporting documents from the Project Management Office (PMO) - South Extension Project (SEP) and the Department of Transportation (DOTr). Had the asset been recognized, the balance of PPE would have been increased by P1.361 billion and Subsidy Income from National Government account for 2023 increased by P1.388 billion.

Further, the remaining value of another Project amounting to P163.229 million was not yet recognized as PPE-SCA as at December 31, 2023 due to the absence of documents for determination and accrual of unbilled payables. Had the asset been recognized, the balance of PPE account as at reporting date would have been increased by the same amount.

Lastly, Due to LGUs account presented under Inter-Agency Payables amounting to P676.863 million which have been dormant since 2007 could not be ascertained due to the absence of documents supporting the balance of the account. We were unable to determine whether any adjustment might have been necessary in respect of the said balance as at December 31, 2023 and 2022.

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 P1.400 billion. Our opinion is not modified in respect of this matter.

#### ***Other Matter***

In our report dated May 31, 2023, we expressed a qualified opinion on the financial statements of LRTA for the years ended December 31, 2022 and 2021 due to the following, among others: a) non-recognition as asset of the remaining component of LRT Line 2 East Extension Project estimated at P4.682 billion, which was substantially completed and became commercially operational in 2021; and b) the balance of Intra-Agency Payables amounting to P1.283 billion as at December 31, 2022 and 2021, and Intra-Agency Receivables of P347.816 million and P399.520 million as at December 31, 2022 and 2021, respectively, which remained unadjusted to the proper accounts.

In CY 2023, the subject PPE was recognized as asset in the books and corresponding adjustments on depreciation were reflected in the comparative financial statements in compliance with IPSAS 17. Also, the residual balances of the reciprocal accounts presented under Intra-Agency Payables and Intra-Agency Receivables were adjusted to the proper accounts. Accordingly, our present opinion on the 2022 financial statements is no longer qualified with respect to 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 38 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 15, 2024



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

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

May 23, 2024

**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, 2023 and 2022.

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 faithful representation of the Property, Plant and Equipment (PPE) account with an aggregate carrying amount of P51.523 billion and P45.131 billion as at December 31, 2023 and 2022 was not ascertained contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities and International Public Sector Accounting Standard (IPSAS) 17-PPE, due to the following errors and deficiencies:
  - a. Inclusion of Land and Service Concession Assets (SCA) Land accounts amounting to P697.591 million and P11.854 million, respectively, which were not supported with documents to establish existence and ownership, hence we were unable to obtain sufficient evidence in respect of the said amounts;
  - b. Non-recognition in the books as at December 31, 2023 of completed Zapote Satellite Depot Project due to absence of the necessary supporting documents from the Project Management Office (PMO)-South Extension Project and the Department of Transportation, which understated the balance of PPE by P1.361 billion and Subsidy Income from National Government for 2023 by P1.388 billion; and
  - c. Non-recognition of the remaining value of the North Extension Project amounting to P163.229 million as PPE-SCA as at December 31, 2023 due to the absence of documents for determination and accrual of unbilled payables, which understated the balance of PPE by the same amount.



2. The faithful representation of the balance of Due to LGUs account amounting to P676.863 million as at December 31, 2023 presented under Inter-Agency Payables which has been dormant since 2007, could not be ascertained due to the absence of documents supporting the said amount, contrary to paragraph 5.14 of the Conceptual Framework for GPFR by Public Sector Entities.

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

1. Require the a) Asset Management Division to prioritize the proposed Relocation Survey of LRTA Properties Project to verify the balances recorded in the financial statements against the actual land properties and to gather the supporting documents of ownership. Also, require Accounting Division to prepare journal entries once the 56 land items amounting to P709.445 million have been verified; b) Accounting Division and Asset Management Division to obtain from the PMO-South Extension Project and the Department of Transportation the required documents for the recognition and transfer of ownership of the completed Zapote Satellite Depot; and Accounting Division to recognize in the books the completed project as PPE–SCA and its related depreciation; and c) Accounting Division to obtain from the PMO-North Extension Project the documents needed for the accrual of unbilled payables of P163.229 million.
2. Require the Accounting Division to conduct the necessary evaluation procedures to establish the reliability of the dormant Due to LGUs account amounting to P676.863 million, and take up the required adjustment.

The foregoing audit observations and recommendations which were the basis for a qualified audit opinion, together with the other significant audit observations and recommendations which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 16, 2024, 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 hereof.

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:

**MARILYN C. BRIONES**  
Acting Director IV

**Copy furnished:**

The President of the Republic of the Philippines

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May 23, 2024

**THE BOARD OF DIRECTORS**

Light Rail Transit Authority  
Administration Building  
Line 2 Depot, Marcos Highway  
Santolan, Pasig City

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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:

**MARILYN C. BRIONES**  
Acting Director IV

**Copy furnished:**

The President of the Republic of the Philippines

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*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, 2023 and 2022**



## 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 P3.000 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 (DOTr), 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 (10) Department Managers.
3. LRTA is presently managing the Light Rail Transit Line 2 System which runs from Masinag, Antipolo City to Recto, Manila. On September 12, 2015, LRTA transferred the management, operations and maintenance of Line 1 System (Baclaran, Parañaque City to Fernando Poe Jr. Ave., Quezon City) to Light Rail Manila Corporation (LRMC), a private firm, in accordance with the Concession Agreement dated October 2, 2014.

### B. Financial Highlights

<i><b>Financial Position</b></i>			
	<b>2023</b>	<b>2022 As restated</b>	<b>Increase (Decrease)</b>
Assets	60,047,404,933	53,474,402,602	6,573,002,331
Liabilities	61,548,012,914	59,660,827,400	1,887,185,514
Equity	(1,500,607,981)	(6,186,424,798)	4,685,816,817
<i><b>Financial Performance</b></i>			
	<b>2023</b>	<b>2022 As restated</b>	<b>Increase (Decrease)</b>
Total Revenue	1,604,488,360	1,062,051,893	542,436,467
Total Current Operating Expenses	(7,088,209,666)	(6,047,129,776)	1,041,079,890
Gains	697,370,021	793,059,566	(95,689,545)
Losses	(8,539,436)	(20,513,578)	(11,974,142)
Subsidy from National Government	7,746,724,719	3,638,062,855	4,108,661,864
<b>Net Surplus / (Deficit)</b>	<b>2,951,833,998</b>	<b>(574,469,040)</b>	<b>3,526,303,038</b>

<b><i>Budget Utilization</i></b>			
	<b>Budget</b>	<b>Expenditures</b>	<b>Differences</b>
Personnel Services	754,654,620	587,148,661	167,505,959
Maintenance and Other Operating Expenses	1,475,982,439	988,146,222	487,836,217
Capital Outlay	4,203,331,032	955,667,455	3,247,663,577
Financial Expenses	2,967,992,759	1,916,937,050	1,051,055,709
<b>Total Payments</b>	<b>9,401,960,850</b>	<b>4,447,899,388</b>	<b>4,954,061,462</b>

### **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, 2023 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, 2023 and 2022. 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 as at December 31, 2023 and 2022 due to the following:

1. The faithful representation of the Property, Plant and Equipment (PPE) accounts with an aggregate carrying amount of P51.523 billion and P45.131 billion as at December 31, 2023 and 2022 was not ascertained contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities and International Public Sector Accounting Standard (IPSAS) 17-PPE, due to the following errors and deficiencies:
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  - b. Non-recognition in the books as at December 31, 2023 of completed Zapote Satellite Depot Project due to absence of the necessary supporting documents from the Project Management Office (PMO)-South Extension Project and the Department of Transportation, which understated the balance of PPE by P1.361 billion and Subsidy Income from National Government for 2023 by P1.388 billion; and
  - c. Non-recognition of the remaining value of the North Extension Project amounting to P163.229 million as PPE-SCA as at December 31, 2023 due to

the absence of documents for determination and accrual of unbilled payables, which understated the balance of PPE by the same amount.

2. The faithful representation of the balance of Due to LGUs account amounting to P676.863 million as at December 31, 2023 presented under Inter-Agency Payables which has been dormant since 2007, could not be ascertained due to the absence of documents supporting the said amount, contrary to paragraph 5.14 of the Conceptual Framework for GPFR by Public Sector Entities.

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

1. Require the a) Asset Management Division to prioritize the proposed Relocation Survey of LRTA Properties Project to verify the balances recorded in the financial statements against the actual land properties and to gather the supporting documents of ownership. Also, require Accounting Division to prepare journal entries once the 56 land items amounting to P709.445 million have been verified; b) Accounting Division and Asset Management Division to obtain from the Project Management Office-South Extension Project and the Department of Transportation the required documents for the recognition and transfer of ownership of the completed Zapote Satellite Depot; and Accounting Division to recognize in the books the completed project as PPE - Service Concession Assets and its related depreciation; and c) Accounting Division to obtain from the Project Management Office - North Extension Project the documents needed for the accrual of unbilled payables of P163.229 million.
2. Require the Accounting Division to conduct necessary evaluation procedures to establish the reliability of the dormant Due to LGUs account amounting to P676.863 million, and take up the required adjustment.

## **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. No impairment loss was provided for down and unserviceable Light Rail Vehicles (LRVs) and equipment transferred by the Concessionaire to LRTA and on ten (10) units of Two Wheel Segway with carrying amounts of P82.449 million and P2.905 million, respectively, as at December 31, 2023 resulting in the overstatement of PPE-Service Concession Railway System and PPE-Other Transportation accounts by undetermined amounts.

### *Recommendation:*

Require the Accounting Division, Asset Management Division and the end-users to estimate the recoverable amount of the unserviceable assets and take-up the related impairment loss.



2. Non-reconciliation of the result of physical inventory and the PPE ledger cards maintained by the Accounting Division.

*Recommendation:*

Require the Accounting Division and Asset Management Division to reconcile the Report of Physical Count of PPE and Property Cards with the PPE ledger cards, and effect adjustments, if warranted.

3. Unexpended balance of fund transfers to fourteen (14) completed and two terminated projects amounting to P93.165 million remained unrefunded by the Procurement Service-Department of Budget and Management (PS-DBM), contrary to the general guidelines set under COA Circular No. 94-013 dated December 13, 1994 and the Memorandum of Agreement (MOA) between LRTA and PS-DBM dated September 8, 2015.

*Recommendation:*

Demand the return by PS-DBM of the total unexpended balance from the sixteen (16) projects procured by PS-DBM for LRTA amounting to P93.165 million, or provide evidence that the unexpended balance was directly remitted by PS-DBM to the Bureau of the Treasury.

4. Fifteen (15) lease contracts amounting to P350.459 million with terms of more than one year were entered into by and between LRTA represented by the then Administrator and Lessees, without the prior approval of the Board of Directors contrary to Sections 1.1 and 2.1 of COA Circular No. 88-282A dated March 3, 1988, Section 4 (9) of Article 2 – Corporate Powers, Executive Order No. 603 dated July 12, 1980 and LRTA Board Resolution No. 011-2017.

*Recommendations:*

Instruct the Business Development Division to:

- a. Communicate with the Board of Directors to prioritize the deliberation of the new lease contracts/s and/or proposal/s to properly update the lease payments of the lessees;
  - b. Provide the status of the submission of the documentary requirements from the lessees for the new lease contract/s; and
  - c. Update and include in the Work Instruction Manual of Non-rail Business Generation Activities the detailed process of approval of the short-term and long-term lease agreements in conformity with Special Order No. 155 dated November 19, 2021 and Section 4 (9) of Article 2 – Corporate Powers of Executive Order No. 603 dated July 12, 1980.
5. Lack of supervision and monitoring of the implementation of lease contracts resulting in the installation of excess advertisement materials by the lessee/s which is contrary to the terms and conditions of the lease contract/agreement.

*Recommendations:*

- a. Require the Business Development Division to update the Work Instruction Manual to include the designation of personnel to conduct inspection and monitoring of the advertisement materials installed by the lessee/s; and
  - b. Instruct the Legal Department to specify in the lease contracts and Conforme Letter the grounds and amount of penalty to be imposed against the lessee/s for non-compliance.
6. Delay on the transfer of rights by the Grantors to Concessionaire of the project-Construction of New Satellite Depot at Zapote completed as of June 2023 has given LRTA added responsibilities thereby incurring additional cost for the preservation and maintenance of the project assets contrary to Section 13.3.a of the Concession Agreement, hence the intended benefits from the use of the project were not maximized.

*Recommendations*

- a. Require the Project Management Office - South Extension Project to transfer immediately the responsibility and custody of the completed Satellite Depot at Zapote to the Concessionaire in accordance with Section 13.3.a of the Concession Agreement; and
- b. Require the refund from the Concessionaire of any cost incurred by LRTA for the preservation of the project assets during the period of delay.

**F. Status of Audit Suspensions, Disallowances and Charges**

For CY 2023, transactions disallowed in audit amounted to P5.972 million. The Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2023 showed unsettled disallowances amounting to US\$58,800 and P245.629 million. Details are shown in Part II of the Report.

**G. Status of Implementation of Prior Years' Recommendations**

Of the 18 audit recommendations contained in the prior years' Annual Audit Reports, 15 were implemented and three were not implemented, two of which were reiterated in Part II of this Report. Details are presented in Part III of this Report.

## **PART I – AUDITED FINANCIAL STATEMENTS**

## **PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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

## **PART IV - ANNEX**





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

**INDEPENDENT AUDITOR'S REPORT**

**THE BOARD OF DIRECTORS**

Light Rail Transit Authority  
Administration Building  
Line 2 Depot, 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, 2023 and 2022, 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, 2023, 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, 2023 and 2022 and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

***Bases for Qualified Opinion***

The Property Plant and Equipment (PPE) with balances of P51.523 billion and P45.131 billion as at December 31, 2023 and 2022, respectively, includes Land and Service Concession Assets (SCA) - Land accounts amounting to P697.591 million and P11.854 million, respectively, which were not supported with documents. Due to the absence of titles and other documents to support the existence and ownership of these land properties, we were unable to obtain sufficient evidence in respect of the said amounts recognized under Land and SCA – Land accounts as at December 31, 2023 and 2022.

Also, a completed Project in 2023 was not yet recognized in the books as at December 31, 2023 due to absence of the necessary supporting documents from the Project Management Office (PMO) - South Extension Project (SEP) and the Department of Transportation (DOTr). Had the asset been recognized, the balance of PPE would have been increased by P1.361 billion and Subsidy Income from National Government account for 2023 increased by P1.388 billion.

Further, the remaining value of another Project amounting to P163.229 million was not yet recognized as PPE-SCA as at December 31, 2023 due to the absence of documents for determination and accrual of unbilled payables. Had the asset been recognized, the balance of PPE account as at reporting date would have been increased by the same amount.

Lastly, Due to LGUs account presented under Inter-Agency Payables amounting to P676.863 million which have been dormant since 2007 could not be ascertained due to the absence of documents supporting the balance of the account. We were unable to determine whether any adjustment might have been necessary in respect of the said balance as at December 31, 2023 and 2022.

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 P1.400 billion. Our opinion is not modified in respect of this matter.

### ***Other Matter***

In our report dated May 31, 2023, we expressed a qualified opinion on the financial statements of LRTA for the years ended December 31, 2022 and 2021 due to the following, among others: a) non-recognition as asset of the remaining component of LRT Line 2 East Extension Project estimated at P4.682 billion, which was substantially completed and became commercially operational in 2021; and b) the balance of Intra-Agency Payables amounting to P1.283 billion as at December 31, 2022 and 2021, and Intra-Agency Receivables of P347.816 million and P399.520 million as at December 31, 2022 and 2021, respectively, which remained unadjusted to the proper accounts.

In CY 2023, the subject PPE was recognized as asset in the books and corresponding adjustments on depreciation were reflected in the comparative financial statements in compliance with IPSAS 17. Also, the residual balances of the reciprocal accounts presented under Intra-Agency Payables and Intra-Agency Receivables were adjusted to the proper accounts. Accordingly, our present opinion on the 2022 financial statements is no longer qualified with respect to 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 38 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 15, 2024



**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, 2023 and 2022, 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**  
DOT SECRETARY

**MAY 14 2024**

Date Signed

**MA. CORAZON S. PASCUAL**  
OIC, Finance Department

Date Signed

**ATTY. HERNANDO T. CABRERA**  
Administrator

Date Signed

### **Address:**

Line 2 Depot, Marcos Highway, Santolan, Pasig City, Metro Manila, Philippines 1610

Trunkline: 86473479 / 86473481 / 86473484 / 86473485 / 86473487

website: [www.lrta.gov.ph](http://www.lrta.gov.ph)



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**LIGHT RAIL TRANSIT AUTHORITY  
STATEMENTS OF FINANCIAL POSITION  
AS AT DECEMBER 31, 2023 AND 2022**

	<u>NOTE</u>	<u>2023</u>	<u>2022</u> (As Restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and Cash Equivalents	7	5,595,087,258	5,696,544,114
Investments	8	8,129,819	555,344
Receivables	9	1,519,758,714	1,306,515,484
Inventories	10	777,854,259	700,388,102
Other Current Assets	11	147,767,431	164,029,967
<b>Total Current Assets</b>		<b><u>8,048,597,481</u></b>	<b><u>7,868,033,011</u></b>
<b>Non-Current Assets</b>			
Property, Plant and Equipment	12	51,523,124,581	45,130,686,720
Investment Property	13	475,466,370	475,466,370
Other Non-Current Assets	14	216,501	216,501
<b>Total Non-Current Assets</b>		<b><u>51,998,807,452</u></b>	<b><u>45,606,369,591</u></b>
<b>Total Assets</b>		<b><u>60,047,404,933</u></b>	<b><u>53,474,402,602</u></b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Financial Liabilities	15	1,960,009,015	2,096,918,851
Inter-Agency Payables	16	803,313,066	714,456,467
Trust Liabilities	17	2,373,902,155	2,427,685,714
Deferred Credits/Unearned Income	18	15,179,819	18,464,154
Provisions	19	148,002,260	143,947,059
Other Payables	20	5,935,321	27,482,270
<b>Total Current Liabilities</b>		<b><u>5,306,341,636</u></b>	<b><u>5,428,954,515</u></b>
<b>Non-Current Liabilities</b>			
Financial Liabilities	21	56,241,671,278	54,231,872,885
<b>Total Non-Current Liabilities</b>		<b><u>56,241,671,278</u></b>	<b><u>54,231,872,885</u></b>
<b>Total Liabilities</b>		<b><u>61,548,012,914</u></b>	<b><u>59,660,827,400</u></b>
<b>Net Assets (Total Assets Less Total Liabilities)</b>		<b><u>(1,500,607,981)</u></b>	<b><u>(6,186,424,798)</u></b>
<b>NET ASSETS/EQUITY</b>			
Government Equity	22	2,985,545,824	2,985,545,824
Contributed Capital	23	17,695,276,398	17,695,276,398
Accumulated Deficit	24	(22,181,430,203)	(26,867,247,020)
<b>Total Net Assets/Equity</b>		<b><u>(1,500,607,981)</u></b>	<b><u>(6,186,424,798)</u></b>

*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, 2023 AND 2022**

	<u>NOTE</u>	<u>2023</u>	<u>2022</u> (As Restated)
<b>Revenue</b>			
Service and Business Income	25	1,604,488,360	1,062,051,893
<b>Total Revenue</b>		<b>1,604,488,360</b>	<b>1,062,051,893</b>
<b>Current Operating Expenses</b>			
Personnel Services	26	601,291,902	613,477,423
Maintenance and Other Operating Expenses	27	194,951,503	164,777,653
Financial Expenses	28	2,694,992,474	1,532,890,306
Direct Cost	29	1,026,493,516	938,595,907
Non-Cash Expenses	30	2,570,480,271	2,797,388,487
<b>Total Current Operating Expenses</b>		<b>7,088,209,666</b>	<b>6,047,129,776</b>
<b>Deficit from Current Operations</b>		<b>(5,483,721,306)</b>	<b>(4,985,077,883)</b>
Other Non-Operating Income	31	1,276,592	1,554,180
Gain on Foreign Exchange	32	696,093,429	791,505,386
Loss on Foreign Exchange	33	(8,539,436)	(20,513,578)
<b>Deficit before Subsidy</b>		<b>(4,794,890,721)</b>	<b>(4,212,531,895)</b>
Subsidy from National Government	34	7,746,724,719	3,638,062,855
<b>Net Surplus/(Deficit) for the Year</b>		<b>2,951,833,998</b>	<b>(574,469,040)</b>

*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, 2023 AND 2022**

Particulars	Accumulated Deficit	Government Equity	Contributed Capital	Total
<b>BALANCE AT JANUARY 1, 2022</b>	<u>(26,962,081,331)</u>	<u>2,985,545,824</u>	<u>17,695,276,398</u>	<u>(6,281,259,109)</u>
<b>Changes in Nets Assets/Equity for CY 2022</b>				
Add/(Deduct):				
Deficit for the Period	(574,469,040)	0	0	(574,469,040)
Other Adjustments	669,303,351	0	0	669,303,351
<b>RESTATED BALANCE AT December 31, 2022</b>	<u>(26,867,247,020)</u>	<u>2,985,545,824</u>	<u>17,695,276,398</u>	<u>(6,186,424,798)</u>
<b>Changes in Net Assets/Equity for CY 2022</b>				
Add/(Deduct):				
Surplus for the Period	2,951,833,998	0	0	2,951,833,998
Other Adjustments	1,733,982,819	0	0	1,733,982,819
<b>BALANCE AT DECEMBER 31, 2023</b>	<u>(22,181,430,203)</u>	<u>2,985,545,824</u>	<u>17,695,276,398</u>	<u>(1,500,607,981)</u>

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

**LIGHT RAIL TRANSIT AUTHORITY  
STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

	<u><b>2023</b></u>	<u><b>2022</b></u> <b>(As Restated)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Collections of Revenue	1,287,353,602	725,158,620
Receipts of Assistance/Subsidy	1,054,479,923	1,018,152,000
Trust Receipts	12,752,260	831,605,087
Other Receipts	49,926,303	48,306,010
<b>Total Cash Inflows</b>	<u><b>2,404,512,088</b></u>	<u><b>2,623,221,717</b></u>
<b>Cash Outflows</b>		
Payment of Expenses	1,518,569,923	1,311,857,186
Purchase of Inventories	332,201,273	208,178,250
Remittance of Personnel Benefit Contribution	32,698,485	45,366,110
Other Disbursements	16,419,999	4,389,386
<b>Adjusted Cash Outflows</b>	<u><b>1,899,889,680</b></u>	<u><b>1,569,790,932</b></u>
<b>Net Cash Provided by Operating Activities</b>	<u><b>504,622,408</b></u>	<u><b>1,053,430,785</b></u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
<b>Cash Inflows</b>		
Receipt of Interest Earned	80,453,034	41,498,883
<b>Total Cash Inflows</b>	<u><b>80,453,034</b></u>	<u><b>41,498,883</b></u>
<b>Cash Outflows</b>		
Purchase/Construction of Property, Plant and Equipment	623,466,181	614,656,379
Purchase of Investment	7,606,476	397,581
<b>Total Cash Outflows</b>	<u><b>631,072,657</b></u>	<u><b>615,053,960</b></u>
<b>Net Cash Used in Investing Activities</b>	<u><b>(550,619,623)</b></u>	<u><b>(573,555,077)</b></u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
<b>Cash Outflows</b>		
Payment of Interest on Loans and Other Financial Charges	27,558,865	0
Adjustments	27,900,776	0
<b>Total Cash Outflows</b>	<u><b>55,459,641</b></u>	<u><b>0</b></u>
<b>Net Cash Used in Financing Activities</b>	<u><b>(55,459,641)</b></u>	<u><b>0</b></u>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<u><b>(101,456,856)</b></u>	<u><b>479,875,708</b></u>
<b>CASH AND CASH EQUIVALENTS, JANUARY 1</b>	<u><b>5,696,544,114</b></u>	<u><b>5,216,668,406</b></u>
<b>CASH AND CASH EQUIVALENTS, DECEMBER 31</b>	<u><b>5,595,087,258</b></u>	<u><b>5,696,544,114</b></u>

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

**LIGHT RAIL TRANSIT AUTHORITY**  
**STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT**  
**FOR THE YEAR ENDED DECEMBER 31, 2023**

PARTICULARS	NOTE	BUDGETED AMOUNTS		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
<b>RECEIPTS</b>	<b>36</b>				
National Government Subsidy		1,053,363,000	1,053,363,000	1,053,363,000	0
Subsidy/Downloaded Thru DOTr		1,189,506,796	1,189,506,796	1,179,875,486	9,631,310
Prior Year's Subsidy		2,308,346,872	2,308,346,872	979,714,173	1,328,632,699
Subsidy for NG Advances		2,967,992,759	2,967,992,759	1,861,477,408	1,106,515,351
Corporate Funds		1,882,751,423	1,882,751,423	1,959,507,755	(76,756,332)
<i>Rail Revenues</i>		1,090,213,020	1,090,213,020	1,134,743,004	(44,529,984)
<i>Non-Rail Revenues</i>		253,909,575	253,909,575	296,859,118	(42,949,543)
<i>Beginning Balance</i>		538,628,828	538,628,828	527,905,633	10,723,195
<b>TOTAL RECEIPTS</b>		<b>9,401,960,850</b>	<b>9,401,960,850</b>	<b>7,033,937,822</b>	<b>2,368,023,028</b>
<b>PAYMENTS</b>	<b>36</b>				
Personnel Services		754,654,620	754,654,620	587,148,661	167,505,959
Maintenance and Other Operating Expenses		1,475,982,439	1,475,982,439	988,146,222	487,836,217
Capital Outlay		4,203,331,032	4,203,331,032	955,667,455	3,247,663,577
Prior Year's Payables		0	0	0	0
Debt Service/Financial Expenses		2,967,992,759	2,967,992,759	1,916,937,050	1,051,055,709
<i>Principal Repayment</i>		2,406,887,097	2,406,887,097	1,615,886,373	791,000,723
<i>Interest Payment</i>		414,246,015	414,246,015	198,025,483	216,220,534
<i>Guarantee Fee</i>		144,359,647	144,359,647	103,020,690	41,338,957
<i>Other Interest Charges</i>		2,500,000	2,500,000	4,504	2,495,495
<b>TOTAL PAYMENTS</b>		<b>9,401,960,850</b>	<b>9,401,960,850</b>	<b>4,447,899,388</b>	<b>4,954,061,462</b>
<b>NET RECEIPTS/PAYMENTS</b>		<b>0</b>	<b>0</b>	<b>2,586,038,434</b>	<b>(2,586,038,434)</b>

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

# **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 Nos. 830 and 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 P3.000 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 ten 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, operations and maintenance of LRT Line 1 System which runs from Baclaran Station, Paranaque City to Fernando Poe Jr. Station, Quezon City (formerly, Roosevelt Station) to Light Rail Manila Corporation (LRMC), a private firm, in accordance with the Concession Agreement dated October 2, 2014.

The LRTA's manpower as of December 31, 2023 is composed of 330 permanent, 424 contractual, 593 contracts of service and 55 Project Management Office (PMO) contractual employees.

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

The financial statements of LRTA was authorized for issue on May 14, 2024 as shown in the Statement of Management's Responsibility for Financial Statements signed by DOTr Secretary 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.

a. *Line 1 System*

- i. Constructed in September 1981 the LRT Line 1 System is the first light rail transit system in Southeast Asia. It has a total route length of 20.7-kilometer elevated track with 20 stations from Baclaran to Fernando Poe Jr. 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 four types of rolling stocks in the configuration of three or four cars or Light Rail Vehicles (LRVs).
- ii. 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 LRT Line 1 System that currently provides access to Central Manila and expands this further at its south end particularly to the Cavite Province, the DOTr, formerly known as the Department of Transportation and Communication (DoTC), and LRTA, as Grantors, entered into a Concession Agreement under the Public-Private Partnership (PPP) with LRMC to operate and maintain the existing LRT 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 Line 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 Authority'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 International Public Sector Accounting Standards (IPSAS) 32 on Service Concession Arrangements (SCA) – Grantor and Paragraph 7 of IPSAS 1 on accrual basis of accounting.

b. *Line 2 System*

- i. 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 East Grand Mall in Cainta, Rizal and the Antipolo Station, which was located before the Masinag Junction in Antipolo City. LRT Line 2 was also known as the

“Megatren”, the latest among the three rail systems. It is equipped with a Closed-Circuit Television (CCTV) system and Braille installed in the platforms and elevators to guide blind passengers during boarding and alighting the train and stations. On a daily basis, LRT 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 LRT 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.

- ii. In compliance with Republic Act (RA) No.10149 the Government-Owned and Controlled Corporation (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 2023, the submission of the mandatory requirements for performance accomplishment for the Performance-Based Bonus (PBB) is ongoing. In 2023, LRT Line 2 transported 49.400 million passengers or a 56 percent increase over the 2022 level of 31.6 million with a daily average of 136,291 passengers, 25 percent increase from 2022 average of 108,762.
- iii. As to financial standing, the Authority has sustained improved farebox as the deficit level from rail operations against current operating expense for 2023 amounting to P672.600 million decreased by 36 percent compared to P1.055 billion in 2022.
- iv. Gross rail revenue collection during the year amounted to P1.096 billion or 175 percent higher than the P625.000 million in 2022. The increase in rail revenue was attributed to the increased revenue in rail operations and collections attributed to stall rentals, land leases, advertising spaces and other miscellaneous income derived from non-rail business of the Authority.

c. *Contactless Ticketing System*

The DOTr and the AF Consortium (Ayala Group and First Pacific Group) signed the Concession Agreement for the Automated Fare Collection System (AFCS) Project on March 31, 2014 and officially commenced on October 2015. The introduction of the Automated Ticketing System Project made fare collection systems of LRT Lines 1 and 2 and Metro Rail Transit (MRT) 3 interoperable, that reduced the transfer time, passengers' inconvenience and costs between the three lines.

## **2.2 Railway Projects**

As the seat of the Government and the center of economic activities 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 (NEP)***

In an Agreement dated September 28, 2016, the Government and its major conglomerates agreed to construct a Common Station between SM City North EDSA and Ayala Malls TriNoma that will link the LRT Line 1 North Extension and MRT Line 3. The project was assumed by the DOTr under the North Triangle Common Station Project.

#### **b. *Line 1 South (Cavite) Extension Project (SEP)***

The project involves the construction of approximately 11.7 km railway line from its tie in point at the terminus of LRT Line 1 at the Baclaran Terminal to Niog Station at Bacoor, Cavite, of which approximately 10.5 km will be elevated and 1.2 km will be at-grade. Eight stations will be constructed with a provision for two 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-four-car trains or 120 LRVs and construction of new satellite depot and expansion of the existing depot. As of December 31, 2023, the following are the physical accomplishments:

1. The Concessionaire's overall physical accomplishment posted 97.3 percent complete to wit:

<b>Concessionaire's Project Component</b>	<b>Percentage of Completion</b>
Existing System Works (ESW)	99.9%
Cavite Extension Works (CEW)	96.4%

2. The Grantor's overall physical accomplishment posted 89.51 percent complete to wit:

<b>Grantor's Project Component</b>	<b>Percentage of Completion</b>
Procurement of 120 New Rolling Stock LRVs	87.32%
Expansion of the Existing Depot at Baclaran and Construction of a New Satellite Depot at Zapote	100%

<b>Grantor's Project Component</b>	<b>Percentage of Completion</b>
Supply of Depot Equipment (Mitsubishi)	48.09%
Supply of Depot Equipment (Yashima)	11.71%
Consulting Services for LRT Line 1 South (Cavite Extension Project)	89.63%
Right of Way (ROW) Acquisition and Resettlement	89.07%
Consultancy for Topographical, Geotechnical and Geological Survey and Investigation	100.00%

**c. Line 2 East Extension Project (EEP)**

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 Robinsons 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 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, 2023 are as follows:

<b>Contracts</b>	<b>Status</b>
Civil Works Consultancy	On-going project close-out 100% physical accomplishment
Interface Consultancy	On-going implementation 100% physical accomplishment
Civil Works Package 1 – Construction of Viaduct	100% physical accomplishment
Civil Works Package 2 – Design and Build of Stations	100% physical accomplishment On-going Defects Liability Period (DLP) works
Electromechanical Consultancy	On-going implementation 99.99% physical accomplishment
Design and Construction of Electro-mechanical Equipment – Package 3	Ongoing defects liability claims works 99.998% physical accomplishment

The overall project accomplishment of Line 2 EEP as at December 31, 2023 is 99.998 percent. LRTA made partial recognition of 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 (WEP)**

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 include: (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 requirements including five four (4)-car rolling stocks.

Its project timeline is from the third quarter of 2019 to the fourth quarter of 2024 (including DLP) with a total project cost of P10.118 billion (NEDA Approved).

As of December 31, 2023, financial disbursement was P122.000 million, its physical completion/accomplishment was at 1.0 percent and the financial is at 1.0 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 LRT 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 Line 2 System, Design and Build for the Improvement of LRT 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.

These projects aim 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 LRTA projects is 11 and its project timeline covers 2011-2025. As at December 31, 2023, a total of five rehabilitation projects were completed.

The following are the ongoing rehabilitation projects and its status as at December 31, 2023 based on the Status Update of Rehabilitation Projects of the Engineering Department:

PROJECTS	STATUS
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PROJECTS	STATUS
1. Supply, Delivery, Testing and Commissioning of Overhead Catenary System (OCS) Truck (Truck and Rail Vehicle) Goods	Final Inspection Concluded. For issuance of Completion Certificate
2. Rehabilitation of Fire Detection and Alarm System and fire Suppression System (Goods)	For preparation of Verified Report
3. Improvement of Line 2 Depot Offices (Infrastructure)	Validation of the Engineering Department of the specifications of all delivered and installed equipment concluded. For Submission of report to LRTA Management
4. Contract for the Replacement of Precision Air Conditioning System (Goods)	Actual Accomplishment is 98.33%. Ongoing validation by the Engineering Dept. of the Contractor.
5. Design and Build for the Improvement of LRT Line 2 Stations and Facilities (Infrastructure)	Final Inspection Concluded For issuance of Completion Certificate
6. Consulting Services for the Structural Investigation and Related Works of LRT Line 1 and 2 Systems (Services)	100% completed. For issuance of Completion Certificate
7. Consulting Services for Restoration of Various L2 System Equipment damaged by Fire (Goods)	100% completed. For issuance of Completion Certificate
8. Replacement of LRTA 2 Station Roofing System (Infrastructure)	100% physically completed Final Inspection Concluded For issuance of Completion Certificate
9. Restoration of Rectifier Substation (RSS) 4, 5, and 6 (Goods)	Actual Accomplishment is 97.88%
10. Acquisition of Re-railing Equipment (Goods)	Procured by Procurement Service - Department of Budget and Management (PS-DBM) Delivered but Not Accepted by LRTA Informed PS-DBM to revert back the downloaded funds to LRTA
11. Consulting Services for the Line 2 Capacity Expansion	Actual Accomplishment is 55% Completion Date: February 29, 2024

### 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 Nos. 2014-003, 2017-006, 2020-01 dated January 24, 2014, April 26, 2017 and January 9, 2020, respectively. 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 2 - Cash Flow Statements** pertains to the presentation of information about historical changes in a public sector entity's cash and cash equivalents by means of a cash flow statement that classifies cash flows during the period according to operating, investing, and financing activities.

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

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

**IPSAS 12 - Inventories** prescribes the accounting treatment for inventories. It provides guidelines on the determination of cost and its subsequent recognition as an expense, as well as cost formula that are used to assign costs to inventories.

**IPSAS 13 - Leases** prescribes for lessees and lessors, the appropriate accounting policies and disclosures to apply in relation to finance and operating leases.

**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 16 - Investment Property** prescribes the accounting treatment for investment property and related disclosures.

**IPSAS 17 - Property, Plant and Equipment (PPE)** requires an entity to apply the general asset recognition principle to all property, plant and equipment costs at the time they are incurred, including initial costs and subsequent expenditures.

**IPSAS 21 - Impairment of Non-Cash-Generating Assets** ensures that noncash-generating assets are carried at no more than their recoverable service amount, and to prescribe how recoverable service amount is calculated.

**IPSAS 24 - Presentation of Budget Information in Financial Statement** ensures that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

**IPSAS 26 - Impairment of Cash-Generating Assets** ensures that public sector entities discharge their accountability obligations and enhance the transparency of their financial statements by demonstrating compliance with the approved budget for which they are held publicly accountable and, where the budget and the financial statements are prepared on the same basis, their financial performance in achieving the budgeted results.

**IPSAS 32 - Service Concession Arrangements: Grantor** prescribes the accounting for service concession arrangements by the grantor, a public sector entity.

### **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. Also, the line items used in the preparation and presentation of financial statements are based on the Updated Revised Chart of Accounts for Government Corporations (2019) prescribed under COA Circular No. 2020-02 dated January 28, 2020. 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.

- 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.

## **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 Net Realizable Value. 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 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 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 the 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 transaction 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 (3) 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 below:

<b>Age</b>	<b>Percent</b>
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 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:

<b>Major Asset Category</b>	<b>Estimated Useful Life in Years (COA Circular No. 2017-004)</b>
Land Improvement	10-25 years
Infrastructure Assets	20-50 years
Buildings and Other Structures	30-50 years
Machinery and Equipment	5-15 years
Transportation Equipment:	
Motor Vehicles	5-15 years
Trains	10-20 years
Other Transportation Equipment	5-10 years
Furniture and 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 (5%) of the cost of the PPE starting 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 and etc. except for Personal Services (PS) and 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 Daily Reference Exchange Rate Bulletin (RERB) as at December 31, 2023. The resulting gains or losses arising from the exchange differences are recognized in the Statement of Financial Performance, 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 accrual 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 39. 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 and the Philippine Insurance Health Corporation (PHIC), which provides a variety of comprehensive health care services. 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 recognizes 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, the CY 2022 portion of the Comparative Financial Statements was restated due to prior years' errors and adjustments amounting to P4.995 billion. Details are as follows:

Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
Reimbursement of Expenses for CY 2022	Maintenance and Operating Expenses (MOOE) and Due to Officers and Employees	(75,163)
Honoraria for the month Oct., Nov., and Dec. 2022	Personnel Services (PS) and Due to Officers and Employees	(331,481)
Reimbursement of Expenses dated December 17, 2022	MOOE and Due to Officers and Employees	(5,000)
Maintenance Services for AFCS of Marikina and Antipolo Stations for the period July 1 to November 30, 2022	Direct Cost – Maintenance and Accounts Payable	(3,374,392)
Honoraria for April 2022–Employee A	PS and Due to Officers and Employees	(2,000)
Last Salary of various employees	PS and Due to Officers and Employees	(161,678)
Salary - Oct. to Dec. 2022 of various employees	PS and Due to Officers and Employees	(35,308)
Per diem of Employee B for the month of December 2022	MOOE and Due to Officers and Employees	(44,000)

<b>Nature of Error and Adjustments</b>	<b>Accounts Restated</b>	<b>Amount of Adjustments</b>
1st Salary and Allowances – Oct. to Dec. 2022 of Employee C	PS and Due to Officers and Employees	(106,131)
Last Salary and Other Benefits for CY 2022 of Employee D	PS and Due to Officers and Employees	(40,684)
Last Salary and Other Benefits for CY 2022 of Employee E	PS and Due to Officers and Employees	(3,681)
Last Salary of Employee F	PS and Due to Officers and Employees	(86,035)
Terminal Leave benefits of Employee G	PS and Terminal Leave Benefits Payable	(7,483)
Expenses for the Improvement of Structure (Bgy. Sto. Nino Paranaque City) Reclassification of Entry	MOOE, Accumulated Depreciation - Land Improvement, Land Improvement	(771,492)
Adjusting Entry on various expenses - Personnel Services and Other Benefits - Previous Years Expenses	PS and Due to Officers and Employees	(142,593)
Appearance fee for previous year of LRTA Attorney	MOOE and Due to Officers and Employees	(25,000)
Overtime Services for previous years - Adjusting Entry	PS and Due to Officers and Employees	(5,289,238)
Cost of Stored Value Ticket - Payment from Jan. to Dec. 2022	Direct Cost – Overhead Accounts Payable	(2,391,160)
Adjustment on Accrual of Common Carriers Tax (2nd Quarter of 2022)	Duties, Taxes and Fees and Due to BIR	(8,044)
Salaries and Allowances (previous year's expenses)	PS and Due to Officers and Employees	(15,500)
Last Salary of Employee H	PS and Due to Officers and Employees	(42,718)
Terminal Pay of Employee I	PS and Terminal Leave Benefits Payable	7,573
Impairment Losses of Trains due to Non-operational in 2012- 2017	Impairment Loss – Railway System and Accumulated Impairment Loss – Railway System	(105,177,411)
Adjustment on Issuance of old Spare parts- Feb 2020- JEV 502-20-02-074	Spare Parts Inventory and Direct Cost - Materials	171,026
Adjustment on recorded expenses for CY 2022	Consultancy Services, Other Professional Services, Other MOOE, Representation Expenses, Training and Seminar Expenses, Miscellaneous Expenses, Direct Operating Cost – Overhead and Other Supplies and Materials Expenses	(527,235)
Adjustment on recorded expenses for CY 2022	PS and Due to Officers and Employees	(6,084)
Salary Differential of various LRTA officials and Employees	PS and Due to Officers and Employees	(5,016,072)
Last Salary-June 2013 of Employee J	PS and Due to Officers and Employees	(16,883)
Maintenance Services for AFCS of Marikina and Antipolo - Dec. 2022	Direct Operating Cost - Maintenance and Accounts Payable	(675,055)
Adjustment on Impairment Loss on Receivables	Allowance for Impairment - Due from GOCC (GSIS) Allowance for Impairment - Due from Officers and Employees and Impairment Loss - Receivables	1,400

<b>Nature of Error and Adjustments</b>	<b>Accounts Restated</b>	<b>Amount of Adjustments</b>
Adjustment on Accrual of GSIS Life and Ret. Premium for Dec. 2022	PS and Other Payables	(74,700)
Salary Differential of Employee K	PS and Due to Officers and Employees	(194,508)
Penalty - Loss Staff Card	PS and Due to Officers and Employees	50
Remittance of GSIS Premium (Prior year)	PS and Due to Officers and Employees	(19,403)
Salary and Year-End Differential of Employee L	PS and Due to Officers and Employees	(72,620)
Salary and Year-End Differential of Employee M	PS and Due to Officers and Employees	(53,892)
Salary and Allowances – Nov. 16, 2022 of Employee N	Other Payables and MOOE	(62,494)
Adjustment on Accrual of Expenses	PS and Other Payables	74,700
Adjustment on Loss on Impairment - Receivables	Allowance for Impairment - Due from Officers and Employees and Impairment Loss - Due from Officers and Employees	1,207
Adjustment on Loss on Impairment – Receivables	Allowance for Impairment - Due from Officers and Employees and Impairment Loss - Due from Officers and Employees	1,475
Last Salary and Allowances and cash Gift of Employee O	PS and Due to Officers and Employees	(31,694)
Overstatement of Depreciation-Line 2 East Ext.- Jul. 2020 to Dec. 2022	Accumulated Depreciation - Railways System-PPE Railways and Depreciation Expense - Railways System-PPE Railways	211,040
Adjustment on Recognition of Asset (Line 2 East Project)	Railways System - PPE Railways and Subsidy Income from NG	(3,554,366)
Depreciation - Line 2 East Ext. Package 2	Depreciation - Railway System Depreciation - Office Equipment and Accumulated Depreciation - Office Equipment and Accumulated Depreciation - Railway System	(111,105,021)
Recognition of Line 2 East Ext Project - Design and Build of Stations	Railways System - PPE Railways Semi Expendable - Furniture and Fixture, Semi Expendable - Office Equipment, Office Equipment and Subsidy Income from NG	1,172,000,000
Recognition of Line 2 East Ext Project - Consulting Services	Railways System - PPE Railways and Subsidy Income from NG	154,564,931
Recognition of Line 2 East Ext Project - Electromechanical (Package 3)	Railways System - PPE Railways and Subsidy Income from NG	3,491,354,450
Depreciation - Line 2 East Ext Package 3	Depreciation - Railway System Accumulated Depreciation - Railway System	(346,365,718)
Liquidation of Petty Cash Fund of Cavite Ext Project	MOOE and Due to Officers and Employees	(50,533)
Issuance of Supplies and Materials – Prior year	Other Supplies and Materials Expenses and Other Supplies and Materials Inventory	(224,878)

<b>Nature of Error and Adjustments</b>	<b>Accounts Restated</b>	<b>Amount of Adjustments</b>
Close the Accrual of Reimbursable Expenses	Other Payables- Agency Fee and Miscellaneous Income	683,750
Last salary and Salary Differential of Employee P	PS and Due to Officers and Employees	(42,194)
Last Salary, CNA and other bonuses of Employee Q	PS and Due to Officers and Employees	(57,675)
Rental Income for the period October 2020 to May 31, 2021	Unearned Revenue Income – Rent and Business Income – Rent/Lease Income	11,224,516
Adjustment on Allowance for Impairment - Receivables	Allowance for Impairment - Operating Lease Receivable, Allowance for Impairment - Other Receivable, Impairment Loss - Receivable	1,308,515
Unrecognized Depreciation Expense for AFCS Equipment (AOM 2023-23 (CY 2023 AAR))	Accumulated Depreciation, Depreciation Expense and Accumulated Surplus/(Deficit)	(108,676,763)
Correcting entries for the overstatement of CIP account and Accumulated Surplus/(Deficit) AOM 2024-07 (CY 2023 AAR) - WEP	CIP, Various expense accounts and Accumulated Surplus/(Deficit)	(24,117,362)
Correcting entries for the overstatement of CIP account and Accumulated Surplus/(Deficit) AOM 2024-07 (CY 2023 AAR) - NEP	CIP, Various expense accounts and Accumulated Surplus/(Deficit)	(188,000)
Unrecognized Depreciation /AOM 2024-07 (Depreciation)	CIP, Depreciation and Accumulated Surplus/(Deficit)	(24,985,858)
Correcting entries for the overstatement of CIP account and Accumulated Surplus/(Deficit) AOM 2024-07 (CY 2023 AAR) - EEP	CIP, Various expense accounts and Accumulated Surplus/(Deficit)	(32,301,578)
Correcting entries for the residual balances of Due from Line 1-SEP and Due to Line 1 NEP to Accumulated Surplus/(Deficit) to correct the accumulated errors recognized under Intra-Agency accounts (AOM 2024-14 CY 2023 AAR)	Reciprocal Accounts and Accumulated Surplus/(Deficit)	(335,630,759)
Correcting entries for the residual balances of Due from Line 1-SEP and Due to Line 1 NEP to Accumulated Surplus/(Deficit) to correct the accumulated errors recognized under Intra-Agency accounts (AOM 2024-14 CY 2023 AAR)	Reciprocal Accounts and Accumulated Surplus/(Deficit)	112,032,622
Correcting entries for the residual balances of Due from Line 1-SEP and Due to Line 1 NEP to Accumulated Surplus/(Deficit) to correct the accumulated errors recognized under Intra-Agency accounts (AOM 2024-14 CY 2023 AAR)	Reciprocal Accounts and Accumulated Surplus/(Deficit)	2,049,626,881

Nature of Error and Adjustments	Accounts Restated	Amount of Adjustments
Correcting entries for the residual balances of Due from Line 1 – SEP and Due to Line 1 NEP to Accumulated Surplus/(Deficit) to correct the accumulated errors recognized under Intra-Agency accounts (AOM 2024-14 CY 2023 AAR)	Reciprocal Accounts and Accumulated Surplus/(Deficit)	(823,755,578)
Correcting entries for the residual balances of Due from Line 1 – SEP and Due to Line 1 NEP to Accumulated Surplus/(Deficit) to correct the accumulated errors recognized under Intra-Agency accounts (AOM 2024-14 CY 2023 AAR)	Reciprocal Accounts and Accumulated Surplus/(Deficit)	(62,171,247)
<b>GRAND TOTAL</b>		<b>4,995,149,774</b>

## 7. CASH AND CASH EQUIVALENTS

This account consists of the following:

Particulars	2023	2022 (As Restated)
Cash on Hand	7,954,399	6,193,151
Cash in Banks - Local Currency	5,587,132,859	5,676,224,493
Cash in Banks - Foreign Currency	0	3,347,308
Cash Equivalents	0	10,779,162
<b>Total</b>	<b>5,595,087,258</b>	<b>5,696,544,114</b>

*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), and Development Bank of the Philippines (DBP). It also includes the following accounts:

- 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 which 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 CY 2020.
- Financial Assistance to Passengers* represents cash set up to cover the expenses of passengers in case of accident.
- 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. INVESTMENTS

Particulars	2023	2022 (As Restated)
Investments in Time Deposits - Local Currency	1,096,344	555,344
Investments in Time Deposits - Foreign Currency	7,033,475	0
<b>Total</b>	<b>8,129,819</b>	<b>555,344</b>

*Investments in Time Deposits* are mainly placement of time deposits for more than ninety-one (91) days.

## 9. RECEIVABLES

Particulars	2023	2022 (As Restated)
Receivables	1,354,098,935	1,086,845,087
Inter-Agency Receivables	110,222,988	161,576,567
Lease Receivables	17,366,352	21,222,401
Other Receivables	38,070,439	36,871,429
<b>Total</b>	<b>1,519,758,714</b>	<b>1,306,515,484</b>

### 9.1 Receivables

Particulars	2023	2022 (As Restated)
Service Concession Arrangement Receivables	1,339,207,581	1,078,322,988
Interest Receivables	14,891,354	8,522,099
Dividend Receivables	4,099	4,099
<i>Allowance for Impairment Loss</i>	(4,099)	(4,099)
<b>Total</b>	<b>1,354,098,935</b>	<b>1,086,845,087</b>

*Service Concession Arrangement Receivables* represents the accrual of the concession payments for the Manila LRT Line 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.

*Interest Receivables* are receivable representing the accrual of interest earned on High-Yield Savings Accounts.

*Dividend Receivables* represents dividends earned from shares of stocks from PLDT.

*Allowance for Impairment Loss* represents provision for losses from the non-collection of Dividends Receivables.

## 9.2 Inter-Agency Receivables

Particulars	2023	2022 (As Restated)
Due from National Government Agency	98,037,880	149,387,459
Due from Local Government Unit	12,185,108	12,185,108
Due from Government Corporation	261,077	265,077
<i>Allowance for Impairment Loss</i>	(261,077)	(261,077)
Net Value of Due from Government Corporation	0	4,000
<b>Total</b>	<b>110,222,988</b>	<b>161,576,567</b>

*Due from National Government Agency* pertains mainly to the funds transferred to 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.

*Due from Local Government Unit* pertains to receivable from the Province of Cavite.

*Due from Government Corporation* pertains to receivable from Philippine National Construction Corporation (PNCC).

*Allowance for Impairment Loss* represents provision for losses from the non-collection of Due from Government Corporation.

## 9.3 Lease Receivables

Particulars	2023	2022 (As Restated)
Operating Lease Receivables	23,731,120	25,181,701
<i>Allowance for Impairment Loss</i>	(6,364,768)	(3,959,300)
<b>Total</b>	<b>17,366,352</b>	<b>21,222,401</b>

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

*Allowance for Impairment Loss* represents provision for losses from the non-collection of Operating Lease Receivables.

## 9.4 Other Receivables

Particulars	2023	2022 (As Restated)
Receivables – Disallowances/Charges	37,080,883	37,234,328
Due from Officers and Employees	338,598	264,265
<i>Allowance for Impairment Loss</i>	(150,817)	(153,499)
Net Value of Due from Officers and Employees	187,781	110,766

Other Receivables	30,572,678	30,452,348
<i>Allowance for Impairment Loss</i>	(29,770,903)	(30,926,013)
Net Value of Other Receivables	801,775	(473,665)
<b>Total</b>	<b>38,070,439</b>	<b>36,871,429</b>

*Receivables – Disallowances/Charges* pertains to the amount of disallowances/charges in audit due from employees of LRTA which have become final and executory.

*Due from Officers and Employees* pertains to the claims of LRTA from its employees for overpayment, cash shortages and others.

*Allowance for Impairment Loss* represents provision for losses from the non-collection of Due from Officers and Employees.

*Other Receivables* includes receivables from lessee for the lease of commercial space and for advertisement.

*Allowance for Impairment Loss* represents provision for losses from the non-collection of receivables from various lessees for the lease of commercial space and advertisement in LRT Line 2.

## 9.5 Aging/Analysis of the Receivables

Gross	Total	Current	Past Due	
			30-60days	>60days
Service Concession Arrangement Receivables	1,339,207,581	21,740,383	239,144,210	1,078,322,988
Inter-Agency Receivables	110,222,988			110,222,988
Lease Receivables	17,366,352			17,366,352
Interest Receivables	14,891,354	14,891,354		0
Other Receivables	38,070,439			38,070,439
<b>Total</b>	<b>1,519,758,714</b>	<b>36,631,737</b>	<b>239,144,210</b>	<b>1,243,982,767</b>

## 10. INVENTORIES

This account consists of inventory held for consumption:

Particulars	2023	2022 (As Restated)
Spare Parts Inventory	776,533,926	703,374,312
<i>Allowance for Impairment Loss</i>	(4,948,630)	(4,948,630)
Net Value of Spare Parts Inventory	771,585,296	698,425,682
Semi-Expendable Property, Plant and Equipment	3,191,230	77,000
Office Supplies Inventory	915,513	1,058,243
Other Supplies and Materials Inventory	2,162,220	827,177
<b>Total</b>	<b>777,854,259</b>	<b>700,388,102</b>

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

*Office Supplies Inventory* pertains to the cost of acquired office supplies such as bond papers, pens, inks, envelopes and the like.

*Other Supplies and Materials Inventory* are supplies and materials used for the maintenance of service vehicles and other supplies such as alcohol and health-related supplies.

#### 10.1 SEMI-EXPENDABLE PROPERTY, PLANT AND EQUIPMENT

Particulars	2023	2022 (As Restated)
Semi-Expendable Furniture, Fixtures and Books	2,519,775	77,000
Semi-Expendable ICT Equipment	397,079	0
Semi-Expendable Office Equipment	274,376	0
<b>Total</b>	<b>3,191,230</b>	<b>77,000</b>

Semi-Expendable Property, Plant and Equipment are tangible items which meet the definition and recognition criteria of PPE, but below the capitalization threshold of Fifty Thousand Pesos (P50,000.00).

#### 11. OTHER CURRENT ASSETS

Particulars	2023	2022 (As Restated)
Advances to Contractors	68,157,722	70,190,324
Guaranty Deposits	38,086,101	38,086,102
Withholding Tax at Source	28,204,487	22,092,204
Input Tax	12,731,591	28,537,200
Prepaid Insurance	214,930	4,649,297
Other Prepayments	372,600	474,840
<b>Total</b>	<b>147,767,431</b>	<b>164,029,967</b>

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

*Guaranty Deposits* account pertains to the deposits required by various creditors to guarantee payment of utilities such as electric, water and gas companies.

*Withholding Tax at Source* pertains to the creditable withholding tax deducted by LRTA from rentals, and other non-rail revenues.

*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.

*Prepaid Insurance* pertains to the insurance paid in advance by LRTA for government properties.

*Other Prepayments* pertains to prepayments made by LRTA for other prepaid expenses not falling under specific prepayment accounts.

## 12. PROPERTY, PLANT AND EQUIPMENT

This account is composed of the following:

As at December 31, 2023

Particulars	Land & Land Improvement	Buildings & Other Structures	Infrastructure Assets	Machinery & Equipment	Transportation Equipment	Furniture & Fixtures	AFCS Equipment	Service Concession Assets	Construction in Progress	Total
Carrying Value Jan. 01, 2023	7,131,622,101	960,254,605	14,409,078,117	331,740,937	1,001,834,402	561,120	(105,363,509)	17,769,268,962	3,631,689,985	45,130,686,720
Additions	87,624,534	151,509,967	4,964,623,823	3,251,510	408,054	0	188,049,193	6,477,621,998	285,332,559	12,158,421,638
Adjustments	(313,789,633)	0	(152,255,150)	(18,575)	607,888,140	0	0	132,450	(2,732,081,266)	(2,590,124,034)
<b>Total</b>	<b>6,905,457,002</b>	<b>1,111,764,572</b>	<b>19,221,446,790</b>	<b>334,973,872</b>	<b>1,610,130,596</b>	<b>561,120</b>	<b>82,685,684</b>	<b>24,247,023,410</b>	<b>1,184,941,278</b>	<b>54,698,984,324</b>
Depreciation	(4,774,636)	(39,855,815)	(785,768,870)	(48,487,859)	(307,824,067)	(139,460)	(17,864,673)	(1,359,942,734)	0	(2,564,658,114)
Impairment	0	0	(1,222,255)		(609,979,374)	0	0	0	0	(611,201,629)
<b>Carrying Value Dec. 31, 2023</b>	<b>6,900,682,366</b>	<b>1,071,908,757</b>	<b>18,434,455,665</b>	<b>286,486,013</b>	<b>692,327,155</b>	<b>421,660</b>	<b>64,821,011</b>	<b>22,887,080,676</b>	<b>1,184,941,278</b>	<b>51,523,124,581</b>
Cost	6,965,399,285	1,674,092,767	29,309,654,839	885,951,130	6,039,392,532	7,860,483	401,963,456	45,418,240,560	1,184,941,278	91,887,496,330
Acc. Depreciation	(64,716,919)	(602,184,010)	(10,528,027,020)	(599,465,117)	(3,686,800,248)	(7,438,823)	(255,777,738)	(22,531,159,884)	0	(38,275,569,759)
Acc. Impair. loss	0	0	(347,172,154)	0	(1,660,265,129)	0	(81,364,707)	0	0	(2,088,801,990)
<b>Carrying Value Dec. 31, 2023</b>	<b>6,900,682,366</b>	<b>1,071,908,757</b>	<b>18,434,455,665</b>	<b>286,486,013</b>	<b>692,327,155</b>	<b>421,660</b>	<b>64,821,011</b>	<b>22,887,080,676</b>	<b>1,184,941,278</b>	<b>51,523,124,581</b>

As at December 31, 2022 (As restated)

Particulars	Land & Land Improvement	Buildings & Other Structures	Infrastructure Assets	Machinery & Equipment	Transportation Equipment	Furniture & Fixtures	AFCS Equipment	Service Concession Assets	Construction in Progress	Total
Carrying Value Jan. 01, 2022	6,896,709,701	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	43,727,938,794
Additions	381,164,439	14,343,106	2,621,550,234	59,515,966	472,505	0	0	0	3,047,586,327	6,124,632,577
Adjustments	(123,286,755)	(80,640)	(61,343,680)	(29,499,615)	(8,900,418)	(139,808)	(108,676,763)	(10,253,899)	(1,592,408,335)	(1,934,589,913)
<b>Total</b>	<b>7,154,587,385</b>	<b>999,935,325</b>	<b>15,177,490,905</b>	<b>382,557,328</b>	<b>1,522,211,564</b>	<b>698,470</b>	<b>(87,498,836)</b>	<b>19,136,309,332</b>	<b>3,631,689,985</b>	<b>47,917,981,458</b>
Depreciation	(22,965,284)	(39,680,720)	(768,412,788)	(50,816,391)	(520,377,162)	(137,350)	(17,864,673)	(1,367,040,370)	0	(2,787,294,738)
Impairment	0	0	0	0	0	0	0	0	0	0
<b>Carrying Value Dec. 31, 2022</b>	<b>7,131,622,101</b>	<b>960,254,605</b>	<b>14,409,078,117</b>	<b>331,740,937</b>	<b>1,001,834,402</b>	<b>561,120</b>	<b>(105,363,509)</b>	<b>17,769,268,962</b>	<b>3,631,689,985</b>	<b>45,130,686,720</b>
Cost	7,190,796,985	1,522,582,800	24,345,031,016	881,950,232	6,040,951,100	7,860,483	213,914,262	38,937,969,570	3,631,689,985	82,772,746,433
Acc. Depreciation	(59,174,884)	(562,328,195)	(9,588,916,201)	(550,209,295)	(3,988,830,944)	(7,299,363)	(237,913,064)	(21,168,700,608)	0	(36,163,372,554)
Acc. Impair. loss	0	0	(347,036,698)	0	(1,050,285,754)	0	(81,364,707)	0	0	(1,478,687,159)
<b>Carrying Value Dec. 31, 2022</b>	<b>7,131,622,101</b>	<b>960,254,605</b>	<b>14,409,078,117</b>	<b>331,740,937</b>	<b>1,001,834,402</b>	<b>561,120</b>	<b>(105,363,509)</b>	<b>17,769,268,962</b>	<b>3,631,689,985</b>	<b>45,130,686,720</b>

## 13. INVESTMENT PROPERTY

Particulars	2023	2022 (As Restated)
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<b>Investment Property-Land</b>	<b>475,466,370</b>	<b>475,466,370</b>
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*Investment Property-Land* represents the cost of land used to earn rentals and other idle lands of the Authority. The land subject for lease has total area of 30,338.50 square meters.

#### 14. OTHER NON-CURRENT ASSETS

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Other Investments	14,716,501	14,716,501
<i>Allowance for Impairment Loss</i>	(14,500,000)	(14,500,000)
<b>Total</b>	<b>216,501</b>	<b>216,501</b>

The remaining balance of this account pertains to investments in Philippine Long-Distance Telephone Company which remained dormant as at year-end.

#### 15. FINANCIAL LIABILITIES - CURRENT

This account consists of the following:

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Payables	295,503,444	324,315,576
Loans Payables	1,664,505,571	1,772,603,275
<b>Total</b>	<b>1,960,009,015</b>	<b>2,096,918,851</b>

##### 15.1 Payables

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Accounts Payable	230,325,703	249,436,768
Interest Payable	63,059,366	73,522,134
Due to Officers and Employees	1,283,137	0
Insurance Payable (HMO)	835,238	1,356,674
<b>Total</b>	<b>295,503,444</b>	<b>324,315,576</b>

*Accounts Payable* pertains to recognition of payable from the goods and services acquired on account such as security and janitorial services, supplies and inventories and utilities.

*Interest Payable* pertains to the accrual of interest on loans and other indebtedness, whether short-term or long-term.

*Due to Officers and Employees* pertains to the incurrence of liability to officers and employees for salaries, benefits and other emoluments.

## 15.2 Loans Payable

Particulars	2023	2022 (As Restated)
<b>Loans Payable-Foreign</b>	<b>1,664,505,571</b>	<b>1,772,603,275</b>

*Loans Payable – Foreign* pertains to the portion of the Non-Current Loans Payable – Foreign which is due within the reporting period.

## 16. INTER-AGENCY PAYABLES

This account consists of the following:

Particulars	2023	2022 (As Restated)
Due to LGUs	676,863,411	676,863,411
Due to NGAs	71,539,465	0
Due to BIR	38,270,869	27,155,594
Due to GSIS	11,666,237	8,347,350
Due to PhilHealth	2,601,375	1,135,971
Due to Pag-IBIG	988,231	877,220
Value Added Tax Payable	1,383,478	76,921
<b>Total</b>	<b>803,313,066</b>	<b>714,456,467</b>

*Due to Local Government Units (LGUs)* represent accrued real property taxes on real property owned by LRTA located in Manila, Quezon City, Caloocan, Pasay and Marikina City. The Special Civil Action (SCA) Case No. C-21292-5 between LRTA vs. City of Manila was submitted for resolution. In addition, SCA Case No. C-1080-2012 Regional Trial Court (RTC) Branch 126 between LRTA vs. City of Caloocan represented by the City Treasurer and the City Assessor is pending with the Supreme Court. Further, Supreme Court decided in favor of LRTA under Case No. R-RS-12-09347-CV RTC Branch 10 between LRTA vs. City of Pasay. Furthermore, in case of LRTA vs City of Marikina represented by the City Treasurer and the City Assessor with Case No. 12-838 RTC Branch 263, resolution is pending with trial court.

Lastly, in its decision under G.R. 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.

*Due to National Government Agencies (NGAs)* pertains to amount payable to BTr and other inter-agency transaction such as cost of audit from COA.

*Due to Bureau of Internal Revenue (BIR)* pertains to the taxes withheld from the salaries and other benefits of officers and employees of LRTA and from goods and services procured.

*Due to Government Service Insurance System (GSIS)* pertains to the withheld amount of LRTA employees' premium payments and other payables for remittance to the GSIS.

*Due to Philippine Health Insurance Corporation (PhilHealth)* pertains the withheld amount of LRTA employees' premium payment for remittance to the PHIC.

*Due to Pag IBIG* pertains to the withheld LRTA employees' premium payments and other payables for remittance to the Home Development Mutual Fund (HDMF).

*Value Added Tax Payable* pertains to the tax withheld by LRTA from various sources which are to be remitted to the BIR.

## 17. TRUST LIABILITIES

Particulars	2023	2022 (As Restated)
Trust Liabilities	2,147,949,866	2,198,457,700
Guaranty/Security Deposit Payable	197,861,999	202,321,612
Customers Deposits Payable	28,090,290	26,906,402
<b>Total</b>	<b>2,373,902,155</b>	<b>2,427,685,714</b>

*Trust Liabilities* represents the outstanding balance of fund transfers received mainly from the DOTr in compliance with various project 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* represents the security deposits collected from 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.

## 18. DEFERRED CREDITS / UNEARNED INCOME

This account consists of the following:

Particulars	2023	2022 (As Restated)
Unearned Revenue/Income	0	11,224,516
Other Deferred Credits	15,179,819	7,239,638
<b>Total</b>	<b>15,179,819</b>	<b>18,464,154</b>

*Unearned Revenue/Income* represents the advance payment collected from Non-Rail Lease Agreements.

*Other Deferred Credits* represents unearned collection from other transactions not falling under any specific deferred credits accounts.

## 19. PROVISIONS



Particulars	2023	2022 (As Restated)
Leave Benefits Payables	143,729,026	143,947,059
Other Provision – Tax Payable	4,273,234	0
<b>Total</b>	<b>148,002,260</b>	<b>143,947,059</b>

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

*Other Provision – Tax Payable* pertains to the estimated tax withheld at year-end from accrued payables recognized.

## 20. OTHER PAYABLES

Particulars	2023	2022 (As Restated)
<b>Other Payables</b>	<b>5,935,321</b>	<b>27,482,270</b>

*Other Payables* represents obligations to various parties not falling under any of the specific payable accounts. This includes settlement and issued value with AF Payments, Inc. (AFPI) and cash bond of LRTA employees.

## 21. FINANCIAL LIABILITIES - NON-CURRENT

Particulars	2023	2022 (As Restated)
Loans Payables – Foreign	8,402,225,522	10,600,222,253
Due to Treasurer of the Philippines	47,839,445,756	43,631,650,632
<b>Total</b>	<b>56,241,671,278</b>	<b>54,231,872,885</b>

### 21.1 Loans Payables – Foreign

Particulars	2023	2022 (As Restated)
<b>Loans Payables</b>	<b>8,402,225,522</b>	<b>10,600,222,253</b>

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 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	2023	2022 (As Restated)
<b>Foreign Loans</b>				
Belgian State	30 years	5.02%+1%	190,724,759	204,226,900
<b>DOF-Belgian State Loans</b>				
Rehab I	30 years	Interest Free	0	0
Rehab II	20 years	1% relending rate	20,909,640	29,998,793

Natexis Banque	21 years	1.5% + 1%	734,960	6,429,507
<b>Japan Bank for International Corporation Loans</b>				
PH-P137	30 years	3%+ 2% relending rate	0	24,345,702
PH-P148	20 years	3%+1.9%	178,144,002	379,698,134
PH-P167	20 years	Prin I –2.7%,Prin II– 2.3% + 1% SF	983,201,952	1,466,925,405
PH-P171	20 years	Prin I –2.7%,Prin II– 2.3% + 1% SF	1,745,626,450	2,391,845,071
PH-P185	30 years	0.75% + 1% SF	2,595,603,807	2,950,559,578
PH-P211	30 years	0.75% + 1% SF	3,963,578,726	4,480,008,681
PH-P211A		0.75% + 1% SF	388,206,797	438,787,757
<b>Total</b>			<b>10,066,731,093</b>	<b>12,372,825,528</b>
<b>Current Portion</b>			<b>(1,664,505,571)</b>	<b>(1,772,603,275)</b>
<b>Long-Term Loans Payable</b>			<b>8,402,225,522</b>	<b>10,600,222,253</b>

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 Belgian Franc (BFR) 150.000 million. LRTA has put up an equivalent amount as counterpart with a maturity of 30 years. The proceeds were utilized for the Rehabilitation of LRT Line 1. Another Subsidiary Loan Agreement was entered to finance the Rehabilitation of Rolling Stocks (LRT Line 1) on February 10, 1997, amounting to BFR 131.670 million.

iii. *Natexis Banque*

The Government of the French Republic and the Government of the Republic of the Philippines signed a Financial Protocol on December 18, 1995, by virtue of which the French Government has provided credit facilities to the Philippines amounting to French Franc (FF) 162.051 million including a French Treasury grant of FF 2.021 million and a French Treasury Loan of FF 96.018 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 FF 33.834 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:

Name of Project	Ref.	Date of Agreement	Principal Amount In Yen
Engineering services for Line 1 Capacity Expansion Project and LRT 2 construction	PH-P-137	12-16-1993	1,259,000,000
Line 1 Capacity Expansion Project, Phase1	PH-P-148	12-20-1994	9,795,000,000
Line 2 Project – Non-consulting services (Principal 1) and Consulting services (Principal II)	PH-P-167	03-26-1996	24,712,000,000
Line 2 Package 3 Project	PH-P-171	10-14-1997	26,344,000,000
Line 2 Package 4 Project	PH-P-185	09-18-1998	23,668,000,000
Line 1 Capacity Expansion Project Phase II	PH-P-211 PH-P211A	04-07-2000 10-31-2000	22,262,000,000

## 21.2 Due to Treasurer of the Philippines

Particulars	2023	2022 (As Restated)
<b>Due to Treasurer of the Philippines</b>	<b>47,839,445,756</b>	<b>43,631,650,632</b>

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	2023	2022 (As Restated)
<b>Regular Loans</b>		
Line 1		
Belgian State Loan (#12) BFr 150M	54,655,627	54,655,628
Belgian State Loan (#13) BFr 131.67M	60,531,761	50,273,685
OECD/JBIC Loan PH P 148 and 137	1,572,462,174	1,371,623,076
NG Spread for JBIC Loan PH P 137	5,177,723	4,924,305
NG Spread for JBIC Loan PH P 148	117,998,234	111,816,473
OECD/JBIC Loan PH P 211	2,150,140,016	1,864,526,206
OECD/JBIC Loan PH P 211A	155,691,610	141,794,125
NG Spread for JBIC Loan PH P 211 and 211A	353,995,672	309,819,823
French Protocol	74,641,485	60,204,123
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	140,970,340	119,430,573
PCIR and New Money Bonds	574,185,054	574,185,054
Swiss Transfer Facility	391,517	391,517
Line 2		
OECD Loan PH P167	11,475,175,465	10,002,430,553

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
OECF Loan PH P171(including NG Spread)	15,312,092,731	14,739,571,927
OECF Loan PH P185 (including NG Spread)	4,613,168,705	4,402,420,605
Guarantee Fee Line1-French Protocol and Line 2 OECF PH P 167	0	1,038,746,111
Interest on Net Lending-Regular Loans Lines 1 and 2	11,123,351,356	8,707,734,502
Interest on Net Lending-PCIR and NMBs	54,660,205	54,660,205
<b>Total Loans</b>	<b>47,839,445,756</b>	<b>43,609,364,572</b>
Other Payables	0	22,286,060
<b>Total</b>	<b>47,839,445,756</b>	<b>43,631,650,632</b>

## **22. GOVERNMENT EQUITY**

The P3.000 Billion approved Capitalization of LRTA, under EO No. 603, amended by EO Nos. 830 and 210 dated September 22, 1982, and July 7, 1987, respectively, is almost fully subscribed amounting to P2.986 Billion.

## **23. 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 through the DOTr, formerly known as DOTC, under the 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.

## **24. 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 error corrections.

## **25. SERVICE AND BUSINESS INCOME**

Particulars	2023	2022 (As Restated)
<b>Service Income</b>		
Fines and Penalties–Service Income	13,678,335	1,419,031
Other Service Income–Gross Availability Payment	45,675,241	41,863,318
<b>Total Service Income</b>	<b>59,353,576</b>	<b>43,282,349</b>
<b>Business Income</b>		
Transportation System Fees	1,096,348,506	625,077,529
Service Concession Revenue	260,884,593	260,884,593
Rental Income	136,263,873	103,678,314
Interest Income	51,637,812	29,129,108
<b>Total Business Income</b>	<b>1,545,134,784</b>	<b>1,018,769,544</b>
<b>Total</b>	<b>1,604,488,360</b>	<b>1,062,051,893</b>

*Fines and Penalties – Service Income* pertains to fee collected for the processing of documents for fines and penalties charged to service income.

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

*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 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 leases and inter-connection access.

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

## 26. PERSONNEL SERVICES

This account consists of the following:

Particulars	2023	2022 (As Restated)
Salaries and Wages	350,384,691	356,545,230
Other Compensation	129,001,773	146,703,481
Personnel Benefit Contributions	50,770,808	50,580,618
Other Personnel Benefits	71,134,630	59,648,094
<b>Total</b>	<b>601,291,902</b>	<b>613,477,423</b>

### 26.1 Salaries and Wages

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Salaries and Wages - Regular	211,080,501	214,095,390
Salaries and Wages – Casual/Contractual	139,304,190	142,449,840
<b>Total</b>	<b>350,384,691</b>	<b>356,545,230</b>

*Salaries and Wages – Regular* pertains to services rendered by LRTA employees occupying regular positions.

*Salaries and Wages – Contractual* pertains to services rendered by employees contracted/hired by LRTA to perform regular functions and specific vital activities or services.

## 26.2 Other Compensation

*Other Compensation* represents other benefits paid to LRTA employees authorized by law.

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Year End Bonus	28,095,333	30,935,577
Mid-Year Bonus	28,248,090	27,285,707
Overtime Pay	21,144,814	24,737,535
Personal Economic Relief Allowance	18,155,860	17,906,409
Clothing Allowance	4,608,000	4,578,000
Cash Gift	3,790,500	3,779,250
Representation Allowance	3,184,625	2,993,125
Transportation Allowance	1,927,376	1,666,875
Longevity Pay	445,000	520,000
Directors and Committee Members Fee	324,000	364,000
Honoraria	23,000	341,981
Hazard Pay	0	6,789,500
Productivity Incentive Allowance	0	27,298
Other Bonus and Allowances	19,055,175	24,778,224
<b>Total</b>	<b>129,001,773</b>	<b>146,703,481</b>

## 26.3 Personnel Benefit Contributions

*Personnel Benefit Contributions* pertains to government share for the premium contribution to GSIS, Pag-IBIG, PhilHealth and ECC.

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Retirement and Life Insurance Premiums	42,160,004	42,099,343
PhilHealth Contributions	6,665,976	6,646,175
Employees Compensation Insurance Premiums	1,014,428	896,100
Pag-IBIG Contributions	930,400	939,000
<b>Total</b>	<b>50,770,808</b>	<b>50,580,618</b>

## 26.4 Other Personnel Benefits

*Other Personnel Benefits* pertains to other benefits received by LRTA employees such as money value of the accumulated leaves.

Particulars	2023	2022 (As Restated)
Terminal Leave Benefits	35,011,208	35,620,571
Other Personnel Benefits	36,123,422	24,027,523
<b>Total</b>	<b>71,134,630</b>	<b>59,648,094</b>

## 27. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

Particulars	2023	2022 (As Restated)
Professional Services	68,963,542	71,297,608
Taxes, Insurance Premiums and Other Fees	61,919,581	41,280,200
General Services	19,707,478	16,258,983
Supplies and Materials Expenses	14,074,822	20,789,756
Repairs and Maintenance	13,041,752	3,684,286
Training and Scholarship Expenses	3,738,012	1,355,688
Communication Expenses	3,027,063	3,015,641
Utility Expenses	2,710,592	2,482,052
Survey Expenses	1,370,000	45,000
Travelling Expenses	734,615	17,600
Awards/Rewards Expenses	304,000	160,000
Other Maintenance and Operating Expenses	5,360,046	4,390,839
<b>Total</b>	<b>194,951,503</b>	<b>164,777,653</b>

### 27.1 Professional Services

Particulars	2023	2022 (As Restated)
Legal Services	13,057,512	1,108,072
Auditing Services	7,815,653	9,421,810
Consultancy Services	3,329,428	19,078,917
Other Professional Services	44,760,949	41,688,809
<b>Total</b>	<b>68,963,542</b>	<b>71,297,608</b>

*Legal Services* represents cost incurred for authorized legal services, rendered by lawyers hired by LRTA. It also includes special counsel allowances granted to government lawyers for representing as LRTA's special counsel in court.

*Auditing Services* pertains to cost of auditing services rendered by COA.

*Consultancy Services* pertains to cost of services rendered by consultants contracted to perform particular outputs or services primarily advisory in nature and requiring highly specialized or technical expertise.

*Other Professional Services* represents cost of other professional services contracted by LRTA.

## 27.2 Taxes, Insurance Premiums and Other Fees

Particulars	2023	2022 (As Restated)
Taxes, Duties and Licenses	46,299,175	30,377,772
Insurance Expenses	524,025	584,124
Fidelity Bond Premiums	15,096,381	10,318,304
<b>Total</b>	<b>61,919,581</b>	<b>41,280,200</b>

*Taxes Duties and Licenses* pertains to the amount of taxes, duties, licenses and other fees to regulatory entities. It also includes taxes on interest income on savings deposits and time deposits.

*Insurance Expenses* pertains to amount of premiums paid by LRTA for the insurable government properties of LRTA.

*Fidelity Bond Premiums* represents the amount of premiums paid by LRTA for the fidelity bonds of the accountable officers.

## 27.3 General Services

Particulars	2023	2022 (As Restated)
<b>Security Services</b>	<b>19,707,478</b>	<b>16,258,983</b>

*Security Services* represents the cost of security services contracted by LRTA.

## 27.4 Supplies and Materials Expenses

*Supplies and Materials Expenses* represents cost of supplies used by LRTA for a day-to-day operation, as follows: Office Supplies, Fuel and Oil, drugs and medicine, semi-expendable properties and the likes.

Particulars	2023	2022 (As Restated)
Office Supplies Expenses	3,201,180	4,082,969
Fuel, Oil, and Lubricant Expenses	2,216,645	2,175,662
Drugs and Medicine Expenses	121,150	0
Semi-Expendable-Machinery and Equipment	75,965	382,726
Semi-Expendable-Furniture and Fixtures	0	409,226
Other Supplies and Material Expenses	8,459,882	13,739,173
<b>Total</b>	<b>14,074,822</b>	<b>20,789,756</b>

## 27.5 Repairs and Maintenance



<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Repairs and Maintenance - Railways	11,890,138	0
Repairs and Maintenance - Motor Vehicles	658,770	645,597
Repairs and Maintenance - Office Building	470,256	2,699,314
Repairs and Maintenance - Trains	21,188	339,375
Repairs and Maintenance - Office Equipment	1,400	0
<b>Total</b>	<b>13,041,752</b>	<b>3,684,286</b>

*Repairs and Maintenance Expenses* represents cost of repairs and maintenance of LRTA that do not qualify for recognition as PPE.

#### 27.6 Training and Scholarship Expenses

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
<b>Training Expenses</b>	<b>3,738,012</b>	<b>1,355,688</b>

*Training Expenses* pertains to the cost incurred for the participation/attendance in and conduct of seminars, trainings and conventions.

#### 27.7 Communication Expenses

*Communication Expenses* represents expenses such as postages, telephones and internet subscriptions

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Internet Subscription Expenses	1,413,213	1,165,753
Telephone Expense-Mobile	1,265,300	1,259,400
Telephone Expense-Landline	331,837	560,118
Postage and Courier Services	16,713	30,370
<b>Total</b>	<b>3,027,063</b>	<b>3,015,641</b>

#### 27.8 Utility Expenses

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Electricity Expenses	2,710,593	2,474,982
Water Expenses	0	7,070
<b>Total</b>	<b>2,710,593</b>	<b>2,482,052</b>

*Electricity Expenses* pertains to electricity consumption in LRTA Line 2 Depot in Santolan, Pasig City.

#### 27.9 Survey Expenses

Particulars	2023	2022 (As Restated)
<b>Survey Expenses</b>	<b>1,370,000</b>	<b>45,000</b>

*Survey Expenses* pertains to the cost incurred in the conduct of structural, statistical survey of LRTA.

#### 27.10 Travelling Expenses

Particulars	2023	2022 (As Restated)
<b>Travelling Expenses</b>	<b>734,615</b>	<b>17,600</b>

*Travelling Expenses* represents cost incurred by LRTA employees for travel which includes transportation fee, per diems and other related allowances.

#### 27.11 Awards/Rewards Expenses

Particulars	2023	2022 (As Restated)
<b>Awards/Rewards Expenses</b>	<b>304,000</b>	<b>160,000</b>

*Awards/Rewards Expenses* pertains to the amount given to LRTA employees in recognition of their achievement and excellent performance.

#### 27.12 Other Maintenance and Operating Expenses

*Other Maintenance and Other Operating Expenses* represents other expenses such as those incurred in official meetings, advertisement in any form of media, printing of forms, rental of properties and others.

Particulars	2023	2022 (As Restated)
Advertising, Promotional and Marketing Expenses	557,971	33,054
Representation Expenses	434,499	436,490
Miscellaneous and Extraordinary Expenses	179,167	220,997
Printing and Binding Expenses	106,925	34,750
Rent/Lease Expenses	68,560	3,600
Transportation and Delivery Expenses	1,078	3,514
Documentary Stamp Expenses	9,497	38,450
Other MOOE-Other Expenses	4,002,349	3,619,984
<b>Total</b>	<b>5,360,046</b>	<b>4,390,839</b>

### 28. FINANCIAL EXPENSES

Particulars	2023	2022 (As Restated)
Interest Expenses	2,689,297,673	1,532,233,711
Bank Charges	473,600	656,595

Other Financial Charges	5,221,201	0
<b>Total</b>	<b>2,694,992,474</b>	<b>1,532,890,306</b>

*Interest Expenses* pertains to the amount of interest charges incurred for the various loans of LRTA.

*Bank Charges* represents charges imposed by depository banks of LRTS for several services rendered such as cost of check books, penalties, cost of telegraphic transfers and the like.

*Other Financial Charges* represents cost incurred for the conversion of foreign loans using the selling rate of USD advanced by BTr at the time of transaction.

## 29. DIRECT COSTS

This account is comprised of the following which represents the amount incurred from the labor, spare parts issued, power, and other overhead expenditures for operations in maintaining LRT Line 2 system:

Particulars	2023	2022 (As Restated)
Direct Operating Cost-Overhead	326,540,267	273,061,200
Direct Operating Cost-Materials	280,246,020	63,109,063
Direct Operating Cost-Power	262,226,417	229,753,713
Direct Operating Cost-Maintenance of LRT System	157,480,812	372,671,931
<b>Total</b>	<b>1,026,493,516</b>	<b>938,595,907</b>

## 30. NON-CASH EXPENSES

This account consists of the following:

Particulars	2023	2022 (As Restated)
Depreciation	2,566,552,685	2,787,294,738
Impairment Loss	3,927,586	10,093,749
<b>Total</b>	<b>2,570,480,271</b>	<b>2,797,388,487</b>

### 30.1 Depreciation

Particulars	2023	2022 (As Restated)
Depreciation - Service Concession Assets	1,359,942,734	1,367,040,369
Depreciation - Railway System	782,165,243	764,809,162
Depreciation - Trains	307,159,067	517,522,804
Depreciation - Buildings	26,359,429	26,359,429
Depreciation - AFCS Equipment	17,864,673	17,864,673
Depreciation - Office Equipment	9,430,482	11,251,895

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Depreciation - ICT Equipment	6,893,516	3,306,363
Depreciation - Land Improvement	4,774,636	22,965,284
Depreciation - Water Supply Systems	3,603,626	3,603,626
Depreciation - Motor Vehicle	1,894,571	2,189,358
Depreciation - Furniture, Fixtures and Books	139,460	137,350
Depreciation - Other Equipment	32,163,861	36,258,133
Depreciation - Other Structures	13,496,387	13,321,292
Depreciation - Other Transportation Equipt.	665,000	665,000
<b>Total</b>	<b>2,566,552,685</b>	<b>2,787,294,738</b>

*Depreciation* is the systematic allocation of the depreciation amount of the PPE over its useful life. LRTA uses straight-line method in depreciating its PPE with a five percent residual value.

### 30.2 Impairment Loss

*Impairment Loss* represents the portion of the cost of the asset to be written down due to unlikelihood of collectability and if deterioration or obsolescence is evident in the asset. This account is composed of the following:

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Impairment Loss-Other Receivables	2,705,331	5,145,119
Impairment Loss-PPE	1,222,255	0
Impairment Loss-Spare Parts Inventory	0	4,948,630
<b>Total</b>	<b>3,927,586</b>	<b>10,093,749</b>

### 31. OTHER NON-OPERATING INCOME

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
Miscellaneous Income	1,263,182	1,554,180
Sale of Unserviceable Property	13,410	0
<b>Total</b>	<b>1,276,592</b>	<b>1,554,180</b>

*Miscellaneous Income* pertains to the income earned which are not classified under specific income accounts.

*Sale of Unserviceable Property* represents income from the disposal of unserviceable properties of LRTA.

### 32. GAINS

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
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<b>Gain on Foreign Exchange (FOREX)</b>	<b>696,093,429</b>	<b>791,505,386</b>
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*Gain on Foreign Exchange* pertains to the unrealized gain from the revaluation of foreign-denominated loans

### 33. LOSSES

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
<b>Loss on Foreign Exchange</b>	<b>8,539,436</b>	<b>20,513,578</b>

*Loss on Foreign Exchange* is a result of repayment and revaluation of various foreign-denominated loans, especially JBIC loans. The 2023 foreign exchange rate was US\$1 to P55.370 compared to US\$1 to P56.120 in December 2022.

### 34. SUBSIDY FROM NATIONAL GOVERNMENT

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
<b>Total</b>	<b>7,746,724,719</b>	<b>3,638,062,855</b>

*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 the liquidation of capitalizable expenditures incurred from fund transfers from the DOTr for LRT extension projects. This amount includes the cost of 4<sup>th</sup> Generation LRVs hand-over from DOTr to LRTA to LRMC.

### 35. RECONCILIATION OF NET CASH FLOW FROM OPERATING ACTIVITIES

<b>Particulars</b>	<b>2023</b>	<b>2022 (As Restated)</b>
<b>Cash Inflows</b>		
Collections of Revenue	1,287,353,602	725,158,620
Receipts of Assistance/Subsidy	1,054,479,923	1,018,152,000
Trust Receipts	12,752,260	831,605,087
Other Receipts	49,926,303	48,306,010
<b>Total Cash Inflows</b>	<b>2,404,512,088</b>	<b>2,623,221,717</b>
<b>Cash Outflows</b>		
Payment of Expenses	1,518,569,923	1,311,857,186
Purchase of Inventories	332,201,273	208,178,250
Remittance of Personnel Benefit Contribution	32,698,485	45,366,110
Other Disbursement	16,419,999	4,389,386
<b>Total Cash Outflows</b>	<b>1,899,889,680</b>	<b>1,569,790,932</b>
<b>Net Cash Provided by Operation</b>	<b>504,622,408</b>	<b>1,053,430,785</b>

### 36. 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 Budget (b)	Difference (a – b)
<b>Receipts</b>			
National Government Subsidy	1,053,363,000	1,053,363,000	0
Subsidy/Downloaded Thru DOTr	1,189,506,796	1,179,875,486	9,631,310
Prior Years' Subsidy	2,308,346,872	979,714,173	1,328,632,699
Subsidy for NG Advances	2,967,992,759	1,861,477,408	1,106,515,351
Corporate Funds			
Rail Revenues	1,090,213,020	1,134,743,004	(44,529,984)
Non-Rail Revenues	253,909,575	296,859,118	(42,949,543)
Beginning Balance	538,628,828	527,905,633	10,723,195
<b>Total Receipts</b>	<b>9,401,960,850</b>	<b>7,033,937,822</b>	<b>2,368,023,028</b>
<b>Payments</b>			
Personal Services	754,654,620	587,148,661	167,505,959
Maintenance and Other Operating Expenses	1,475,982,439	988,146,222	487,836,217
Capital Outlay	4,203,331,032	955,667,455	3,247,663,577
Debt Service/Financial Expenses			
Principal Repayment	2,406,887,097	1,615,886,373	791,000,723
Interest Payment	414,246,015	198,025,483	216,220,534
Guarantee Fees	144,359,647	103,020,690	41,338,957
Other Interest Charges	2,500,000	4,504	2,495,495
<b>Total Payments</b>	<b>9,401,960,850</b>	<b>4,447,899,388</b>	<b>4,954,061,462</b>
<b>Net Receipts/Payments</b>	<b>0</b>	<b>2,586,038,434</b>	<b>(2,586,038,434)</b>

### 37. 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 (2%) of Gross Rail

Revenue shall be imposed whenever the amount of MCIT is greater than the RCIT due. In CY 2023, no income tax expense has been recognized due to the incurred Loss.

### 38. INFORMATION REQUIRED UNDER REVENUE REGULATIONS No. 15-2010 OF THE BUREAU OF INTERNAL REVENUE

The 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.

<b>Tax Type</b>	<b>2023</b>	<b>2022</b>	<b>Remarks</b>
Common Carriers	24,354,103	15,049,467	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 (3%) of Gross Revenue on Railway operations.
Value-Added Tax	7,386,247	5,345,890	VAT output tax declaration on Rental Income with respect to the LRTA's non-rail operations as a VAT-registered entity.
<b>Withholding Tax on:</b>			
a. Compensation and Benefits	35,470,024	43,493,286	
b. Creditable Withholding on:			
b.1 VAT	57,977,608	49,243,000	
b.2 EWT	21,924,890	19,779,273	
<b>All Other Taxes</b>			
a. Licenses and permits	474,840	1,392,190	
b. Car Registration	93,074	120,254	
<b>Total</b>	<b>147,680,786</b>	<b>134,423,360</b>	

#### a. *Deficiency Tax Assessment*

This pertains to the deficiency tax assessment of P9.300 million on VAT, Withholding Tax on Compensation Income, 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, 2023, 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:

<b>Name of City</b>	<b>Amount</b>
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
<b>Total</b>	<b>3,422,878,213</b>

### 39. OTHER MATTERS

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

- 39.1** An Arbitration Case No. 88-001 was instituted by the 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 P1.400 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's financial statements.

#### 39.2 Civil Cases

<b>Case Title</b>	<b>Status/Remarks</b>
LRTA VS. Sights and Sites Outdoor Advertising Inc.  R-RH-14-15654 RTC Branch 115, Pasay City	Scheduled for presentation of evidence.
LRTA VS. Raymond Transport and all other persons claiming rights over it.  MTC Manila, Branch 18 Rey C. Mordeno (LRT Passenger) vs. LRTA et. Al.	RTC remanded the case to MeTC for submission of Position Paper.
R-RH-14-15648-N RTC Branch 118, Pasay City	Petition for Review on Certiorari was filed before the Supreme Court last May 2, 2023.
Automation Specialists and Power Exponents Inc. vs. LRTA	Submitted for arbitration.
Civil Case No. MC16-10688 Isetann Department Store, Inc vs. LRTA	Pending with Court Appeals



Case Title	Status/Remarks
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	
LRTA vs. Guidote Mercantile Corp.	Pending case in Regional Trial Court. There is an ongoing settlement of claims between the previous lawyer of Guidote and Guidote.
SCA No. 01101326 RTC Branch 52, Manila	
Jose Luis Quimson et. al vs. LRTA	Pending in court for continuation of presentation of evidence.
SP No. 16135196 RTC Branch 36, Manila	
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.

### 39.3 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	Continuation of the Preliminary

Cases	Status/Remarks
represented by Caesar Dulay and/or Manuel Mapoy	Conference set on May 19, 2022.
OSJ Case No. 04-2020	
<b>REAL PROPERTY</b>	
LRTA vs. City of Pasay represented by the City Treasurer and the City Assessor	Supreme Court decided in favor of LRTA.
Case No. R-RS-12-09347-CV RTC Branch 109, Pasay City	
LRTA vs. City of Caloocan represented by the City Treasurer and the City Assessor	Pending with the Supreme Court.
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	

#### 39.4 Line 1 Expropriation Cases

Cases	Status/Remarks
<b>PACKAGE 1</b>	
LRTA vs. Heirs of Eleuteria Bernardo	Case is now terminated pending payment of just compensation.
Civil Case No. 11-0053/ Branch 195 Paranaque	
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	

<b>Cases</b>	<b>Status/Remarks</b>
LRTA vs. Stella Rodriguez et. al  Civil Case No. 2020-078 Branch 274 Paranaque	Awaiting decision of Board of Commissioners.
LRTA vs. Heirs of Faustino Bernardo et. al.  Civil Case No. 2020-107 Branch 257 Paranaque	LRTA Board approved the proposed sale.
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.
<b>PACKAGE 2</b>	
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.	Pending with Court of Appeals.

Cases	Status/Remarks
Civil Case No. 20-0003 RTC Branch 275, Las Pinas	
LRTA vs. Unknown Owner	Ongoing trial.
Civil Case SCA2 21-002	
LRTA vs. Rosario V. Delfin married to Mariano G. Bondoc	Ex-Parte Motion for Issuance of WOP was granted.
SCA Case No. 21-0003 RTC Branch 201, Las Pinas	
LRTA vs. Rosario V. Delfin De Bondoc, substituted by Antonio Delfin Bondoc, Ramon Delfin Bondoc, Eduardo Delfin Bondoc and Mariano Delfin Bondoc Jr.	Awaiting decision of Board of Commissioners.
SCA Case No. 21-0004 RTC Branch 201, Las Pinas	
<b>PACKAGE 3</b>	
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	

### 39.5 Labor Cases

Cases	Status/Remarks
Ancheta, Joane et. al vs. Variance Security Agency and NLRC	With pending verified comment/opposition.
NLRC NCR No. 11-13663-15	
LRTA vs. Joanne Ancheta et. al.	LRTA submitted a Compliance to the

Cases	Status/Remarks
CA-GR SP No. 148759	CA in relation to the April 10, 2018 CA decision.
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	
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 GR No. 203542	On appeal.
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	The Court of Appeals Third Division dismissed the appeal of the petitioners. Decision in favor of LRTA.

Cases	Status/Remarks
former LRTA employees vs. 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.
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	

#### 40. KEY MANAGEMENT PERSONNEL

##### a. Members of the Board

Position	Name	Office
Chairman of the Board	Sec. Jaime J. Bautista	DOTr
LRTA Administrator	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	LTFRB
Ex-Officio-Member	Sec. Arsenio M. Balisacan	NEDA

<b>Position</b>	<b>Name</b>	<b>Office</b>
Appointive Member	Atty. Dimapuno R. Datu	Private Sector

Note:

DOTr – Department of Transportation

LRTA – Light Rail Transit Authority

DBM – Department of Budget Management

DPWH – Department of Public Works and Highways

DOF – Department of Finance

MMDA – Metro Manila Development Authority

LTFRB - Land Transportation Franchising and Regulatory Board

NEDA – National Economic and Development Authority

**b. LRTA Key Officials**

<b>Position/Designation</b>	<b>Name</b>
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 (Concession Agreement Management Team (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 G. Abrazado
Manager, Line 1 South Extension Project	Ms. Eleonor C. Palaypayon
Manager, Line 2 West and East Extension Projects	Engr. Joseph Dexter S. Buenconsejo

No.	Particulars	TCT No.	Area (sqm)	Amount
<b>PPE-Land account</b>				
<b>LRT Line 2</b>				
<b>Legarda Station</b>				
1	Salvadora Baltazar Vilorio	-	-	143,100
2	SPS Julian C. Quieng and Huy Ting L. Quieng	-	-	140,130
3	Zosima Incorporated	262638/ 262639	148.99	13,231,316
<b>Subtotal: Legarda Station</b>				<b>13,514,546</b>
<b>Recto Station</b>				
4	Federico Magpantay	-	-	147,605
<b>Subtotal: Recto Station</b>				<b>P147,605</b>
<b>Pureza Station</b>				
5	Mario Realty	-	-	5,970,000
<b>Subtotal : Pureza Station</b>				<b>5,970,000</b>
<b>J. Ruiz Station</b>				
6	Per Real Corp	-	4.96	129,580
<b>Subtotal: J. Ruiz Station</b>				<b>129,580</b>
<b>Gilmore Station</b>				
7	First Gilmore Realty	-	427.50	10,687,500
8	Primex Coco Products	-	57.28	1,575,200
<b>Subtotal: Gilmore Station</b>				<b>12,262,700</b>
<b>Cubao Station</b>				
9	Arland Management Corp.	-	110.17	11,957,650
10	Arsenia A. Vidal	-	-	52,668
11	Dra. Flora San Diego	-	-	3,537,500
12	Mercury Group of Companies	-	-	7,073,550
<b>Subtotal: Cubao Station</b>				<b>22,621,368</b>
<b>Katipunan Station</b>				
13	E.M. Ramos & Company Inc.	-	-	4,181,250
14	REM Development Corp.	-	-	1,119,368
<b>Subtotal: Katipunan Station</b>				<b>5,300,618</b>
<b>Santolan Station</b>				
15	Gerardo Estanislao	-	310.69	155,345
16	Ma. Socorro I. Clavano	-	-	166,776
<b>Subtotal: Santolan Station</b>				<b>322,121</b>
<b>Santolan Depot</b>				
17	Foremost Farms Inc. & Himmel Ind. Inc.	-	-	126,035,990
18	Golden Ace Paper Mills Inc.	-	-	37,698,652
19	H-chem Industries	118774/11875	17,543.00	189,525,644
20	Rodina B. Marasigan	-	-	411,184
21	Virgilio Enriquez	-	203.97	101,985
<b>Subtotal: Santolan Depot</b>				<b>353,773,455</b>
<b>Others</b>				
22	Ad Farming	-	-	7,683,530
23	Dupil Garcia	-	-	16,248,816
24	Filomena Zialcita	-	-	93,200
25	Hanjin	-	-	1,700,000
26	Jose V. Natividad & Associates	-	-	3,537,500
27	National Power Corporation	-	-	9,793,046
28	Recto Vendors	-	-	4,000,000
29	William Lim	-	-	1,066,127
30	Sampaloc Market	-	-	88,753,609
<b>Subtotal: Others</b>				<b>132,875,828</b>



No.	Particulars	TCT No.	Area (sqm)	Amount
<b>Subtotal: LRT Line 2</b>				<b>546,917,821</b>
<b>South Extension Project (SEP)</b>				
<b>Paranaque City</b>				
31	Istmus Realty	-	-	90,451
32	Rosario R. De Leon	010- 2012000662	694.11	1,869,024
33	Philippine National Railways	-	-	100,200
<b>Subtotal: Paranaque City</b>				<b>2,059,675</b>
<b>Bacoor City</b>				
34	Cesar Eusebio	-	870.00	33,500,958
35	Estate of Candida Chavez	857906	920.00	18,553,714
36	Pablo De Guia Jr.	T-84919	2,902.00	8,080,361
37	Porbre and Aguinaldo Development	T-891701	910.30	181,120
38	Mario Solis Ocampo	T-58457	114.00	2,665,975
39	International Development Incorporated	T-277256	764.00	4,125,880
40	International Development Incorporated	T-277309	276.00	1,490,680
41	Fortune Tobacco Corp.	7-167- 2019003090	745.00	89,680
<b>Subtotal: Bacoor City</b>				<b>68,688,370</b>
<b>Las Pinas City</b>				
42	Maria Lozada Cristobal	9996	432.00	1,251,936
43	Magdalena Talampasa	-	186.00	650,255
44	Unknown Owner	LOT#86553-C	488.00	4,976,600
45	Corazon R. Rodriguez	005- 2014003840	974.00	3,652,500
46	Carmen Miranda Villanueva		36.00	574,280
47	Ernesto Sy. Ong	T-41950	81.00	1,189,441
48	Pedro Suante	S-28050	865.79	43,289,430
49	Fine Properties	T-005- 2021001487	974.00	60,073
50	Kings Development			21,255,500.00
<b>Subtotal: Las Pinas City</b>				<b>76,900,015</b>
<b>Others – SEP</b>				
51	Danilo Pascual	-	-	10,247
52	Danilo Velasquez	-	-	6,217
53	Mayson Corporation	-	-	118,530
54	Relocation Site	-	-	2,889,675
<b>Subtotal: Others – SEP</b>				<b>3,024,669</b>
<b>Subtotal: SEP</b>				<b>150,672,728</b>
<b>Subtotal: PPE-Land account</b>				<b>697,590,549</b>
<b>PPE - Service Concessions Assets Land account</b>				
55	Rodrigo c. Ong	26135	114.20	11,473,502
56	Pilipinas Bank	152878	86.00	380,689
<b>Subtotal: PPE - Service Concessions Assets Land account</b>				<b>11,854,191</b>
<b>Total</b>				<b>709,444,740</b>

## AUDIT OBSERVATIONS AND RECOMMENDATIONS

### A. FINANCIAL

1. The faithful representation of the Property, Plant and Equipment (PPE) account with an aggregate carrying amount of P51.523 billion as at December 31, 2023 was not established due to the following errors and deficiencies contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for General Purpose Financial Reporting (GPFR) by Public Sector Entities as prescribed by International Public Sector Accounting Standards (IPSAS), paragraph 14 of IPSAS 17, and paragraphs 21, 22 and 25 of IPSAS 26, to wit:
  - a. Fifty-six (56) land items amounting to P709.445 million recorded under PPE-Land account and PPE-Service Concession Assets Land account with carrying amounts of P6.891 billion and P3.021 billion, respectively, as at December 31, 2023, were not supported with documents to substantiate the balances of the accounts;
  - b. Non-recognition in the books of completed New Satellite Depot at Zapote project due to the absence of supporting documents from the Project Management Office (PMO)-South Extension Project (SEP) and the Department of Transportation (DOTr), resulting in the understatement of PPE-Service Concession Asset (SCA), Depreciation Expense, and Subsidy from National Government accounts by P1.361 billion, P27.479 million, and P1.388 billion, respectively;
  - c. Payment of P2.649 million for the completed and operational North Extension Project (NEP) Electro-Mechanical Subsystem (EMS) was recognized as Construction in Progress (CIP) instead of PPE-Service Concession Assets. Also, the remaining value of NEP amounting to P163.229 million was not yet recognized under PPE-Service Concession Assets account as at December 31, 2023 due to the absence of documents for the determination and accrual of unbilled payables from PMO NEP, resulting in the understatement of PPE-Service Concession Railway Systems (SCRS) account by the same amount;
  - d. No impairment loss was provided for down and unserviceable Light Rail Vehicles (LRVs) and equipment transferred by the Concessionaire to LRTA and on ten (10) units of Two Wheel Segway with carrying amounts of P82.449 million and P2.905 million, respectively, as at December 31, 2023 resulting in the overstatement of PPE-SCRS and PPE-Other Transportation accounts by undetermined amounts; and
  - e. Non-reconciliation of the result of physical inventory and the PPE ledger cards (PPELCs) maintained by the Accounting Division.
- 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 on the recognition of PPE states that:

*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 Further, paragraphs 21, 22 and 25 of IPSAS 26 – Impairment of Cash-Generating Assets provide the following:

*21 - Impairment as a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation. Impairment of a cash-generating asset, therefore, reflects a decline in the future economic benefits or service potential embodied in an asset to the entity that controls it.*

*22 - An entity shall assess at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset.*

*25 - In assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications: xxx*

- d) Evidence is available of obsolescence or physical damage of an asset;*
- e) Significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or the manner in which, an asset is used or is expected to be used. The changes include the asset becoming idle, plans to discontinue or restructure the operations to which an asset belongs xxx*

**Fifty-six (56) land properties recognized under PPE-Land and PPE-Service Concession Assets Land accounts amounting to P697.591 million and P11.854 million, respectively, not supported with documents**

- 1.4 This is a reiteration of prior year's audit observation.
- 1.5 Comparison of the balances of the items of land in the schedules of PPE-Land account and PPE-Service Concession Assets Land account as at December 31, 2023 with the results of the physical count of Transfer Certificates of Title (TCT) revealed the following variances:

<b>Account</b>	<b>Balance per books</b>	<b>Balance per Inventory of TCT</b>	<b>Variance</b>
PPE-Land	6,890,956,732	4,385,208,995	2,505,747,737
PPE-Service Concession Assets Land	3,021,270,927	2,679,731,190	341,539,737
<b>Total</b>	<b>9,912,227,659</b>	<b>7,064,940,185</b>	<b>2,847,287,474</b>

- 1.6 Verification of the variance totaling P2.847 billion revealed the following observations:

<b>Particulars</b>	<b>Amount</b>
1 Without supporting documents	709,444,739
2 Untitled Land under court litigation/expropriations proceedings and ongoing process of transfer and verification	1,490,539,165
3 Various utilities relocation and dismantling costs incurred for acquisition of Right of Way (ROW) for construction of SEP	647,303,570
<b>Total</b>	<b>2,847,287,474</b>

- 1.7 In the Annual Audit Report (AAR) for Calendar Year (CY) 2022, the audit team recommended that the Asset Management Division (AMD) and PMO-SEP provide the Accounting Division with copies of Land Titles, Deeds of Sale, and other documents to support the balance of the account. However, despite submission by the AMD of their latest available records, the verification procedure conducted by the Accounting Division related to unverified land items in CY 2023 and the audit procedures performed for PPE-Land account and PPE-Service Concession Assets Land account, the deficiency on the remaining 56 unverified and untitled land items has not been resolved as at reporting date.
- 1.8 The unverified land properties amounting to P709.445 million consist of 56 land items neither found in the CY 2023 Inventory of Land Titles nor in the list of land under court litigation/expropriation and ongoing transfer. This pertains to PPE-Land and PPE-Service Concession Assets Land accounts amounting to P697.591 million and P11.854 million, respectively. Details are shown in **Annex A**.
- 1.9 Further verification and inquiry with the Accounting Division personnel disclosed that there was no proper turnover of documents of certain land properties of the PMO – Line 2 System by personnel who handles the Right of Way (ROW) acquisition during the construction of LRT Line 2. The unverified forwarded balances totaling P546.918 million for LRT Line 2 were solely based on the schedule provided by the PMO and no supporting documents were provided to

substantiate the balance of the items of land. Similarly, since the establishment of the AMD in 2010, no formal/proper turnover was made between the dissolved PMO-Line 2 System and AMD.

- 1.10 Inquiry with the AMD revealed that there is a plan to procure a Relocation Survey of LRTA Properties Project. This survey aims to assist in verifying the balances of the land account recorded in the financial statements by identifying and resolving discrepancies between the recorded land and the actual land properties through detailed surveying and documentation to align with COA Circular No. 2020-006. The plan to procure in CY 2024 was also committed by Management during the exit conference as an alternative course of action to establish the validity of the recognized land acquisition in the books and provide supporting documents for the balances of land items reflected in the financial statements.
- 1.11 The unverified land properties also include 26 land items recorded under PPE-Land account and PPE-Service Concession Assets Land account amounting to P150.673 million and P11.854 million, respectively, which pertain to cost incurred on the acquisition of ROW for SEP. An on-going reconciliation and retrieval of documents with the PMO SEP records is being conducted by the Accounting Division to verify the correctness of the journal entries recognized under the two accounts.
- 1.12 The audit team acknowledged the efforts of the AMD and Accounting Division in verifying the existence and providing details of unverified land items of the PPE-Land account and PPE-Service Concession Assets Land account with an aggregate amount of P709.445 million presented in the financial statements. However, considering the materiality of the amount involved, more thorough and persistent efforts need to be exerted by the Offices concerned in order to substantiate the balances of the said accounts in the financial statements of LRTA.

**Non-recognition of the completed New Satellite Depot at Zapote project due to absence of the necessary supporting documents from the PMO - SEP and the DOTr**

- 1.13 The Memorandum of Agreement (MOA) dated May 19, 2016 entered into by and between the Grantors (LRTA and DOTr) provided the following basis on the ownership of project assets for the Manila LRT 1 Extension, Operation and Maintenance Project:

<b>Annex 2 – Ownership of Project Assets</b>		
<i>Grantors Procured Items</i>		
<b>ROW/Asset</b>	<b>Ownership</b>	<b>Commencement of Ownership</b>
<i>Grantors Depot Works</i>	<i>LRTA</i>	<i>Upon completion/Full acceptance of the works</i>

- 1.14 In a briefing conducted by PMO SEP on December 1, 2023, the Project Manager for PMO SEP illustrated the status of the various projects implemented by the Grantors under SEP, to wit:

<b>Project Component</b>	<b>Implemented by</b>	<b>Project Accomplishment as at September 30, 2023</b>
1. Procurement of 120 new Rolling Stock LRVs	DOTr	82.86%
2. Expansion of Existing Depot at Baclaran and Construction of a New Satellite Depot at Zapote	DOTr	100%
3. Consulting Services for LRT Line 1 South (Cavite) Extension Project	DOTr	87.32%
4. ROW Acquisition and Resettlement	LRTA	88.60%

- 1.15 Inquiry with the concerned personnel of LRTA disclosed that once the project implemented by the DOTr under SEP is completed by the DOTr contractor, a Property Transfer Report (PTR) shall be issued by the DOTr to LRTA which shall be the basis for recognition in the books of the asset transferred. LRTA will then transfer the completed project to Concessionaire and a corresponding Deed of Assignment and Hand Over Certificate will be issued by the Grantors.
- 1.16 The Zapote and Baclaran depot projects were completed in June 2023 and September 2022, respectively. As provided in the MOA entered into between the Grantors, the ownership of both depot works project with contract cost amounting to P3.145 billion is transferred to LRTA upon completion of the project. Note 2.2.b.2 of the CY 2023 Notes to Financial Statements also disclosed that the projects are 100 per cent complete.
- 1.17 As at the financial statements date, only the Baclaran depot portion of the project has been recognized as Asset in the books of LRTA in compliance with the submission by PMO SEP to the Accounting Division of the supporting documents which included Taking-Over Certificate (TOC), PTR and Hand-Over Certificate.
- 1.18 However, for the Zapote Satellite depot portion of the project which was already completed last June 2023, the asset remained unrecognized in the books as at December 31, 2023, contrary to paragraph 14 of IPSAS 17, resulting in the understatement of PPE-SCA, Depreciation Expense and Subsidy Income from National Government accounts, by P1.361 billion, P27.479 million, and P1.388 billion, respectively, detailed as follows:

<b>Asset Description</b>	<b>Zapote Depot Overall Total Cost</b>	<b>Depreciation* (over the remaining life of the CA)</b>	<b>Carrying Amount</b>
Zapote Satellite Depot	1,388,414,079	27,479,029	1,360,935,050

\*  $((\text{Zapote Project Cost} - \text{Residual Value of 5\%}) / 24 \text{ years, remaining CA period}) \times 6/12$

- 1.19 As provided by PMO SEP and discussed during the exit conference, the documents which include the approved Detailed Breakdown of Costs and TOC were not yet forwarded to LRTA and corresponding PTR was not yet issued by the DOTr. The tentative detailed cost breakdown amounting to P1.388 billion for the various works and sections of the Zapote Satellite portion of the project is available at PMO SEP per letter dated March 27, 2024. Anent to this, LRTA has already assumed the cost of security and maintenance of the Zapote Satellite depot per instruction of the co-grantor, DOTr through its letter dated July 31, 2023.

- 1.20 Considering that the cost of the completed asset can be measured reliably based on the detailed breakdown of cost available at PMO-SEP, and is ready for operation, the same should be recognized in the books.

**Payment of P2.649 million for the completed and operational NEP EMS recognized as CIP instead of PPE-SCA and remaining value of NEP amounting to P163.229 million not yet recognized as PPE-SCA as at December 31, 2023**

- 1.21 Review of subsidiary ledger of NEP CIP account showed that the amount of P2.649 million which is directly attributable cost to the project was not yet reclassified to PPE-SCA. This pertains to billing no. 19 paid in February 2023 relative to the construction of EMS for NEP which became operational in 2010.
- 1.22 It was noted that only the accumulated payments to contractors were recognized as part of the CIP account while unbilled payables to the contractors equivalent to the monetary value of completed work of project component were not yet accounted for in the CIP account or in PPE – SCA account, even if the completed project is already operational, resulting in the understatement of PPE-SCA account.
- 1.23 In addition, the identified NEP project components and determined amount owed to NEP contractors but not yet billed as at December 31, 2023 are as follows:

<b>Projects and Components</b>	<b>Amount</b>
Construction of Viaduct – Package A1	76,968,409
Construction of Viaduct – Package A2	3,892,261
Construction of Stations – Package B	34,069,561
Sub-station Power Supply and Power Distribution – Package C	1,456,965
Signaling – EMS 1	14,963,465
Telecommunication – EMS 2	12,659,378
AFCS – EMS 3	1,408,911
Trackworks – EMS 4	17,810,522
<b>Total</b>	<b>163,229,472</b>

- 1.24 The total amount of P163.229 million in unbilled payables represents the additional understatement of the PPE-SCA account. This is due to the fact that only the cumulative payments have been reclassified from CIP to the appropriate PPE account, and not the entire value of the constructed NEP.
- 1.25 Consistent with paragraph 14 of IPSAS 17 – PPE, when the project is already operational and being utilized, reclassifying the accumulated costs from CIP account to PPE-SCA account including any pending or future billings pertaining to the value of accomplished works, provides for the proper recognition of the costs with the period in which the economic benefits from the constructed project are realized. Hence, this provides a more realistic representation of the LRTA's financial statements by recognizing the full value of the constructed project as asset already in use and generating economic benefits.
- 1.26 One factor hindering the recognition of the full value of the constructed project once it becomes completed and operational is the determination of the account to

be credited in relation to unbilled payables. As provided in the Annex of COA Circular No. 2020-002, the Other Provisions account is often used to record estimated liabilities or expenses where the amount or timing is uncertain.

**Non-recognition of provision for impairment loss as at December 31, 2023 for defective and unserviceable properties with carrying amounts totaling P85.354 million**

*Impairment of SCA assets transferred to LRT 2 depot*

- 1.27 Verification of the details of the Inventory Report on the results of inspection conducted by LRTA and the Concessionaire relative to the transferred concession assets recorded in the books disclosed missing parts, detached unit or uninstalled components of LRVs that contributed to the down trainset status of the assets, summarized as follows:

	<b>Concession Asset Description</b>	<b>Inventory</b>	<b>Remarks</b>
1	2nd Generation Trainsets	4	Down/Unserviceable
2	1st Generation Trainsets	18	Down/Unserviceable
3	Maintenance of Way (MOW) Equipment	2	Down/Unserviceable

- 1.28 This was also confirmed during the ocular inspection of the audit team of the transferred assets to LRT 2 Depot. Based on their actual appearance, they were considered down, and not serving its intended purpose due to absence of the required train systems and missing spare parts. As at year-end, LRTA has not provided allowance for impairment of the unserviceable and down LRVs and MOW equipment transferred to LRT 2 Depot with carrying amounts as follows:

	<b>Concession Asset Description</b>	<b>Inventory</b>	<b>Carrying Amount</b>
1	2nd Generation Trainsets	4	13,440,967
2	1st Generation Trainsets	18	69,007,895
	<b>Total</b>		<b>82,448,862</b>

- 1.29 Management contended that it cannot provide allowance for impairment for the down and unserviceable trainsets and equipment since the said assets are for temporary safekeeping and have not been officially declared obsolete, unserviceable, or disposable asset in accordance with the Concession Agreement.
- 1.30 Despite the actual status, condition and indication of impairment of the above concession assets transferred to LRT 2 Depot that required determination of impairment loss for the down and unserviceable assets, LRTA has not yet assessed and provided allowance for impairment contrary to the provisions of IPSAS 26.

*Impairment of Two Wheel Stand-Up Electric Vehicle - Segway*

- 1.31 The CY 2023 Report on Physical Count of PPE (RPCPPE) disclosed defective and unserviceable electric vehicles, with year-end carrying amount as follows:



Description	Status	Acquisition Cost	Accumulated Depreciation	Carrying Amount
Two Wheel Stand-Up Electric Vehicle - Segway	Unserviceable, dead battery	4,900,000	1,995,000	2,905,000

- 1.32 Review of the lapsing schedule disclosed non-provision of impairment loss on the abovementioned unserviceable items of PPE with total carrying amount of P2.905 million as at December 31, 2023. The Accounting Division informed that due to the absence of Inventory and Inspection Report of Unserviceable Property (IIRUP) from the AMD and the concerned end-user, the accounting entry to recognize impairment has not been made. The condition of the properties was also confirmed by the audit team based on the ocular inspection conducted as early as 2022.
- 1.33 It is emphasized that IIRUP is used to account for all government properties that are subject to disposal and will serve as the basis for derecognizing the government properties upon disposal while impairment can be determined by LRTA in reference to the assets' carrying amount against its fair value less cost to sell to estimate the loss in future economic benefit and its service potential due to obsolescence or physical damage. Thus, the faithful representation of the assets' carrying amount as at year-end was not established.
- 1.34 It is also essential for the LRTA to establish procedures for an annual assessment of any indication of impairment of PPE items in accordance with the provision of IPSAS 26.

**Non-reconciliation of the result of physical inventory and the PPELCs maintained by the Accounting Division**

- 1.35 Section 6.3 of COA Circular No. 2020-006 provides that:

*The Property and Accounting Units shall undertake collaborative procedures to ensure that all PPEs included in the Reports on Physical Count of PPE (RPCPPE) are duly recorded in their respective records and that the Property Cards (PCs) maintained by the Accounting Unit are reconciled. xxx*

- 1.36 This is a reiteration of prior years' audit observation.
- 1.37 LRTA has conducted its annual physical inventory of PPEs on various dates in 2023 and the RPCPPE was submitted to the audit team on January 19, 2024. However, the reconciliation by the Accounting Division between the RPCPPE and the PPELCs has not been submitted despite repeated recommendation of the audit team in prior years' audit.
- 1.38 The Accounting Division submitted partial reconciliation of some PPE items for CY 2023 in March 2024. However, the required full reconciliation of PPE accounts was not conducted and the reconciliation report was not submitted to COA to date, due to the lack of Property Cards of some PPE items and difficulty in identifying the PPE items reflected in the PPELC. Hence, the existence and completeness of the PPE accounts presented in the financial statements were not established.

**1.39 We recommended and Management agreed to:**

- a. Require the Asset Management Division to prioritize the proposed Relocation Survey of LRTA Properties Project to verify the balances recorded in the financial statements against the actual land properties and to gather the supporting documents of ownership. Also, require Accounting Division to prepare journal entries once the 56 land items amounting to P709.445 million have been verified;**
  - b. Require:**
    - b.1 The Accounting Division and Asset Management Division to obtain from the Project Management Office- South Extension Project and the Department of Transportation the required documents for the recognition and transfer of ownership of the completed Zapote Satellite Depot; and**
    - b.2 The Accounting Division to recognize in the books the completed project New Satellite Depot at Zapote as PPE Service Concession Asset and its related depreciation;**
  - c. Require the Accounting Division to reclassify the CIP amounting to P2.649 million to PPE-Service Concession Assets account and obtain from the Project Management Office-North Extension Project the documents needed for the accrual of unbilled payables of P163.229 million to reflect the total value of completed and operational North Extension Project;**
  - d. Require the Accounting Division, Asset Management Division and the end-users to estimate the recoverable amount of the unserviceable assets and take-up the related impairment loss; and**
  - e. Require the Accounting Division and Asset Management Division to reconcile the Report of Physical Count of PPE and Property Cards with the PPE ledger cards, and effect adjustments, if warranted.**
- 2. The faithful representation of the balance of Due to LGUs account amounting to P676.863 million under Inter-Agency Payables as at December 31, 2023 which has been dormant since 2007, could not be ascertained due to the absence of documents supporting the balance contrary to paragraph 5.14 of the Conceptual Framework for GPFR by Public Sector Entities.**
- 2.1 Paragraph 5.14, Chapter 5 of the Conceptual Framework of IPSAS states that a liability is a present obligation of the entity for an outflow of resources that results from a past event.**
  - 2.2 Verification of the year-end balance of the Due to LGUs account amounting to P676.863 million presented under Inter-Agency Payables disclosed that the same**

could not be substantiated as valid obligation due to the absence of supporting documents.

- 2.3 Note 16 to the CY 2023 Financial Statements states that Due to LGUs account represents accrued real property taxes on real property owned by LRTA located in Manila, Quezon City, Caloocan and Pasay. In a decision under G.R. 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.
  - 2.4 Management contended that the amount pertains to the prior years' accrued real property taxes from different LGUs in Metro Manila. In addition, LRTA commented that there are several Supreme Court Decisions favoring the Authority that it is exempted from paying real property taxes in relation to the cases filed by various LGUs.
  - 2.5 The amount could not be validated by the audit team due to the absence of the schedule of the account to which the liability to LGU pertains and documents (i.e. Statement of Account, billings etc.) to support the balance. The validity of the obligation to the LGUs is doubtful since the amount recognized remained dormant for more than 10 years and the amount could not be verified from existing items under litigation and claims under Real Property Tax Cases disclosed in the Notes to FS. Thus, the faithful representation of the Due to LGUs account presented under Inter-Agency Payables account amounting to P676.863 million was not established.
  - 2.6 **We recommended and Management agreed to require the Accounting Division to conduct necessary evaluation procedures to establish the reliability of the dormant Due to LGUs account amounting to P676.863 million, and take up the required adjustment.**
3. **Unrecorded book reconciling items in the Bank Reconciliation Statements (BRS) with net amount of P9.286 million remained unadjusted to the proper accounts due to the delayed submission and absence of supporting documents from the Treasury Division that resulted in the overstatement of the Cash in Bank account by the same amount contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for GPFR by Public Sector Entities of IPSAS.**
    - 3.1 As stated in paragraphs 3.10 and 3.12 of the Conceptual Framework, faithful representation is attained if the information depicted in the financial statements is complete, neutral and free from material error.
    - 3.2 Review of the BRS submitted by the Accounting Division for 80 bank accounts maintained by LRTA with the Authorized Government Depository Banks (AGDBs) disclosed that book reconciling items which were already noted in the prior years audit remained unadjusted in the books of LRTA at year-end.

- 3.3 The nature of these book reconciling items mostly pertains to unrecorded credit memos, debit memos, interest earned and corresponding taxes withheld and other adjustments for the fund transfers made by the LRTA dated 2006 to 2008, 2014 and 2018 to 2023.
- 3.4 Review of the Cash in Bank account disclosed that supporting documents could not be traced and located by the responsible personnel, hence appropriate adjustments to the affected accounts was not ascertained.
- 3.5 The summary of book reconciling items with net amount P9.286 million which remained unadjusted as at December 31, 2023 are as follows:

Particulars	Book Reconciling Items
LRTA Operating Expenses / Line 2 Corporate Account	14,167
Project ROW Account (PMO Line 1 SEP)	(9,217,675)
Admin. Expenses (PMO Line 1 SEP)	(878)
Rehab. Admin & Project Expenses	(77,323)
Line 2 Payroll Account	(343,226)
Line 1 Cavite (ROW)	482,754
LRTA FAO PLDT	45,760
LRTA FAO Mabuhay Brothers, Inc.	1,420
<b>Sub-total</b>	<b>(9,095,001)</b>
<b>Closed Bank Account:</b>	
East Extension Project	(190,882)
<b>Total</b>	<b>(9,285,883)</b>

- 3.6 As confirmed by the Treasury Division during the exit conference, the list of transactions reflected in the bank accounts of LRTA such as credit memos and debit memos are available, hence, the personnel in charge may coordinate with the Treasury Division for the appropriate adjustments of the remaining book reconciling items.
- 3.7 Also, as can be gleaned in the above table, the remaining balance of the bank account of East Extension Project remained unadjusted in the books of LRTA as at December 31, 2023. This bank account was closed since December 2021. Also, per bank confirmation reply, it was no longer included in the list of bank accounts being maintained by LRTA with the said branch. The Accounting personnel in charge confirmed that the supporting documents for the remaining reconciling items for this bank account are already available. However, the documents are still under verification since the reconciling items were dated 2014 and 2018.
- 3.8 The process of bank reconciliation and subsequent adjustment ensures the accuracy and validity of the balances presented in the FS. Consequently, these unrecorded book reconciling items affect the balances of the Cash and Cash Equivalents and other affected accounts such as Interest Income, Taxes, Duties

and Licenses, Accounts Payable and Accumulated Surplus as at December 31, 2023.

- 3.9 The overstatement of Cash and Cash Equivalents account amounting to P9.286 million could have been avoided if there was prompt verification of the transactions and subsequent adjustment of the affected accounts. Thus, the identified misstatement affects the faithful representation of the Cash and Cash Equivalents account presented in the FS contrary to paragraphs 3.10 and 3.12 of the Conceptual Framework for GPFR by Public Sector Entities of IPSAS.
- 3.10 **We recommended and Management agreed to require the Accounting Division to closely coordinate with the Treasury Division in obtaining the supporting documents needed for the adjustment of the identified book reconciling items amounting to P9.286 million.**

## **B. NON-FINANCIAL**

4. **Unexpended balance of fund transfers to fourteen (14) completed and two terminated projects amounting to P93.165 million remained unrefunded by the Procurement Service-Department of Budget and Management (PS-DBM), contrary to the general guidelines set under COA Circular No. 94-013 dated December 13, 1994 and the Memorandum of Agreement (MOA) between LRTA and PS-DBM dated September 8, 2015.**

- 4.1 COA Circular No. 94-013 dated December 13, 1994 on the rules and regulations of fund transfers provides that:

4.9 *The Implementing Agency shall return to the Source Agency (SA) any unused balance upon completion of the project.*

6.7 *Return to the SA any unused balance and refund of disallowance upon completion of the project.*

- 4.2 The MOA between LRTA and PS-DBM dated September 8, 2015 elaborates the following guidelines on unexpended balance and the agreement effectivity:

4.5 *The PS-DBM will automatically return the unexpended balance of the funds upon completion of the project, or end of the effectivity of the MOA.*

10.1 *The parties may terminate this Agreement, in whole or in part, at any time for its convenience if the existence of conditions is determined to cause the project implementation to be economically, financially or technically impractical and/or unnecessary, such as but not limited to fortuitous event/s or changes in law and national government policies.*

- 4.3 Review of the status of implementation of the 16 rehabilitation projects pertaining to the fund transfers of LRTA to PS-DBM under the abovementioned MOA disclosed that 14 projects were already completed by LRTA while two projects

were terminated/discontinued. However, the unexpended balance pertaining to these projects amounting to P93.165 million remained unrefunded to LRTA, contrary to the condition stated in Sections 4.9 and 6.7 of COA Circular No. 94-013 and Section 4.5 of the MOA between LRTA and PS-DBM.

- 4.4 Additional data gathered from previously issued AOMs and replies from the Management pertaining to the funds transferred by LRTA to PS-DBM for various projects revealed that PS-DBM has not submitted any liquidation report or equivalent document to LRTA, as required by COA Circular 94-013.
  - 4.5 Audit revealed that indeed PS-DBM has not submitted any report to LRTA with regards to the utilization of the fund transfers and did not respond to all demand letters of LRTA for the submission of liquidation reports. LRTA also sent demand letters to PS-DBM for the return of the unexpended balance from all completed and terminated projects, however, it was not complied as of audit date.
  - 4.6 The status of the terminated contracts of LRTA as at December 31, 2023 showed that the Acquisition of Rolling Stock Diagnostic Tools and Equipment project procured through the PS-DBM, was already terminated due to non-compliance with the terms of the contract and the supplier already pulled out the equipment. In addition, verification of the Integrated Performance Management System (IPMS) Component disclosed that the project was also discontinued by the PS-DBM due to numerous failed biddings.
  - 4.7 Since there are no more outstanding projects for procurement by PS-DBM under the MOA dated September 8, 2015, LRTA must compel PS-DBM to return the unutilized balance of P93.165 million in accordance with the pertinent provisions of COA Circular No. 94-013 and the terms of the MOA.
  - 4.8 Management commented that PS-DBM may have reverted the unexpended balance directly to the Bureau of the Treasury (BTr) in compliance with the automatic reversion of the fund balance to the accumulated surplus or deficit of the General Fund per Executive Order (EO) Nos. 87 and 91 since the budget for these projects is from Budgetary Support from the National Government line item of the General Appropriations Act (GAA) of 2016. However, the audit team was not provided with any document showing the reversion of fund, nor official receipt or evidence that the unexpended balance was directly remitted by PS-DBM to the BTr.
  - 4.9 **We recommended and Management agreed to demand the return by PS-DBM of the total unexpended balance from the sixteen (16) projects procured by PS-DBM for LRTA amounting to P93.165 million, or provide evidence that the unexpended balance was directly remitted by PS-DBM to the Bureau of the Treasury.**
5. **Fifteen (15) lease contracts amounting to P350.459 million with terms of more than one year were entered into by and between LRTA represented by the then Administrator and Lessees, without the prior approval of the Board of Directors (BOD) contrary to Sections 1.1 and 2.1 of COA Circular No. 88-282A dated March**

**3, 1988, Section 4 (9) of Article 2 – Corporate Powers, Executive Order (EO) No. 603 dated July 12, 1980 and LRTA Board Resolution No. 011-2017.**

- 5.1 The general powers of LRTA through the Board of Directors, as stated in Article 2 – Corporate Powers of EO No. 603 dated July 12, 1980 include, among others, the following under Section 4 (9) thereof:

*To carry on any business, either alone or in partnership with any other person or persons;*

- 5.2 Also, Sections 1.1 and 2.1 of COA Circular No. 88-282A dated March 3, 1988 state that:

*1. Parties of the Contract*

*1.1 LESSOR - The lessor is the absolute owner of the building/place to be leased. The lessor may be a private individual, a corporation, or government agency. If a private individual, he may personally enter into contract or authorize somebody, thru a special power of attorney, to represent him. If a corporation, the representative should be duly authorized by a resolution of the governing board. **If a government agency, it shall be represented by the official having custody and administration of the building/space, who is duly authorized by law to enter into this contract, and the lease contract shall be subject to approval by the official concerned.** (Emphasis supplied)*

*2. Terms and Conditions*

*2.1 Duration of the Lease – As a general rule, the duration of the lease **shall not exceed one (1) year** and, as far as practicable, shall not go beyond the end of any given calendar year. (Emphasis supplied)*

- 5.3 Further, excerpts from the Minutes of Meeting of the LRTA BOD dated February 10, 2017 under Board Resolution Nos. 010-2017 and 011-2017 state that:

xx

*Resolved as it is hereby resolved to authorize and empower the LRTA Management through the Administrator to enter into contracts for the lease of LRTA properties for commercial stalls, vending spaces, advertising spaces and structures, promotional activities, filming activities, Right of Way facilities, station interconnection access, public utility vehicle ramping, and other similar business activities under the following conditions:*

- 1. The provisions and mandates of Executive Order No. 301 dated July 26, 1987 and Commission on Audit Circular No. 88-282A dated March 3, 1988 are duly complied and strictly complied with;*

2. *The LRTA management shall submit to the board a monthly list with pertinent details of any and all such contracts entered into; and*
  3. ***The board shall retain and shall exercise oversight function and authority over any and all said contracts. (Emphasis supplied)***
- 5.4 Sections 5.2.5 to 5.2.8 under the Procedure Details of the Work Instruction Manual (WIM) of LRTA for Non-rail Business Activities dated January 9, 2019 provide the following guidelines:
- 5.2.5 *Business Development Division (BDD) formulates the business concept, design, feasibility and applicable rates for the specific activity. The BDD Manager presents the business concept and applicable rate to the LRTA Administrator for approval,*
  - 5.2.6 *The LRTA Administrator approves/disapproves the concept. If disapproved, the BDD shall inform the proponent of the same. If approved, the process continues by endorsing the approved proposal, concept and applicable rate to Legal Department for contract preparation.*
  - 5.2.7 *The Legal Department prepares the contract.*
  - 5.2.8 *Signing of contract by the LRTA Administrator and proponent.*
- 5.5 Lastly, Special Order No. 155 dated November 19, 2021, Series 2021 clarifies the functions, duties and responsibilities of the respective LRTA offices:
- Further, the Business Development Division and Public Relations Division are hereby reinstated under the **direct supervision** of the Business Development and Public Relations Department. (emphasis supplied)*
- 5.6 Audit of the non-rail business income generation activities of LRTA and inquiry revealed that there were a total of 15 lease contracts subject to termination with a lease period of more than one year and which did not have prior approval of the BOD. These lease contracts were processed and contracted by and between LRTA, represented by then Administrator and various Lessees.
  - 5.7 The BDD then clarified the noted condition with Legal Department of LRTA seeking input and recommendations to the lease contracts with contract duration that were non-compliant with Section 2.1 of COA Circular No. 88-282A. The Legal Department opined that although the rule under the said provision has been stipulated as not to exceed one year, it is however, not absolute, for even the said provision also clearly stipulated that it is considered only as a general rule thereby rendering the lease contracts valid.
  - 5.8 The BDD also requested clarification on the foregoing issue addressed to the Corporate Board Secretary of LRTA. In conclusion, any business endeavor and



transaction with a period exceeding one year shall require prior approval from the BOD as well as authority from the BOD to execute and sign the appurtenant contract as provided by the Corporate Board Secretary through Board Resolution Nos. 010-2017 and 011-2017. These are based from the excerpts of the minutes of the meeting dated February 10, 2017 and the provision/s stated in EO No. 603 dated July 12, 1980.

- 5.9 As a result, the BDD has recommended in 2022 to the succeeding LRTA Administrator the termination of the lease contracts with duration exceeding one year and with no prior approval of the BOD. The BOD decided through a Board Resolution that these lease contracts shall be deemed void and revoked and all the concerned parties should secure proper and valid contracts based on appropriate existing rates.
- 5.10 In 2023, LRTA sent notices to eleven (11) lessees informing them of the decision of the BOD about the status of their lease contracts. Also, LRTA informed the lessees to submit a Letter of Intent if they opt to continue to do business with LRTA indicating the updated best offer lease rate which should be at par with the existing lease rates of LRTA.
- 5.11 Management informed that the BOD has considered and already declared void the fifteen (15) lease contracts with more than one year lease term. In addition, the BDD informed that as a result of the board meeting in early 2024, the BOD instructed that the proposal of new contract/s from the lessees should be a lease period of one year at most, applying the BDD updated lease rate. Also, the proposed commencement of the new lease contract/s is April 1, 2024.
- 5.12 Verification showed that there is lack of details in the notices sent by LRTA to the aforementioned lessees regarding the revocation of their respective lease contract/s. In addition, LRTA has not provided the timeline for the lessees to submit their Letter of Intent, clarification on the termination date of the revoked contract/s and information to discuss other matters, if any, with LRTA. The deliberation of the proposal/s from the lessees and other matters are still ongoing as of report date.
- 5.13 It was noted that continuous payments from the various lessees using the old lease rate were accepted despite the revocation of the lease contracts. This unresolved situation may be disadvantageous to the government due to the difference in the updated lease rate and the actual rate paid by the lessees.
- 5.14 It was also noted in the WIM for the Non-rail Business Generation Activities of LRTA that the process of approval was directly presented by BDD to the LRTA Administrator without the recommendation of the Manager of Business Development and Public Relations Department (BDPRD) as specified under Special Order No. 155. In addition, the process of approval by the BOD for the short-term and long-term lease proposals was not included in the said WIM, which will serve as guide in the proper processing of approval and to avoid the same issue from occurring again in the future.
- 5.15 We recommended and Management agreed to instruct the Business Development Division to:**

- a. **Communicate with the Board of Directors to prioritize the deliberation of the new lease contracts/s and/or proposal/s to properly update the lease payments of the lessees;**
- b. **Provide the status of the submission of the documentary requirements from the lessees for the new lease contract/s; and**
- c. **Update and include in the Work Instruction Manual of Non-rail Business Generation Activities the detailed process of approval of the short-term and long-term lease agreements in conformity with Special Order No.155 dated November 19, 2021 and Section 4 (9) of Article 2 – Corporate Powers of Executive Order No. 603 dated July 12, 1980.**

5.16 The Management also commented during the exit conference that they will procure third party consultant to evaluate and appraise all non-rail business activities, and properly update the rate of lease and contractual periods that is most advantageous to the government that will also provide guidance to the BOD on the approval of the new lease proposals.

**6. Lack of supervision and monitoring of the implementation of lease contracts resulting in the installation of excess advertisement materials by the lessee/s which is contrary to the terms and conditions of the lease contract/agreement.**

6.1 Section 11.0 A. (b) under “Default” part of the Contract of Lease for One Trainset of Megatren for Advertisement at LRT Line 2 System entered by and between LRTA and Lessee A states that:

*11.0 Default*

*A. Default by Lessee A*

*xxx*

*(b) The default, non-compliance and/or violation by Lessee A of any term, covenant or condition under this Contract;*

6.2 Also, conditions set under Item No. 5 of the Conforme letter of the lease for One Trainset of Megatren for Advertisement at LRT Line 2 System agreed into by and between LRTA and Lessee B states that:

*Damage or violations committed by the lessee shall be subject to the policies, rules and regulations of the LRTA/BDD;*

6.3 Further, 5.2.7 and 5.2.15 under the Procedure Details of the WIM of LRTA for Non-rail Business Generation Activities dated January 9, 2019 provide that:

*5.2.7 The Legal Department prepares the contract.*

*xxx*

5.2.15 BDD prepares and facilitates the necessary Work Clearance for signature of the proponent and concerned offices such as Engineering Department, RSISD, SSD, SOD, Operations Department, Maintenance Provider and OCC. BDD issues a copy of the approved Work Clearance to Proponent and concerned offices.

- 6.4 Validation of compliance by the lessees of the provisions of the lease contracts revealed that there was an excess number of advertising materials installed in the LRTA trainset/s compared to the details and information indicated in the summary of contracts for non-rail business generation activities provided by BDD. Comparison of the scope of work of the train advertisement contracts and the actual count showed excess advertising media installed, as follows:

Type of Advertisement	Quantity of Advertising Materials		Excess Number of Advertising Materials
	Per Contract	Per Actual Count	
Lessee A			
Train Inserts	50	107	57
Train Posters	15	30	15
Lessee B			
Safety Handles	150	200	50
Tube Cards	45	45	0
Train Posters	20	20	0

- 6.5 Notices of Charge were issued in early 2024 for the excess number of advertising materials installed in the LRTA trainsets which was subsequently settled through payment of the equivalent amount and penalties by the lessees. In addition, the grounds and amount of penalty to be imposed to the lessee/s was not specifically provided on both the lease contract and the Conforme letter.

- 6.6 Management committed to revise the WIM to include post monitoring and checking of the installed advertising materials, to be performed by Safety and Security Division for check and balance purposes. However, as of this date, Management has not yet made an update or revision to the WIM to prevent the occurrence of the observations noted.

- 6.7 **We recommended and Management agreed to:**

- a. **Require the Business Development Division to update the Work Instruction Manual to include the designation of personnel to conduct inspection and monitoring of the advertisement materials installed by the lessee/s; and**
- b. **Instruct the Legal Department to specify in the lease contracts and Conforme Letter the grounds and amount of penalty to be imposed against the lessee/s for non-compliance.**

7. **Due to the lack of available space and stabling area of LRT Line 1, Projects Assets such as four 2nd Generation Trainsets, 18 1st Generation Trainsets and two Maintenance of Way (MOW) Equipment which were considered as**

**down/unserviceable LRVs and equipment, were already transferred by the Concessionaire to LRTA for safekeeping during the concession period contrary to Sections 16.1.d (1) and 16.3 of the Concession Agreement for Manila LRT 1 Extension, Operation and Maintenance Project.**

- 7.1 Sections 16.1.d (1) and 16.3 of the Concession Agreement provided the following guidance on the custody and turn-over of concession assets to the Concessionaire and obsolete assets, to wit:

*16.1.d (1) **Possession, custody** and risk of loss or deterioration in the Works and Systems shall vest in the Concessionaire during the Concession Period (Emphasis supplied)*

*16.3 Obsolete Assets*

*The Concessionaire shall, unless otherwise agreed, deliver any obsolete or worn out Project Assets to LRTA at a location in Metro Manila to be identified by LRTA from time to time at no costs to LRTA and LRTA shall accept the same. Should the Legal requirements concerning the disposal of government owned assets (or the application of such Legal Requirements to the Project) change, the Parties shall consult to determine an alternative mechanism to give the Concessionaire greater freedom as to how to deal with such assets.*

- 7.2 In addition, various MOA entered into by the Grantors and the Concessionaire provides the following responsibilities of LRTA on the temporary safekeeping of concession assets:

*The LRTA shall:*

*Allow the Down LRVs, MOW Equipment to be parked temporarily at LRT 2 Depot;*

*Designate a location for the parking/storage of the Down LRVs and MOW Equipment in the LRT2 Depot; xx*

*Ensure the security and safety of the Down LRVs and MOW Equipment while in the possession of LRTA; xx*

- 7.3 On October 02, 2014, the DOTr (then DOTC) and LRTA (known as Grantors) entered into a Concession Agreement with the Concessionaire for the project, Manila LRT 1 Extension, Operation and Maintenance Project. The concession period runs for 32 years effective on September 12, 2015. The Government (DOTr and LRTA as Grantors) granted Concessionaire the privilege to operate the LRT Line 1 System including the Cavite Line Extension upon completion.
- 7.4 For the years 2021 and 2022, the Grantors and Concessionaire entered into various MOA for the transfer and temporary parking of the 18 1st Generation Trainsets and four 2nd Generation Trainsets and two MOW equipment, to LRT 2 Depot. The transfer of the aforementioned Concession Assets to LRT 2 depot was caused by the lack of adequate space in the Concessionaire existing depot and Baclaran Expansion Depot and to accommodate the delivery of Grantor's

procured 30 4th Generation Trainsets. In addition, the stabling area component of the Zapote Satellite depot remained not constructed by the Concessionaire as at December 31, 2023.

- 7.5 Validation of the number and condition of transferred assets through ocular inspection conducted in January 2024 revealed the following:

	<b>Concession Asset Description</b>	<b>Inventory</b>	<b>Condition</b>
1	2nd Generation Trainsets	4	Down/Unserviceable
2	1st Generation Trainsets	18	Down/Unserviceable
3	MOW Equipment	2	Down/Unserviceable

- 7.6 The audit team also verified the MOAs entered into for the transfer of the above concession assets and revealed that there was no specific period that LRTA will be responsible for the safekeeping of the transferred assets.
- 7.7 Based on the Joint Inspection Report conducted by LRTA and Concessionaire, 12 days after the commencement of the Concession Agreement in 2015, the four 2nd Generation Trainsets, 18 1st Generation Trainsets and Two MOW Equipment were considered as Serviceable for handover to the Concessionaire. Anent to this, based on the submitted 2023 Consolidated List of Project Assets, the aforementioned assets already were tagged as Unserviceable by the Concessionaire with remarks as *Down LRVs and Park at LRT 2 depot*.
- 7.8 It is clear in Section 16.1.d (1) of the Concession Agreement that during the concession period, the Concessionaire is solely responsible for the possession, custody and risk of loss or deterioration of the existing system which include the above assets. The execution of another agreement to accommodate the above transfer of assets to LRT 2 Depot adds additional responsibility to LRTA which include designation of location for the parking/storage of the Down LRVs and MOW equipment and ensuring the security and safety of the assets at no cost to the Concessionaire.
- 7.9 It should be noted that the only instance that LRVs are transferred to LRTA is laid down in Section 16.3 of the Concession Agreement when such items are already declared as obsolete or worn out Project Assets. Assuming that the responsibility of the LRTA under the MOA is valid, such projects assets should have been declared as obsolete and worn out and not only as “down”.
- 7.10 Although majority of the transferred assets had reached the end of their useful lives, Management advised the Concessionaire to address first the issue of missing spare parts as a result of the inventory that LRTA personnel conducted on the transferred LRVs and equipment, before LRTA could take action regarding the asset obsolescence. In addition, Management contended that the Concessionaire is responsible for the construction and delivery of the stabling area component of the Zapote Satellite depot that will accommodate the lack of train parking under the phase 2 of SEP. Also, it was informed that the Concessionaire will not commence its obligation until the Grantors will be able to deliver 67 per cent of the ROW component of the project.

- 7.11 **We recommended that Management immediately coordinate with DOTr and Concessionaire to fast-track the completion of the stabling area of Zapote Satellite depot upon delivery of LRTA obligation for the ROW acquisition of the phase 2 of the South Extension Project to provide available space for the down/unserviceable LRVs and equipment.**

8. **Delay on the transfer of rights by the Grantors to Concessionaire of the project- Construction of New Satellite Depot at Zapote completed as of June 2023 has given LRTA added responsibilities thereby incurring additional cost for the preservation and maintenance of the project assets contrary to Section 13.3.a of the Concession Agreement, hence the intended benefits from the use of the project was not maximized.**

- 8.1 Section 13.3.a, Transfer of Rights of the CA of the Manila LRT 1 Extension, Operation and Maintenance Project provides the following:

*Upon issuance of the completion certificate/acceptance certificate (however described) under the Grantors depot contract, the Grantors shall;*

*(1) Transfer possession, care, custody and control of the Existing Depot and the Satellite Depot free and clear of all security interests to the Concessionaire; and*

*(2) assign and transfer absolutely (and at no consideration) to the Concessionaire all of their remaining rights and benefits under the Grantors Depot Works Contract and any supporting bonds and guaranties outstanding at that time.*

- 8.2 Ocular inspection in January 2024 revealed that the security and maintenance of Zapote Satellite Depot project was provided by LRTA. In addition, the project was reportedly completed as of June 2023 by LRTA, however, handover of the project to the Concessionaire was not yet implemented by the Grantors, contrary to Section 13.3.a of the Concession Agreement.
- 8.3 In CY 2023, a Memorandum was issued by the Officer-in-Charge (OIC) of PMO-SEP to the OIC of Administrative Department regarding the mobilization of preservation of maintenance personnel at Zapote Satellite Depot wherein the DOTr, through a letter dated July 31, 2023 to LRTA, requested the latter to preserve and maintain the project assets due to the Concessionaire's failure to perform its obligation under the Concession Agreement to procure an Engineering, Procurement and Construction Contractor. This resulted in imminent inoperability of the Zapote Satellite Depot and unpremeditated plans for its preservation and maintenance. This was also the basis of LRTA to deploy maintenance personnel at the Zapote Satellite Depot project.

- 8.4 As an alternative course of action, the Grantors allocated funds for the payment of utilities, maintenance and preservation of Zapote equipment and facilities amounting to P7.897 million approved under Board Resolution No. 024-2023 and MOA dated January 18, 2024 between LRTA and DOTr. This was also emphasized by Management during the exit conference, stating that the cost incurred for the preservation of the Zapote Satellite Depot shall be refunded from the Concessionaire.
- 8.5 Due to the aforementioned delay in the handover of project assets to the Concessionaire, the benefits that could be derived from the intended use of the completed Satellite Depot project was not maximized. The situation also imposed additional responsibilities and accountability to LRTA incurring additional cost to the Grantors for the preservation and maintenance of the project which is contrary to Section 13.3.a of the Concession Agreement.
- 8.6 **We recommended that Management require:**
- a. **The Project Management Office - South Extension Project to transfer immediately the responsibility and custody of the completed Satellite Depot at Zapote to the Concessionaire in accordance with Section 13.3.a of the Concession Agreement; and**
  - b. **The refund from the Concessionaire of any cost incurred by LRTA for the preservation of the project assets during the period of delay.**
9. **The procurement process timelines prescribed in Annex C of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, for the procurement of goods and services in CY 2023 totaling P119.599 million on seventeen (17) procurement contracts were not strictly adhered to, thus, the benefits to the intended users were not promptly delivered. Moreover, nineteen (19) procurement contracts with an aggregate amount of P188.937 million were not promptly furnished to the Office of the Auditor within the prescribed period of five working days (WDs) after perfection of the contracts, contrary to the pertinent provision of COA Circular No. 2009-001.**
- 9.1 RA No. 9184, also known as the Government Procurement Reform Act was enacted to provide rules and regulations for the modernization, standardization and regulation of the procurement activities of the government and for other purposes.
- 9.2 Annex C of the 2016 RIRR of RA No. 9184 specifies the recommended maximum duration for each procurement activity in the procurement of goods and services, which serves as a guide for the timely completion of procurement processes, to wit:

Section	Procurement Activity	Maximum Calendar Days (CDs) Allowed for Activity	Conditions/Remarks
20	Pre-Procurement Activity	Whenever necessary	P2,000,000.00 and below (Goods

Section	Procurement Activity	Maximum Calendar Days (CDs) Allowed for Activity	Conditions/Remarks
21.2.1	Advertisement/Posting of Invitation to Bid/Request for Expression of Interest	7 CDs	and Services) Start of Availability of Bidding Documents
22.2	Pre-Bid Conference	Whenever necessary	Optional for ABC below P1,000,000.00  Not earlier than 7 CDs from Advertisement/Posting or from determination of shortlisted consultants  12 CDs before Deadline of Submission and Receipt of Bids
25.5	Deadline of Submission and Receipt/Bid Opening	45 CDs	Last day of Availability of Bidding Documents
32.4	Bid Evaluation	7 CDs	
34.8	Post-Qualification	45 CDs	The bidder must submit all Post-Qualification Requirements within 5 CDs from receipt of notice as bidder with Lowest Calculated Bid (LCB)/Highest Rate Bid (HRB) in accordance with Section 34.2
37.1.2	Approval of Resolution/Issuance of Notice of Award	15 CDs	
37.2.1	Contract Preparation and Signing	10 CDs	
37.3	Approval of contract by higher authority	20 or 30 CDs	If necessary
37.4.1	Issuance of Notice to Proceed	7 CDs	

9.3 Also, Section 38 of the 2016 RIRR of RA No. 9184 provides that:

*The procurement process from the opening of bids up to the award of contract shall not exceed three (3) months, or a shorter period to be determined by the Procuring Entity concerned. xxx*

9.4 Section 3.1 of COA Circular No. 2009-001 on the restatement with amendment of COA Circular 87-278 and COA Memorandum 2005-027 provides that:

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



**The procurement process timelines stated in Annex C of the 2016 RIRR of RA No. 9184 for the procurement of goods and services in CY 2023 on seventeen (17) procurement contracts totaling P119.599 million were not strictly adhered to.**

- 9.5 Review of the 19 procurement contracts amounting to P124.244 million procured through Competitive Bidding for Goods and Services in CY 2023 disclosed that 17 procurement contracts amounting to P119.599 million or 90 per cent of the reviewed contracts, were not compliant with the procurement process timelines outlined in Annex C of the 2016 RIRR of RA No. 9184. Details are as follows:

Procurement Activity	Contract/s and Contract Amount	Maximum Calendar Days (CDs) Allowed	Actual CDs	No of Days Delayed
Bid Evaluation	Supply of 64 units Laptop with MS Office Home and Business, Laptop bag and Wireless Mouse amounting to P4,223,808.00.	7 CDs	11 CDs	4 CDs
Post-Qualification	10 Contracts with an aggregate amount of P98,625,895.09.	45 CDs	48 to 144 CDs	3 to 99 CDs
Approval of Resolution / Issuance of Notice of Award	16 Contracts with an aggregate amount of P114,785,731.09.	15 CDs	16 to 77 CDs	1 to 62 CDs
Contract Preparation and Signing	16 Contracts with an aggregate amount of P116,547,755.09.	10 CDs	14 to 76 CDs	4 to 66 CDs

- 9.6 As shown on the above table, the recommended maximum period allowed for bid evaluation, post-qualification, approval of resolution/issuance of Notice of Award, and preparation and signing of awarded contracts was not strictly adhered to by LRTA, incurring delays in the said procurement processes.

- 9.7 It was also noted that the procurement process timeline from the opening of bids up to the award of contracts not exceeding three months provided under Section 38 of the 2016 RIRR of RA No. 9184 was not complied with on 14 procurement contracts, incurring delays ranging from six to 143 calendar days, to wit:

Particulars	Contract Amount	Date of Opening of Bids	Date Contract/s should be Awarded*	Date Awarded	CD Delayed
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	<b>Particulars</b>	<b>Contract Amount</b>	<b>Date of Opening of Bids</b>	<b>Date Contract/s should be Awarded*</b>	<b>Date Awarded</b>	<b>CD Delayed</b>
1	One (1) lot Replacement of Unified Threat Management Firewall Hardware for Lines 1 and 2 with Licenses for Two (2) Years	2,550,000	11/4/2022	2/3/2023	3/2/2023	27
2	Contract for One (1) Lot Supply of Various Uninterruptable Power Supply (UPS) Spare Parts (Kit Mimic Panel HMI, Fuse 200A, Fuse 10A, etc.)	2,860,548	10/5/2022	1/4/2023	5/15/2023	131
3	One (1) Lot Supply of Various Consumables for Brake Operating Unit	2,425,980	11/4/2022	2/3/2023	3/8/2023	33
4	Security Services for Line 1 (South) Cavite Extension Project	18,015,192	10/26/2022	1/25/2023	3/16/2023	50
5	Contract for the Supply of 200 pcs T 2515 FRP GRATING PANEL 0.85 X 3 m or its equivalen	5,899,888	11/7/2022	2/6/2023	4/12/2023	65
6	Supply of Various Signaling Equipment Parts (Interlocking, Jointless Track Circuits, Misc Wayside) or its equivalent	54,458,312	12/16/2022	3/17/2023	4/24/2023	38
7	8 pcs SIV Control Unit or its equivalent	12,600,000	11/3/2022	2/2/2023	4/25/2023	82
8	30 pcs SIV Auxillary Fuse	2,610,000	11/4/2022	2/3/2023	6/26/2023	143
9	Various Toner for Kyocera Printers	1,246,600	4/5/2023	7/5/2023	7/11/2023	6
10	Various Spare Parts	2,919,752			9/27/2023	61
11	(MIT1025 AC &	184,303			11/7/2023	102
12	Battery Megaohmeter, IER1700 Earth Tester, HVP-40 Oscilloscope Probe, etc.) Various Spare Parts (MIT1025 AC & Battery Megaohmeter, IER1700 Earth Tester,	146,500	4/28/2023	7/28/2023	9/20/2023	54

	Particulars	Contract Amount	Date of Opening of Bids	Date Contract/s should be Awarded*	Date Awarded	CD Delayed
13	HVP-40 Oscilloscope Probe, etc.) Contract for the Supply of Lubricant Oil for Air Compressor (20 liters per pail) and Gear Oil for Gearbox or its equivalent	607,480	5/24/2023	8/23/2023	9/6/2023	14
14	64 units Laptop with MS Office Home and Business, Laptop bag and Wireless Mouse	4,223,808	4/28/2023	7/28/2023	10/2/2023	66

\*(Date of Opening of Bids + 91 CDs)

9.8 The 2016 RIRR of RA No. 9184 was enacted to promote public welfare, and includes mandatory provisions. These mandatory provisions are in place to regulate and guide the procurement process, promoting transparency, fairness, efficiency, and accountability in the use of public funds. Adhering to the prescribed procurement process timelines, including the three months procurement process, is vital for efficient government procurement. Timely execution and monitoring of procurement activities are necessary for successful project implementation.

9.9 Failure to comply with the provisions outlined in Annex C and Section 38 of the 2016 RIRR of RA No. 9184, may result in inefficiencies in the procurement and delays in the project implementation. These delays do not only hinder the timely delivery of benefits to the intended users but also extend the overall project implementation period. Therefore, strict compliance with procurement timelines is essential for maximizing the effectiveness and impact of government projects.

**Nineteen (19) contracts amounting to P188.937 million were not promptly furnished to the Office of the Auditor within five WDs after perfection of contracts.**

9.10 A review of the submitted summary of contracts against the audit records disclosed that out of 21 awarded contracts for procurement of goods and services as of November 15, 2023, 19 contracts with an aggregate contract amount of P118.937 million were belatedly submitted to COA with delays ranging from one to 117 WDs including one procurement contract that was not yet submitted as of December 31, 2023, to wit:

	Particulars	Contract Amount	Contract Date	Deadline of Submission	Actual Date of Submission	No. of WDs Delayed
1	One (1) lot Replacement of Unified Threat Management Firewall Hardware for Lines 1	2,550,000	3/2/2023	3/9/2023	9/4/2023	117

	<b>Particulars</b>	<b>Contract Amount</b>	<b>Contract Date</b>	<b>Deadline of Submission</b>	<b>Actual Date of Submission</b>	<b>No. of WDs Delayed</b>
	and 2 with Licenses for Two (2) Years					
2	Supply of Various Consumables / Materials for the Electrical Maintenance of Sigtel, BGFES, and rolling stock	4,813,024	2/27/2023	3/6/2023	3/13/2023	5
3	Contract for One (1) Lot Supply of Various Uninterruptable Power Supply (UPS) Spare Parts (Kit Mimic Panel HMI, Fuse 200A, Fuse 10A, etc.)	2,860,548	5/15/2023	5/22/2023	5/24/2023	2
4	One (1) Lot Supply of Various Consumables for Brake Operating Unit	2,425,980	3/8/2023	3/15/2023	4/4/2023	14
5	Security Services for Line 1 (South) Cavite Extension Project	18,015,192	3/16/2023	3/23/2023	6/16/2023	54
6	One (1) Lot Various Maintenance Consumables for the 2023 Holy Week Activities	1,154,663	3/10/2023	3/17/2023	3/20/2023	1
7	Contract for the Supply of 200 pcs T 2515 FRP GRATING PANEL 0.85 X 3 m or its equivalent	5,899,888	4/12/2023	4/19/2023	5/5/2023	9
8	8 pcs SIV Control Unit or its equivalent	12,600,000	4/25/2023	5/4/2023	5/8/2023	2
9	Contract for One (1) Lot Replacement of LRTA 2 Station Roofing System	44,341,588	5/26/2023	6/2/2023	Not submitted	N/A
10	"One (1) Lot Supply of Gas / Fuel, Oil, Lubricants, Automotive Batteries and Other Consumables (Fuel Card Program) for One (1) Year	8,300,468	10/3/2023	10/10/2023	1/5/2024	58

	Particulars	Contract Amount	Contract Date	Deadline of Submission	Actual Date of Submission	No. of WDs Delayed
11	30 pcs SIV Auxiliary Fuse	2,610,000	6/26/2023	7/4/2023	7/25/2023	15
12	Various Toner for Kyocera Printers	1,246,600	7/11/2023	7/18/2023	7/20/2023	2
13	Various Spare Parts	2,919,752	9/27/2023	10/4/2023	10/12/2023	6
14	(MIT1025 AC & Battery	184,303	11/7/2023	11/14/2023	11/24/2023	8
15	Megohmmeter, IER1700 Earth Tester, HVP-40 Oscilloscope Probe, etc.)	146,500	9/20/2023	9/27/2023	10/5/2023	6
16	Contract for the Supply of Lubricant Oil for Air Compressor (20 liters per pail) and Gear Oil for Gearbox or its equivalent	607,480	9/6/2023	9/13/2023	10/5/2023	16
17	64 units Laptop with MS Office Home and Business, Laptop bag and Wireless Mouse	4,223,808	10/2/2023	10/9/2023	10/12/2023	3
18	160 pcs Current Return Device (Earth Brush) or its equivalent	986,368	10/23/2023	10/30/2023	11/21/2023	14
19	Supply of 1 Lot Various Unimog Parts (Air Dryer Unit, Air Filter, Instrument Cluster)	3,051,000	9/20/2023	9/27/2023	10/3/2023	4
<b>Total</b>		<b>118,937,162</b>				

9.11 The same audit observation was communicated to Management on the review of procurement for CY 2021. Management acknowledged the delays and gave explanations for the causes, along with the actions taken to resolve the matter. Hence, compliance was attained in CY 2022. For CY 2023 however, there were noted delays in the submission of contracts to the audit team as shown in the table above.

9.12 The audit team acknowledged the efforts made by the BAC and the Procurement Division to comply with the previous year's audit recommendation. However, due to the results of the 2023 audit, we are reiterating compliance with the requirement of COA Circular No. 2009-001, on the submission of approved POs/awarded Contracts within five working days upon perfection, to enable timely review and evaluation by the audit team.

9.13 **We recommended and Management agreed to:**

- a. Strictly comply with the procurement process timelines outlined in Section 38 and Annex C of the 2016 RIRR of RA No. 9184, from bid evaluation to approval of contracts, for the timely execution of procurement process in order to maximize the benefits from the projects; and
- b. Furnish copy of all procurement contracts to the audit team within five working days upon approval together with the supporting documents as prescribed in COA Circular No. 2009-001.

### C. GENDER AND DEVELOPMENT (GAD)

10. The intended benefits of the approved GAD Programs, Activities and Projects (PAPs) amounting to P1.886 billion were not substantially achieved contrary to Section 4.4 of PCW-NEDA-DBM Joint Circular (JC) No. 2012-01, Section 36 (c) of Chapter VI of RA No. 9710 and Section 1.1 of EO No. 273 dated September 8, 1995, due to: a) 16 PAPs were not implemented resulting to low implementation rate and unutilized GAD budget of P1.885 billion; b) survey was not conducted to collect data for gender analysis; and c) non-procurement of Sex Disaggregated Database System (SDDS) with the allotted budget of P0.500 million.

10.1 Section 35 of the General Appropriations Act of FY 2023 states:

*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 RA No. 9710 or the Magna Carta of Women, xxx*

*The GAD Plan shall be integrated in the regular activities of the agencies, which shall be **at least five per cent (5%) of their budgets**. 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 fulfilment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies. (Emphasis supplied)*

10.2 Also, Sections 4.4 and 6.1 of PCW-NEDA-DBM JC No. 2012-01 state that:

*4.4. Institutionalizing GAD Database/Sex-disaggregated Data: The agency shall develop or integrate in its existing database GAD information to include gender statistics and sex-disaggregated data that have been systematically produced or gathered as inputs or bases for planning, budgeting, programming, and policy formulation.*

*6.1 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.*

- 10.3 In addition, PCW Memorandum Circular (MC) No. 2014-05 dated November 28, 2014 states that:

*Agencies shall regularly collect and generate sex-disaggregated data and statistics in support of the MCW indicators relevant to their agency. Such data shall be stored and maintained in the agency's GAD database or similar, updated as needed, and used in their policy and program development to address gender issues in their respective sectors, particularly in the preparation of their annual GAD plans and budgets and accomplishment reports.*

- 10.4 Moreover, Section 36 (c), Chapter VI – Institutional Mechanisms of RA No. 9710 or the Magna Carta of Women (MCW) provides that:

*36 (c) Generation and Maintenance of GAD Database. All departments, including their attached agencies, offices, bureaus, state universities and colleges, **government-owned and –controlled corporations**, local government units, and other government instrumentalities shall develop and maintain a GAD database containing gender statistics and sex-disaggregated data that have been systematically gathered, regularly updated, and subjected to gender analysis for planning, programming, and policy formulation. (Emphasis supplied)*

- 10.5 Section 1.1 of EO No. 273 – Approval and Adoption of Philippine Plan for Gender-Responsive Development dated September 8, 1995 states that:

*All government agencies, departments, bureaus, offices, and instrumentalities, including government-owned and -controlled corporations, at the national, sub-national and local levels, are directed:*

*1.1 To take appropriate steps to ensure the full implementation of the policies/strategies and programs/projects outlined in the Plan;*

- 10.6 Verification of the submitted GAD Plan and Budget (GPB) for FY 2023 showed that LRTA was able to comply with the minimum five per cent (5%) budget requirement stated in Section 35 of the GAA for FY 2023. The total budget allocated to GAD PAPs and attributed programs was P1.886 billion or 18.05 per cent of the Corporate Operating Budget (COB) for FY 2023, as summarized below:

COB FY 2023	10,449,706,000
Total GAD Budget	1,885,871,492
% of GAD Allocation	18.05%
Actual GAD Expenditure	939,454
% of GAD Expenditure over COB	0.01%
% of GAD Expenditure over GAD Budget	0.05%

- 10.7 Review of the LRTA GAD Accomplishment Report (AR) disclosed that out of the 25 approved GAD PAPs for FY 2023, only seven activities were implemented while two activities were partially implemented with an actual expenditure of P0.939 million or only 0.05 per cent of the budget attributed for GAD, denoting a very low implementation rate. The remaining 16 approved PAPs were not implemented resulting to unutilized budget of P1.885 billion, details as follows:

PAPs	GAD Plan and Budget		GAD AR				
	No. of Activity	Amount	No. of Activity		Utilized Amount	No. of Activity Not Done	Unutilized Amount
			Done	Partially Done			
Client-focused	4	10,600,000	3	0	512,164	1	10,087,836
Organization-focused	16	3,400,000	4	2	427,290	10	2,972,710
Attributed Programs	5	1,871,871,492	0	0	0	5	0
<b>Total</b>	<b>25</b>	<b>1,885,871,492</b>	<b>7</b>	<b>2</b>	<b>939,454</b>	<b>16</b>	<b>1,884,932,036</b>

- 10.8 As stated in the GAD Accomplishment Report for 2023 submitted to the PCW, there were no expenditures incurred for the five GAD attributed programs with substantial budget of P1.872 billion.
- 10.9 Moreover, six approved client and organizational-focused activities with total budget of P1.330 million were implemented but with low utilization of only P0.593 million leaving an unutilized balance of P0.737 million. The low utilization of the budget was attributed to small number of participants due to conflict of schedules of the target attendees and supplier's failure to comply with the requirements of the contract. Details are as follows:

Programs, Activities and Projects		Budget	Utilized	Excess
1	Celebration of the National Women's Month	200,000	166,110	33,890
2	Celebration of the National Women's Month	300,000	155,428	144,572
3	18-day campaign to end Violence Against Women (VAW)	200,000	18,480	181,520
4	Conduct orientations and capacity building on GAD Planning and Budgeting including Assessment of Accomplishment	250,000	173,382	76,618
5	Conduct training on Harmonized Gender and Development Guidelines (HGDG) and Gender Analysis for Planning and Budgeting and Gender Mainstreaming	300,000	72,000	228,000
6	Conduct training on Sexual Orientation, Gender Identity and Expression and Sexual Characteristics (SOGIESC)	80,000	8,000	72,000
<b>Total</b>		<b>1,330,000</b>	<b>593,400</b>	<b>736,600</b>

- 10.10 On the other hand, it was observed in the CY 2022 audit that LRTA has launched a survey of its personnel in CY 2022, however, not all employees were able to provide the necessary information and no gender analysis was performed from the results of the survey conducted.
- 10.11 Inquiry with the GAD personnel in-charge disclosed that LRTA has conducted training on HGDG and Gender Analysis for Planning and Budgeting and Gender



Mainstreaming for CY 2023. However, the corresponding survey to collect data for the gender analysis was not carried out, hence, LRTA was not able to comply with the provision stated in PCW MC No. 2014-05 dated November 28, 2014.

- 10.12 In addition, one of the GAD activities under “organization-focused” was to develop SDDS with an allotted budget of P.500 million, which will serve as a basis in performance-based gender-responsive planning, programming and policy formulation, program designing and decision making. This was not accomplished since the LRTA was not able to procure the SDDS in CY 2023.
- 10.13 The Knowledge Management and Information Technology Division personnel disclosed that they have already initiated market research for the procurement of the said system. However, due to lack of information on the specifications from GAD FPS, they were not able to find SDDS or a readily available subscription that could generate data for men and women. Also, the market research for the SDDS did not push through in CY 2023 due to the upcoming project of the Human Resource Management Division that is similar to the system. However, we believed that the GAD Focal Point System should have a separate database in compliance with Section 4.4 of PCW-NEDA-DBM JC No. 2012-01 and Section 36 (c) of Chapter VI – Institutional Mechanisms of the RA No. 9710.
- 10.14 We acknowledged that Management exerted effort to adhere to the requirement stated in Section 35 of the GAA of FY 2023. However, the low implementation of GAD PAPs denotes that the promotion of the GAD objective/s for which the specific funds were provided was not substantially attained by LRTA contrary to Section 1.1 of EO No. 273. Hence, it was not able to efficiently address the identified gender issues, specifically relating to women empowerment and gender equality
- 10.15 **We recommended that Management require the GAD Focal Point System to:**
- a. **Efficiently formulate and compute for a realistic budget for every GAD plan and activity to ensure that the attributed budget is substantially utilized to address the identified gender issues and concerns;**
  - b. **Obtain data through the survey for the gender analysis to serve as the basis for gender-responsive planning, programming and policy formulation in accordance to PCW Memorandum Circular No. 2014-05; and**
  - c. **Coordinate with the Knowledge Management and Information Technology Division the specific details needed for the procurement of the Sex Disaggregated Database System in compliance with Section 4.4 of PCW-NEDA-DBM JC No. 2012-01 and Section 36 (c), Chapter VI of RA No. 9710.**
- 10.16 Management committed to adopt the recommendations to ensure implementation of the GAD programs and projects. In addition, succeeding

LRTA GPB will focus on identifying gender-related issues that is based on gender analysis and sex-disaggregated data to address the concern of women and men equally and equitably to promote gender mainstreaming at LRTA.

#### **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 2023:

<b>Particulars</b>	<b>Amount</b>
Withholding Tax on Compensation	37,751,456
Expanded Withholding Tax	23,980,447
Per centage Tax	32,887,256
Value-Added Tax on Rentals	7,153,495
Withholding Tax on VAT on Purchase of Goods and Services and Persons Exempt from VAT	61,871,779

#### **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 2023, LRTA made the following remittances:

<b>Particulars</b>	<b>Amount</b>
GSIS Premium contributions and Loan amortization	89,541,756
Pag-IBIG Contributions and Loan amortization	9,334,698
PhilHealth Insurance Premiums	20,064,578

#### **F. INSURANCE OF PROPERTIES**

LRTA covered its insurable properties with the GSIS for CY 2023 in compliance with RA No. 656 (Property Insurance Law) with premium payments amounting to P9.465 million on July 26, 2023.

#### **G. STATEMENT OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES (SASDC)**

In CY 2023, transactions disallowed in audit amounted to P5.972 million. Details of the SASDC as at December 31, 2023 are shown below:

<b>Audit Action</b>	<b>Beginning Balance January, 1, 2023</b>	<b>This Period</b>		<b>Ending Balance December 31, 2023</b>
		<b>Issued</b>	<b>Settled</b>	
<b>Suspensions</b>	0	0	0	0
<b>Disallowances</b>	US\$58,800	0	0	US\$58,800

Audit Action	Beginning Balance January, 1, 2023	This Period		Ending Balance December 31, 2023
		Issued	Settled	
	239,657,174	5,971,800	0	245,628,974
<b>Charges</b>	0	0	0	0
	US\$58,800	0	0	US\$58,800
<b>Total</b>	239,657,174	5,971,800	0	245,628,974

## STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 18 audit recommendations contained in the prior years' Annual Audit Reports, 15 were implemented and three were not implemented, two of which were reiterated in Part II of this Report. The details are presented below:

Reference	Audit		Status/Action Taken
	Observations	Recommendations	
AAR 2022 Observation No. 1, pages 65-71	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.	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;	Implemented
		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;	Implemented
		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;	Not Implemented  <i>Reiterated in Audit Observation No. A.1 of this AAR.</i>
		d. Require the Asset Management Division to submit to Local Government Units and Land Registration Authority the lacking	Implemented



Reference	Audit		Status/Action Taken
	Observations	Recommendations	
	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.	billion and P347.816 million, respectively, and recognize the proper accounts.	
AAR 2022 Observation No. 3, pages 72-74	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.	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	Implemented
		b. Require the Accounting Division to provide the lacking documents to establish the correct balances of the accounts.	Implemented
AAR 2022 Observation No. 4, pages 74-75	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	a. Deduct the unrecouped advance payment from the remaining claim of the Contractor; and	Implemented
		b. Pursue legal action to recover the unrecouped advance from the Contractor, if warranted.	Implemented

Reference	Audit		Status/Action Taken
	Observations	Recommendations	
	(R.A.) No. 9184.		
AAR 2022 Observation No. 5 pages 75-77	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.	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.	Implemented
AAR 2022 Observation No. 6, pages 77-79	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.	Implement GAD PAPs included in the GPB to maximize the utilization of the GAD budget to address GAD issues.	Implemented
AAR 2021 Observation No. 2, pages 50-55	The faithful representation of Property, Plant and Equipment (PPE) accounts with a carrying value of P43.952 billion as at December 31, 2021 was not established due	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	Implemented

Reference	Audit		Status/Action Taken
	Observations	Recommendations	
	to 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.	deterioration and decline in value thereof.	
AAR 2021 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 deficiency:</p> <p>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.</p>	Require the concerned OGCC lawyers to refund the withholding tax of P109,650.00 not withheld from the payments made to them, and remit the same to BIR in compliance with BIR RR No. 11-2018; and henceforth, directly remit the reimbursable allowance to OGCC instead to the individual lawyers, net of the applicable withholding tax;	Not Implemented  Management already deducted P91,950.00 to the succeeding claims of the OGCC lawyers, however, only P68,950.00 was remitted to the BIR as at the audit date.
AAR 2020 Observation No. 12	Requests for Relief from Property Accountabilities were not yet filed to COA	Immediately file a Request for Relief from Property Accountability with COA for	Implemented



Reference	Audit		Status/Action Taken
	Observations	Recommendations	
pp. 96-98	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.	the damaged assets caused by fire and collision incidents together with complete documentary requirements and notify the Audit Team once a request has been filed for reference and monitoring.	