

EXECUTIVE SUMMARY

A. Introduction

The Civil Aeronautics Board (CAB) was created by virtue of Executive Order No. (EO) No. 94 dated October 4, 1947. The Board was reorganized on June 20, 1952 with the passage of Republic Act (RA) No. 776 and in 1987, it was attached to the Department of Transportation and Communications (DOTC).

The CAB's mandate is to regulate, promote and develop the economic aspect of air transportation in the Philippines. It has general supervision, jurisdiction and control over carriers, general sales agents, cargo sales agents, and air freight forwarders as well as their property, property rights, equipment, facilities and franchise.

It is governed by a Board composed of the DOTC Secretary as Chairman, Department of Tourism Secretary as Vice Chairman and the Director General of the Civil Aviation Authority of the Philippines as member. The Executive Director heads the CAB and is assisted by a Deputy Executive Director and seven Division Chiefs.

As of December 31, 2015, there are 70 permanent employees and five hired Job Orders.

B. Financial Highlights

For CY 2015, the CAB has a total appropriations of P68,032,000.00 under RA No. 10651, the General Appropriations Act of FY 2015. The Agency received total allotments of P74,330,457.00 of which the amount of P67,315,375.21 was obligated, leaving a balance of P7,015,081.79. The details of receipt and utilization of the appropriation is shown below:

Allotments, Obligations and Balances

Sources of Funds	Appropriations	Allotments	Obligations Incurred	Unobligated Balance
	(in Php)			
A. Current Year				
1. Regular	68,032,000.00	68,032,000.00	61,229,154.55	6,802,845.45
2. Automatic	3,056,000.00	3,056,000.00	2,843,763.66	212,236.34
3. Other Releases	3,242,457.00	3,242,457.00	3,242,457.00	-
B. Continuing Appropriations	-	-	-	-
Total	74,330,457.00	74,330,457.00	67,315,375.21	7,015,081.79

The agency's assets, liabilities and net assets/equity as of December 31, 2015 are presented as follows:

Particulars	2015	2014
	(in Php)	
Financial Position		
Assets	19,297,727.76	18,665,015.03
Liabilities	558,678.83	384,767.92
Net Assets/Equity	18,739,048.93	18,280,247.11
Financial Performance		
Income	159,096,832.49	65,293,925.21
Expenses	67,011,816.58	63,903,549.25
Surplus	92,085,015.91	1,390,375.96

C. Operational Highlights

The Agency's reported targets and actual accomplishments measured in terms of its major final outputs (MFO) are as follows:

Performance Indicators	Targets	Actual Accomplishments	Percentage of Accomplishments
MFO 1: Air Transport Promotion and Development Services			
- Number of plans and policies reviewed, updated, issued and disseminated	2	4	200
MFO 2: Air Transport Regulatory and Enforcement Services			
1-Licensing			
- Number of air agreements negotiated/air consultation talks conducted, reviewed and updated.	6	10	167
- Number of new applications/renewal of operating permits acted upon.	1,950	4,110	210.77
- Number of countries with entitlements concluded as a % of total number of countries with whom air talks were conducted/negotiated.	2	10	500
2-Monitoring			
- Number of cases/complaints acted upon	73	724	991.78
3-Enforcement			
- Number of enforcement actions carried out.	73	724	991.78

D. Scope of Audit

The audit covered the accounts and operations of CAB for the year ended December 31, 2015. The audit was conducted to (a) verify the level of reliance that may

be placed on management's assertions on the financial statements; (b) determine the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

E. Auditor's Report on the Financial Statements

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements of CAB.

F. Summary of Significant Observations and Recommendations

The following is a summary of significant audit observations and corresponding recommendations, the details of which are discussed in Part II of this Report:

1. The CAB failed to conduct annual physical count of the Property, Plant and Equipment (PPE) as of year-end and maintain Property Cards (PCs) contrary to COA Circular No. 80-124 dated January 18, 1980 and Section 42 of the NGAS Manual Volume II, respectively. Thus, the existence of the assets and the accuracy of the PPE accounts balances as of December 31, 2015 were not established. **(Observation No. 1)**

We recommended that Management designate a full time Property Officer and create an Inventory Committee who shall perform the inventory-taking of the PPE and prepare the RPCPPE in accordance with COA Circular No. 80-124 dated January 18, 1980 and Section 66 of the NGAS Manual, Volume II, respectively. Likewise, instruct the Property Officer to prepare and maintain PCs for each category of PPE for record purposes and easy reference during reconciliation of records.

2. Claims for transportation expenses amounting to P137,886.00 for travel/assignment to the Airport Terminals 1 to 4 and when using the office vehicle was contrary to Executive Order (EO) No. 248 dated May 29, 1995, thus disallowable in audit. **(Observation No. 2)**

We recommended that Management direct the refund of the amount and strictly adhere to the provisions of the EO No. 248 dated May 29, 1995.

3. Contracts were not submitted to the Auditor five (5) days upon perfection nor these were attached to the disbursement vouchers contrary to COA Circular Nos. 2009-001 dated February 12, 2009 and 2012-001 dated June 14, 2012. **(Observation No. 3)**

We recommended and Management agreed to ensure that all contracts are submitted within five days upon perfection together with the other supporting documents to support the disbursement made.

4. The CAB did not have a duly approved CY 2015 GAD Plan and Budget as a guide in the implementation of GAD related activities. **(Observation No. 4)**

We recommended that Management should ensure that the duly approved GAD Plans and Budget is available as its guide in the implementation of its GAD related activities.

5. Management was unable to adopt proper measure/procedure to speed up the collection of fees and charges of P3,193,279.40 as of December 31, 2015, thus losing the opportunity to augment much needed funds for the utilization and implementation of other valuable projects of the government. **(Observation No. 10)**

We reiterate our previous year recommendation that Management further step up its effort to adopt more intensified collecting strategies and procedures and to persistently and consistently monitor those uncollected fees and surcharges, as well as to make most of the available remedies to expedite collection for the benefit of the government and to book up the amount of uncollected income as Account Receivables.

The above observations and recommendations were discussed with concerned management officials in an exit conference conducted on April 7, 2016 and their comments were incorporated in this Report, where appropriate.

G. Summary of Total Suspension, Disallowances and Charges as of year-end

There were no audit suspensions, disallowances and charges issued in the audit of various transactions of the CAB for CY 2015.

H. Status of Implementation of Prior Years' Audit Recommendations

Of the 20 audit recommendations embodied in the prior years' Annual Audit Report of CAB, 15 or 75% were fully implemented, and 5 or 25% were partially implemented. The details are presented in Part III of this Report.