

EXECUTIVE SUMMARY

INTRODUCTION

The Palacio del Gobernador Condominium Corporation (PDGCC) is a non-stock and non-profit condominium corporation created by virtue of the Master Deed with Declaration of Restrictions executed on August 30, 1976 pursuant to the provisions of Republic Act (RA) No. 4726, known as the Condominium Act, and Act No. 1459, known as the Corporation Law, as amended. The Articles of Incorporation of PDGCC was registered with the Securities and Exchange Commission on September 27, 1976 under Registration No. 69822. Its By-Laws and Amended By-Laws were registered on October 4, 1976 and May 14, 1982, respectively.

The PDGCC was formed and organized for the purpose of holding title to all the common areas in the Palacio del Gobernador Condominium Project. This project comprises the land and building which was regarded as historical landmark by the National Historical Commission of the Philippines.

Membership in the PDGCC is an appurtenance to the ownership of condominium unit. It is controlled by the Government of the Republic of the Philippines thru the Bureau of the Treasury (BTr), the Intramuros Administration (IA), and the Office of the President (OP). All the units of the eight-storey building project were apportioned and acquired by these agencies and corresponding Condominium Certificates of Title were issued, details as follows:

Agency	Floor	Area (in square meter)	Date of Issuance	Amount
BTr	¼ of Ground Floor	745.07	August 19, 1981	4,612,500
BTr	2 nd	3,729.44	November 13, 1980	14,965,000
BTr	3 rd	3,710.60	November 13, 1980	14,965,000
BTr	4 th	3,710.60	November 13, 1980	14,965,000
BTr	6 th	3,710.60	December 20, 1988	30,000,000
IA	5 th	3,710.60	January 30, 1981	14,760,000
OP	¾ of Ground Floor	2,235.22	November 14, 1980	48,585,000
OP	7 th	3,710.60		
OP	8 th	3,644.04		

The PDGCC is governed by a Board of Directors composed of eight members representing the BTr, IA and OP. They also occupy the position of President, Vice President, Treasurer, Assistant Treasurer, Secretary, Assistant Secretary, Legal Counsel, and Internal Auditor of the PDGCC. As at December 31, 2019, the PDGCC is headed by President/Chairperson Rosalia V. De Leon who is also the incumbent Treasurer of the Republic of the Philippines. In January 2006, an Administrative Committee was created, which is presently composed of a Chairman and four members.

The PDGCC generates fund from assessment dues collected from unit owners/members and tenants in the building. The fund is used by PDGCC to defray operating expenses necessary in the administration of the building.

As at December 31, 2019, PDGCC has four regular and one contractual personnel. Its principal address is at General Luna corner Andres Soriano, Jr. Streets, Intramuros, Manila.

FINANCIAL HIGHLIGHTS (in Philippine Peso)

I. Comparative Financial Position

Particulars	2019	2018	Increase/ (Decrease)
Assets	54,126,689	40,998,440	13,128,249
Liabilities	13,033,630	7,869,057	5,164,573
Equity	41,093,059	33,129,383	7,963,676

II. Comparative Results of Operations

Particulars	2019	2018	Increase/ (Decrease)
Revenues	22,800,139	23,448,807	(648,668)
Operating Expenses	21,739,588	25,531,846	(3,792,258)
Net income	1,060,551	(2,083,039)	(3,143,590)

SCOPE OF AUDIT

Our audit covered the examination of the accounts, transactions and operations of the PDGCC for calendar years 2019 and 2018. Our audit aimed to ascertain the fairness of the presentation of the financial statements in accordance with the Philippine Financial Reporting Standards for Small and Medium Enterprises (PFRSs for SMEs) and to assess the propriety of financial transactions and compliance of the PDGCC with laws, rules and regulations, as well as adherence to prescribed policies and procedures.

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements of the PDGCC as at December 31, 2019, in view that the recorded collections in the Cash Receipts Journal/Report of Collections and Deposits amounting to P64.426 million and transactions in the General Journal totaling P117.396 million, all for CY 2019, cannot be ascertained due to the improper and incomplete documentation. Consequently, we were unable to determine whether any adjustments to the cash account as well as the other accounts were necessary. Likewise, the propriety of recording in the books or the necessity of disclosure in the Notes to Financial Statements of the circumstances surrounding the annotations on the Transfer Certificate of Title No. 118381 of a P50 million loan on the land where Palacio del Gobernador Project is located, cannot be determined due to absence of documentation.

For the above observations we recommended that Management:

For the Propriety and Validity of the Recorded Collections in the CRJ/RCD/GJ

Use and maintain the JEV form in recording transactions supported with complete and proper documentation to ensure their propriety, validity and faithful representation in the financial statements.

For the Propriety of Recording a Loan and Disclosure in the Notes to Financial Statements

- a. Coordinate with the Registry of Deeds of Manila and Land Bank Resources and Development Corporation (formerly Lumang Bayan) to retrieve the documents to reconstitute the circumstances of the mortgage and to update the annotations of encumbrances in the TCT; and
- b. Study the need to disclose the transactions inscribed in the TCT in the Notes to Financial Statements.

The other audit observations and the corresponding recommendations are discussed in detail in Part II of this report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 23 recommendations embodied in the CY 2018 Annual Audit Report, 17 were fully implemented, two were partially implemented, four were not implemented. Two of the four unimplemented recommendations were reconsidered and the other two were reiterated with modification.