

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.

The Corporation has operated as a private entity from Calendar Year (CY) 1976 to CY 2003. It became a Government-Owned and Controlled Corporation (GOCC) on July 3, 2003, through Board Resolution No. 07-002, series of 2003, wherein the Board of Directors acknowledged and approved the findings/opinion of Office of the Government Corporate Counsel (OGCC) in its Opinion No. 029, series of 2003, dated March 5, 2003 that PDGCC is a GOCC subject to existing laws, rules, and regulations applicable to GOCCs.

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 Board of Directors (BOD) 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 Sharon P.

Almanza who is also the incumbent Officer-in-Charge 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, 2023, 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	2023	2022	Increase/ (Decrease)
Assets	69,291,303	59,312,933	9,978,370
Liabilities	7,507,930	2,717,689	4,790,241
Equity	61,783,373	56,595,244	5,188,129

II. Comparative Results of Operations

Particulars	2023	2022	Increase/ (Decrease)
Revenues	32,314,912	31,957,820	357,092
Operating Expenses	25,837,912	27,307,035	(1,469,123)
Net Income	6,447,000	4,650,785	1,796,215

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, 2023 in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2023 and 2022. Also, we conducted our audit to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. PDGCC has been filing income tax returns (ITRs) as a tax-exempt entity, even in the absence of a valid Certificate of Tax Exemption (CTE), and has been reporting zero gross income in its ITRs despite having sources of income that are subject to applicable taxes, contrary to the relevant provisions of Republic Act (RA) No. 8424, otherwise known as the "Tax Reform Act of 1997".

We recommended that Management:

- a. Ensure the accurate completion of quarterly and annual ITRs to reflect the correct gross income and allowable deductions;
 - b. Reconcile the net income per books against the taxable income; and
 - c. If deemed taxable, promptly review and, where applicable, amend the previously filed income tax returns.
2. The non-filing and non-payment of the percentage tax dues on the gross income from the leasing of PDGCC properties and the sale of bidding documents exposes the Corporation to potential assessments by the Bureau of Internal Revenue (BIR).

We recommended that Management:

- a. Calculate the percentage tax due on the gross income derived from the leasing of its properties and the sale of bidding documents;
 - b. For the calculated outstanding tax due, file and settle them with the BIR to reduce potential assessments; and
 - c. Moving forward, file quarterly percentage tax returns within 25 days after the end of each taxable quarter, as required in Section 128 of the National Internal Revenue Code.
3. Absence of an internal policy on the grant and manner of compensation for the rendered overtime work amounting to P119,370 is contrary to Implementing Guideline No. 2021-01 of Executive Order (EO) No. 150, s. 2021, on Compensation and Position Classification System (CPCS), resulting in lapses in the substantiation of documentary requirements as prescribed under COA Circular No. 2023-004, and non-conformity with the guidelines on overtime services provided under Civil Service Commission (CSC)-Department of Budget and Management (DBM) Joint Circular (JC) No. 02, s. 2015; thus, the validity and propriety of said monetary claims cannot be ascertained.

We recommended that Management:

- a. Ensure that the drafted internal guidelines on the grant and manner of compensation for overtime services is compliant with the provisions of CSC-DBM

JC No. 02, s. 2015, and COA Circular No. 2023-004 on the required documentary requirements;

- b. Fast-track the preparation and make a representation to the Board of Directors for the immediate approval and implementation of the PDGCC Policy on Overtime Work;
 - c. Strictly comply with the required eight regular working hours before rendering overtime services;
 - d. Submit the lacking required documents for overtime work paid such as Overtime Work Program and Quantified Accomplishment Reports;
 - e. Improve the form of the Overtime Authorization as prescribed by the CSC-DBM JC No. 02, s. 2015 and COA Circular No. 2023-004; and
 - f. Secure Board approval for the work arrangement guidelines of the PDGCC employees.
4. Absence of internal guidelines on the grant of leave credits, monetization thereof, and computation of terminal leave benefits is contrary to Chapter IV of the CPCS Implementing Guideline No. 2021-01 of EO No. 150, s. 2021, indicating poor internal control in the monitoring of employees' leave credits which may lead to inconsistencies in the computation of leave credits and corresponding benefits.

We recommended that Management:

- a. Formulate internal guidelines on the grant of leave credits and the monetization thereof, and on the computation of terminal leave benefits, pursuant to the requirements set forth by the Omnibus Rules on Leave and other applicable laws, rules, and regulations; and
- b. Submit the aforementioned internal guidelines to the Governance Commission for GOCCs for the approval thereof, copy furnished the Audit Team.

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES

There are no audit suspensions, disallowances and charges issued to PDGCC as at December 31, 2023.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of 28 audit recommendations embodied in the CY 2022 Annual Audit Report, eight were implemented, and 20 were not implemented of which three recommendations were reiterated in Part II of this Report.