

## 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<br>(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                  |                   |            |
| OP     | 7 <sup>th</sup>   | 3,710.60                  | November 14, 1980 | 48,585,000 |
| OP     | 8 <sup>th</sup>   | 3,644.04                  |                   |            |

The PDGCC is governed by the 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 Chairperson and three members.

The PDGCC generates funds 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, 2021, PDGCC has five regular 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 | 2021              | 2020       | Increase/<br>(Decrease) |
|-------------|-------------------|------------|-------------------------|
| Assets      | <b>61,686,646</b> | 49,398,996 | 12,287,650              |
| Liabilities | <b>10,139,078</b> | 8,417,488  | 1,721,590               |
| Equity      | <b>51,547,568</b> | 40,981,508 | 10,566,060              |

### II. Comparative Results of Operations

| Particulars        | 2021              | 2020       | Increase/<br>(Decrease) |
|--------------------|-------------------|------------|-------------------------|
| Revenues           | <b>30,006,512</b> | 22,131,891 | 7,874,621               |
| Operating Expenses | <b>19,440,452</b> | 22,195,896 | (2,755,444)             |
| Net Income/(Loss)  | <b>10,566,060</b> | (64,005)   | 10,630,065              |

## 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, 2021 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, 2021 and 2020. 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 2021 and 2020 in accordance with Philippine Financial Reporting Standards for Small Entities.

## SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. Non-monitoring of collections received via bank deposits/credits resulted in delayed and non-issuance of Official Receipts (ORs) amounting to P46.111 million and P4.305 million, respectively, indicating an unsound internal control on the collection system, contrary to Sections 68(1) and 124 of Presidential Decree (PD) No. 1445, thereby exposing PDGCC to the risk of undetected errors and irregularities in the preparation of financial statements.

We recommended and Management agreed to:

- a. Strengthen PDGCC's internal control on collection system by:
    - i. Closely monitoring the collections received via bank deposits/credits;
    - ii. Regularly reminding the unit owners/tenants to immediately provide PDGCC with a copy of credit advice for payments made; and
    - iii. Immediately issuing OR for every receipt of payment of any nature pursuant to Section 68 (1) of PD No. 1445.
  - b. Provide adequate supporting documents and detailed breakdown of all transactions recorded in the General Journal.
2. Deficiencies noted on various procurements

*A. Negotiated procurement (emergency cases)*

The procurement of high voltage switchgear and replacement of busted electrical distribution panel board through negotiated procurement (emergency cases) amounting to P6.152 million and P0.516 million, respectively, were not made strictly in accordance with the provisions of Republic Act (RA) No. 9184 and its Revised Implementing Rules and Regulations (RIRR).

*B. Negotiated procurement (small value)*

The procurement of various goods and services through small value procurement were not made strictly in accordance with the provisions of RA No. 9184 and its RIRR.

*C. Extension of janitorial and security services contracts*

The grant of extension of contract for security and janitorial services was not in accordance with the conditional and procedural requirements provided under RA No. 9184 and its RIRR.

We recommended that Management:

*A. On negotiated procurement (emergency cases)*

- a. Submit the following documents:

Procurement of high voltage switchgear

- Invitation to submit bid / Request for Quotation (RFQ);
- Mayor's Permit;
- Income/Business Tax Return;
- Omnibus Sworn Statement;
- Supplier/Contractor submitted quotations; and

- Performance Security.

Procurement of electrical distribution panel board

- Contract Agreement;
  - Notice of Award; and
  - Notice to Proceed.
- b. Strictly observe the procedures provided under Paragraph 2(b), Item V(D) of Annex "H" of the RIRR of RA No. 9184 on the procurement thru emergency cases, particularly in ascertaining the capabilities of the supplier/contractor;
- c. Prospectively, require the contractor to submit performance security;
- d. Impose appropriate liquidating damages for the delays in the performance of the agreement and timely monitor the implementation of the project;
- B. On negotiated procurement (small value)*
- e. Require the bidders to submit their PhilGEPS Registration Number or Certificate of Platinum Membership and other eligibility documents;
- f. Strictly observe the posting requirements and issuance of RFQ to at least three suppliers as provided under the RIRR of RA No. 9184;
- C. On extension of contracts (janitorial and security services)*
- g. Submit documents to support the grant of extension; and
- h. Strictly observe the conditional and procedural requirements provided under Appendix 24 of the RIRR of RA No. 9184.

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

Out of 25 audit recommendations embodied in the CY 2020 Annual Audit Report, six were fully implemented, three were partially implemented, one was reconsidered and 15 were not implemented. The details of the said recommendations are presented in Part III of this Report.

**SUMMARY OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

There are no suspensions, disallowances and charges issued as at December 31, 2021.