EXECUTIVE SUMMARY

A. Introduction

The Poro Point Management Corporation (PPMC) was created and registered with the Securities and Exchange Commission (SEC) as the operating and implementing arm of the Bases Conversion and Development Authority (BCDA) to manage the Poro Point Special Economic and Freeport Zone (PPSEFZ), now Poro Point Freeport Zone (PPFZ) pursuant to Republic Act (RA) No. 9400 (An Act Amending RA No.7227, as amended, otherwise known as the Bases Conversion and Development Act of 1992, and Other Purposes). PPMC`s scope of responsibility encompasses the former Wallace Air Station in Poro Point, La Union, home to Thunderbird Resorts, the San Fernando Airport and the San Fernando International Seaport.

B. Financial Highlights

Presented below is the summary of comparative financial highlights of the Agency:

	2019	2018	Percentage of Change
Assets	P214,220,636.08	P200,025,023.08	7.10%
Liabilities	103,894,887.49	100,363,499.29	3.52%
Government Equity	110,325,748.59	99,661,523.79	10.70%
Income	93,613,480.41	87,307,513.79	7.22%
Expenses	P68,550,145.56	P 70,480,869.65	(2.74%)

	2019	2018	Percentage of Change
Budget	P144,094,822.00	P99,261,600.00	45.17%
Actual Expenditures	P 68,550,145.56	P70,480,869.65	(2.74%)

C. Scope of Audit and Methodology

A comprehensive audit was conducted on the accounts and operations of Poro Point Management Corporation for the year ended December 31, 2019. It was aimed at expressing an opinion as to whether the financial statements present fairly the Corporation`s financial position, results of operations and cash flows and at determining the Corporation’s compliance with pertinent laws, rules and regulations, as well as the efficiency and effectiveness of operations.

D. Auditor's Opinion on the Financial Statements

The Auditor rendered an unmodified opinion on the fair presentation of the Financial Statements as to the financial position of the Poro Point Management Corporation as of December 31, 2019, and the results of its operations and cash flows for the year then ended in conformity with Philippine Financial Reporting Standards (PFRS).

E. Significant Audit Observations and Recommendations

It is worthy to note that the Corporation withheld and remitted taxes amounting to P9,404,515.25 and P11,706,055.26, respectively, as of December 31, 2019 which is composed of various taxes on compensation, purchases from suppliers/contracts, taxes on per diems, fringe benefits and corporate income tax. Hence, the Agency was found compliant to their tax obligations.

We commended the Agency for dutifully complying on their tax obligations.

However, presented below is the summary of the significant Audit Observations and Recommendations. These were discussed with the agency officials concerned during the exit conference and their corresponding comments were incorporated in Part II of the report, where appropriate:

1. The inaction of the Management to require the contractor to perform its obligations under the construction contract caused delay in the work completion of the project, Baywalk with Events Center costing P60,156,383.46 contrary to pertinent provisions of the 2016 Revised IRR of RA 9184, thus, has been incurring liquidated damages of P5,464,892.98 from May 31, 2016 to September 30, 2018. Likewise, several damages were noted during technical inspection.

   We reiterated the prior year's recommendation that Management:

   a. Require the contractor for the immediate completion of the project, otherwise, enforce legal action against the latter, terminate the contract and enforce rights against the performance security posted by the contractor;

   b. Charge the contractor for the liquidated damages incurred for the period covering May 31, 2016 to the actual completion or termination;

   c. Conduct investigation relative to the damages, such as the destroyed asphalt road due to the construction of a new 24-meter wide concrete pavement by the DPWH; landscaping works and 23 units of gazebos, to determine the proper persons liable; and

   d. Submit the necessary documents for further technical evaluation.

2. The Agency paid P545,873.03 for Extraordinary and Miscellaneous Expenses (EME) for the period January 1 to December 31, 2019 exceeding the allowed amount set forth under Section 47 of the General Provisions of the General Appropriations Act (GAA) for the Fiscal Year 2019, in relation to COA Circular 2006-01

   We recommended that Management limit the spending for Extraordinary and Miscellaneous Expenses to the amount as authorized under GAA and expenses charged should only be within the purview of EME; and exercise prudence and sound financial management to ensure economy and efficiency in the use of public funds.

3. The inability of the Agency to prepare a Project Procurement Management Plan (PPMP) for Sillag project resulted in decentralized procurement of goods, supplies and materials and non-availment of volume discounts through bulk purchases, contrary to Section 7 of the IRR of RA 9184, thereby casting doubt on the economy, propriety and regularity of the procurement.

   In view of the foregoing, we recommended that Management consolidate all procurement of goods, supplies and materials in order to resort to competitive public bidding as the general mode of procurement or appropriate alternative mode of procurement to obtain prices which are most advantageous to the government and to adhere to the government policy of competitiveness, transparency, economy and efficiency in the procurement process as prescribed under RA 9184.

4. Several deficiencies were noted in the Gender and Development (GAD) activities of the Agency contrary to pertinent provisions of Joint Circular No. 2012-01 of PCW, NEDA and DBM, hence mainstreaming on gender awareness, gender issues through programs, activities and projects were not achieved.

   We recommended that Management:

   a. Prepare GAD Plan and Budget equivalent to at least five percent of the Corporate Budget;

   b. Implement GAD activities pursuant to the approved GAD Plan and Budget; and

   c. Establish and maintain GAD Database which includes sex disaggregated file based on various GAD indicators.

F. Summary of Audit Suspensions, Disallowances and Charges

As of December 31, 2019, PPMC has no outstanding suspensions and charges, however, disallowances totaling to P1,234,904.05 are under appeal.

G. Status of Prior Year`s Audit Recommendations

Out of the four audit recommendations contained in the previous year`s Annual Audit Report, two were fully implemented and two were not implemented and reiterated in Part II of the report.