

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, 2018, 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, 2018, 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	2018	2017	Increase/ (Decrease)
Assets	40,998,438	39,297,320	1,701,118
Liabilities	7,869,056	4,410,403	3,458,653
Equity	33,129,382	34,886,917	(1,757,535)

II. Comparative Results of Operations

Particulars	2018	2017	Increase/ (Decrease)
Revenues	23,448,807	19,813,828	3,634,979
Operating Expenses	25,531,846	16,920,992	8,610,854
Net income	(2,083,039)	2,892,836	(4,975,875)

III. Comparative Budget and Actual Utilization

Particulars	2018		2017	
	Budget	Actual	Budget	Actual (as restated)
Personal Services	2,224,049	2,167,515	3,731,771	3,290,268
Maintenance and Other Operating Expenses	19,657,326	23,364,331	16,013,855	13,630,724
	21,881,375	25,531,846	19,745,626	16,920,992

SCOPE OF AUDIT

Our audit covered the examination of the accounts, transactions and operations of the PDGCC for calendar years 2018 and 2017. 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 (PFRS 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, 2018, in view that the propriety and reliability of the Government Equity and Retained Earnings Appropriated and Unappropriated accounts amounting to P21.113 million, P5.916 million and P6.100 million, respectively, as at December 31, 2018, and Government Equity and Retained Earnings accounts amounting to P17.940 million and P16.947 million, respectively, as at December 31, 2017, cannot be ascertained due to lack of subsidiary ledgers and supporting schedules.

OBSERVATIONS AND RECOMMENDATIONS

The observations noted in audit 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 19 audit recommendations embodied in the prior years' Annual Audit Reports, four were fully implemented, five were partially implemented, six were not implemented and four were reconsidered in view of Philippine Interpretations Committee's opinion that Condominium Corporations should not recognize the land and other common areas as asset in its financial statements.