

## 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 <sup>nd</sup>	3,729.44	November 13, 1980	14,965,000
BTr	3 <sup>rd</sup>	3,710.60	November 13, 1980	14,965,000
BTr	4 <sup>th</sup>	3,710.60	November 13, 1980	14,965,000
BTr	6 <sup>th</sup>	3,710.60	December 20, 1988	30,000,000
IA	5 <sup>th</sup>	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 <sup>th</sup>	3,710.60		
OP	8 <sup>th</sup>	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. 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 owner/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, 2020, 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	2020	2019	Increase/ (Decrease)
Assets	<b>49,375,323</b>	54,126,689	(4,751,366)
Liabilities	<b>8,417,488</b>	13,033,630	(4,616,142)
Equity	<b>40,957,835</b>	41,093,059	(135,224)

### II. Comparative Results of Operations

Particulars	2020	2019	Increase/ (Decrease)
Revenues	<b>22,108,218</b>	22,886,236	(778,018)
Operating Expenses	<b>22,195,896</b>	21,739,588	456,308
Net Income/(Loss)	<b>(87,678)</b>	1,146,648	(1,234,326)

## SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of the PDGCC for the period January 1 to December 31, 2020 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2020 and 2019. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

## AUDITOR'S OPINION

We rendered an unmodified opinion on the fairness of presentation of the financial statements of the PDGCC for the years 2020 and 2019.

## SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. A total of 21.18 square meters was not included in the computation of assessment dues for the area occupied by the Bureau of the Treasury (BTr) and Office of the President of the Philippines (OP) due to miscalculation, contrary to Sections 4 (a) and (b), Part II of the Master Deed with Declaration of Restriction (MDDR), Section 1, Article V of the Amended Bylaws of the PDGCC. Thus, each unit owner is not

contributing to the maintenance and operating expenses based on proprietary interest.

We recommended and Management agreed to:

- a. Determine the covering period of the over/under-billing and recompute the amount to be billed to each unit owner based on the correct areas occupied over the years of over/under-billing;
  - b. Issue a Statement of Account to BTr and OP for the over/under-billed assessment dues for the current and prior years;
  - c. Recognize in the books the over and under-billed assessment dues;
  - d. Collect the assessment dues from OP on the under-billed portion for the current and prior years; and
  - e. Observe proper review of the PDGCC transactions, particularly on assessment dues.
2. The Corporation bills and collects assessment dues, electricity and water consumption directly from the lessees/occupants of the unit owners which are outside of its mandate as stated in Section 4 (a) and (b), Part I of the MDDR, Section 1, Article V of the Amended Bylaws, Letter (k) of Articles of Incorporation, and contrary to Section 2 - Concepts and Pervasive Principles of PFRS for SE, resulting in the misrepresentation of the Due from National Government Agencies (NGA) and Government Corporations (GC) accounts.

We recommended that Management:

- a. Observe the limitations set forth in Section 4(a) and (b), Part II of the MDDR, Section 1, Article V of the Amended Bylaws and Letter (k) Articles of Incorporation by refraining from levying and collecting assessment dues, electricity and water consumption from the lessees of unit owners; and
- b. Reclassify the receivables from the tenants/lessees of BTr and OP to receivables from BTr and OP.

## **STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS**

Out of 16 audit recommendations embodied in the CY 2019 Annual Audit Report, 12 were fully implemented, one was partially implemented, two were not implemented, and one was reconsidered. The details of the said recommendations are presented in Part III of this Report.