



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Palacio del Gobernador Condominium Corporation
General Luna corner Andres Soriano Streets
Intramuros, Manila

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of Palacio del Gobernador Condominium Corporation (PDGCC), which comprise the statements of financial position as at December 31, 2019 and 2018, statements of comprehensive income, statements in changes in equity, statements of cash flows for the years then ended and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for the Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of PDGCC as at December 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended, and notes to the financial statements, in accordance with Philippine Financial Reporting Standards (PFRS) for Small and Medium Enterprises (SMEs).

Basis for Qualified Opinion

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.

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 Financial Statements* section of our report. We are independent of PDGCC in accordance with the 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 financial statements in the Philippines, 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 a basis for our qualified opinion.

Other Matter

In our report dated March 15, 2019, our opinion on the 2018 financial statements was qualified due to the lack of subsidiary ledgers and supporting schedules pertaining to the Government Equity and Retained Earnings Appropriated and Unappropriated accounts amounting to P21.113 million, P5.916 million and P6.100 million, respectively, as of December 31, 2018. This precluded us from ascertaining the propriety and reliability of the said accounts. In our current audit, PDGCC has provided the Audit Team with the schedules and subsidiary ledgers for the Government Equity and Retained Earnings accounts and we found them in order. Accordingly, our present opinion on the 2018 financial statements, as expressed herein, is different from that expressed in our previous report.

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 PFRS for SMEs, 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 PDGCC'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 PDGCC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PDGCC'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 statement 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 the ISSAI, we exercise professional judgement 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 PDGCC's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management;
- Conclude 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 PDGCC'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 auditor's report. However, future events or conditions may cause PDGCC to cease to continue as a going concern; and
- 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Legal and 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 in Note 27 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 the audit of the basic financial statements. In our opinion, except for the effect of the information of the matter described in the *Basis for Qualified Opinion* paragraph, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT



RADITO G. CHING
OIC-Supervising Auditor

June 1, 2020