EXECUTIVE SUMMARY

INTRODUCTION

The Manila International Airport Authority (MIAA) was created by virtue of Executive Order (EO) No. 778, series of 1982, otherwise known as the “Charter of the Manila International Airport Authority”. It is an agency attached to the Department of Transportation (DOTr), tasked to, among others, formulate a comprehensive and integrated policy and program for the Ninoy Aquino International Airport (NAIA) and other airports in the Philippines, and to implement, review and upgrade such policy and program periodically; and control, supervise, construct, maintain, operate and provide such facilities or services as shall be necessary for its efficient functioning.

MIAA’s Charter was later amended by EO Nos. 903, 909 and 298 dated July 21, 1983, September 16, 1983, and July 26, 1987, respectively. The amendments were the following: (a) modified the composition of the Board of Directors to afford better coordination; (b) increased the capital contribution of the National Government; (c) reduced the contribution of the MIAA to the General Fund from 65 per cent to 20 per cent of its annual operating income excluding utilities and terminal fee collections; and (d) appointed the Government Corporate Counsel and/or the Solicitor General as legal counsel of the MIAA.

The MIAA is headed by a General Manager, and assisted by a Senior Assistant General Manager and five Assistant General Managers (AGM) namely: 1) AGM for Finance and Administration; 2) AGM for Operations; 3) AGM for Engineering; 4) AGM for Security and Emergency Services; and 5) AGM for Airport Development and Corporate Affairs. It is governed by a Board of Directors composed of nine members (seven from the government and two from the private sector) who is chaired by the Secretary of the DOTr.

As of December 31, 2022, the MIAA has 1,288 organic personnel, 2,554 contract of service and 80 job order personnel. It has an approved Corporate Operating Budget for calendar year 2022 amounting to P8.416 billion.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021 (As restated)</th>
<th>Increase/ (Decrease)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Assets</td>
<td>51,528,309</td>
<td>50,244,649</td>
<td>1,283,660</td>
</tr>
<tr>
<td>Liabilities</td>
<td>4,805,320</td>
<td>5,408,646</td>
<td>(603,326)</td>
</tr>
<tr>
<td>Equity</td>
<td>46,722,989</td>
<td>44,836,003</td>
<td>1,886,986</td>
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1 Formerly Manila International Airport
Comparative Results of Operation

(In Thousand Pesos)

<table>
<thead>
<tr>
<th></th>
<th>2022</th>
<th>2021 (As restated)</th>
<th>Increase/Decrease</th>
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</thead>
<tbody>
<tr>
<td>Income</td>
<td>10,371,767</td>
<td>4,464,899</td>
<td>5,906,868</td>
</tr>
<tr>
<td>Less: Expenses</td>
<td>6,937,516</td>
<td>6,484,237</td>
<td>453,279</td>
</tr>
<tr>
<td>Income (Loss) Before Tax</td>
<td>3,434,251</td>
<td>(2,019,338)</td>
<td>5,453,589</td>
</tr>
<tr>
<td>Less: Income Tax Expenses</td>
<td>109,894</td>
<td>140,765</td>
<td>(30,871)</td>
</tr>
<tr>
<td>Income (Loss) After Tax</td>
<td>3,324,357</td>
<td>(2,160,103)</td>
<td>5,484,460</td>
</tr>
<tr>
<td>Subsidy from National Government</td>
<td>0</td>
<td>70,592</td>
<td>(70,592)</td>
</tr>
<tr>
<td>Less: Subsidy to Other Funds</td>
<td>1,429,707</td>
<td>587,571</td>
<td>842,136</td>
</tr>
<tr>
<td>Net Income (Loss)</td>
<td>1,894,650</td>
<td>(2,677,082)</td>
<td>4,571,732</td>
</tr>
</tbody>
</table>

SCOPE AND OBJECTIVES OF AUDIT

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

INDEPENDENT AUDITOR’S OPINION ON THE FINANCIAL STATEMENTS

We rendered a qualified opinion on the fairness of presentation of the financial statements of MIAA for the years 2022 and 2021 because the correctness/completeness of the total Passenger Service Charge (PSC) collected totaling P3.597 billion, accrued/recognized as Transportation System Fee (MIAA’s share), Due to Bureau of the Treasury and Due to National Government Agencies amounting to P2.970 billion, P304.844 million and P322.218 million, respectively, was not ascertained. The lack of reliable data on the number of paying passengers caused the inability to determine the complete/accurate PSC collected at the rate of P550 and P200 per paying passenger for international and domestic departing passengers, respectively. The reported PSC collected was based on the Remittance Reports (RRs) submitted by the Air Carriers (ACs), and the reconciliation made to determine the correctness of the declaration of the ACs was on the total number of passengers per RRs submitted by ACs and Report on Passenger Load Data of the Authority.

Moreover, MIAA’s Accounts Receivable (AR) totaling P3.352 billion were not properly assessed to determine current/updated evidence of impairment as required under Philippine Financial Reporting Standard (PFRS) 9. The Authority’s assessment of Expected Credit Loss (ECL) for past due accounts did not consider that credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due. Also, some disputed accounts for which a similar dispute was already decided by the court against MIAA, was not adequately provided of ECL. The prior cases decided against MIAA are considered available data which may support or indicate a measurable decrease in estimated future cash flows pertaining to the disputed receivables.
Thus, the amortized cost of AR amounting to P1.905 billion could be more than its recoverable amount.

Similarly, the Inter-Agency Receivable (IAR) – Department of Public Works and Highways (DPWH) account amounting to P996.399 million with amortized cost of P785.952 million was not properly assessed to determine current/updated evidence of impairment as required under PFRS 9. Considering that DPWH does not recognize any amount payable to MIAA, the Authority should have taken into consideration that a credit loss occurs, since the collectability of the receivable is dependent on the approved budget of DPWH per General Appropriations Act.

The completeness of the Concession Privilege Fee (CPF) income amounting to P336.288 million could not be validated because of the lack of reliable source of data where the CPF collections and accruals can be traced. The Tenant Sales Monitoring System (TSMS) of concessionaires’ Point of Sales (POS) integrated in the Financial Management Information System (FMIS) is not working effectively, showing inconsistencies when compared with the recorded CPFs during the test of transactions conducted.

For the above observations, we recommended that Management:

On PSC:

a. Revisit MIAA’s existing policies on the Systems and Procedures, Reportorial Requirements, Monitoring and the Statement of Responsibilities related to the collection of PSC to ensure that Management will achieve a reliable data on aircraft and passenger movement that is useful in generating financial data to assist the Accounting Division (AD) in capturing PSC collections accurately and detect errors on the RRs submitted by ACs, to include data on the following:
   i. Departing flights per Terminal and General Aviation Area;
   ii. Total passengers per flight with details as to paying and PSC-exempted passengers; and
   iii. Other information relevant to financial reporting.

b. Monitor the effectiveness of such policy regularly to ensure that the objective of the policy is met;

c. Identify the persons responsible for the specific process, so that Management can easily identify the personnel liable in case under collection and other instances of losses of assets arise; and

d. Identify the ACs with missed PSC remittances that were billed of Tacking Fee charges per Flight Operations Report and Bill of Charges and demand remittance of PSC from them.

On AR:

a. Revisit its established ECL provision matrix or conduct an assessment at the end of each reporting period to determine the sufficiency of Allowance for Impairment to ensure that the valuation of receivables at amortized cost will not exceed the recoverable amount.
On IAR:

a. Conduct proper assessment on the IAR – DPWH to ensure that the valuation of IAR at amortized cost will not exceed the recoverable amount.

On CPF:

a. Ensure that the POS and TSMS are working effectively by updating/correcting its functionalities so that the monthly sales summary report of concessionaires could be generated from the FMIS and used as basis of the AD in rendering bills for CPF completely/accurately and on a timely basis;

b. Maximize and strictly monitor the use of the FMIS in generating reliable internal financial reports that will be used in recording CPF transactions, otherwise MIAA will not fully benefit from the FMIS Project;

c. Analyze the discrepancy between POS summary report and the amount collected per AD;

d. Determine and monitor the concessionaires with unremitted or under-remitted Gross Sales-based CPFs and collect unremitted CPF; and

e. Submit to the Audit Team the documents on the result of conduct of MIAA Audit Procedure per Paragraph 14 of Memorandum Circular (MC) No. 06, series of 2021.

The other significant audit observation and recommendation that needs immediate action is as follows:

1. The policy requiring the remittance of PSC on flown and expired tickets only pursuant to Sections 6.2 and 6.3 of MIAA MC No. 18, series of 2019, dated August 9, 2019 is not consistent with the opinion of the Office of the Solicitor General, which resulted in continued possession by ACs of PSC collections integrated in unflown and unexpired airline tickets.

We reiterated our recommendation that Management should develop a policy for the accounting, reporting and monitoring of PSCs collected by the ACs and on behalf of MIAA, including those due from fixed-based operators/ground handlers and operators. The policy shall be in support of providing a mechanism ensuring that the payment made by the concerned passengers for PSC would be credited once they depart from the terminal so that MIAA can demand the remittance of the terminal fees collected by the ACs even on unflown tickets, and should be consistent with the Revenue Memorandum Circulars issued by the Bureau of Internal Revenue.
SUMMARY OF UNSETTLED AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

The total unsettled audit suspensions, disallowances and charges issued in the audit of various transactions of MIAA amounted to P58.641 million as of December 31, 2022, details of which are included in Part II of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS’ AUDIT RECOMMENDATIONS

Of the 56 audit recommendations contained in the prior years’ Annual Audit Reports, 31 were implemented/reconsidered and the remaining 25 which were not implemented by MIAA are reiterated in Part II of this Report.