

## 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 where the site is regarded as a historical landmark by the National Historical Commission of the Philippines.

The Corporation operated as a private entity from Calendar Years (CYs) 1976 to 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 the Office of the Government Corporate Counsel 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 units. It is controlled by the Government of the Republic of the Philippines through 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 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 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 funds from assessments it receives from unit owners/members and tenants in the building which are used for expenses necessary in the administration of the project.

As at December 31, 2024, 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	2024	2023	Increase
Assets	<b>76,877,222</b>	69,291,303	7,585,919
Liabilities	<b>8,403,299</b>	7,507,930	895,369
Equity	<b>68,473,923</b>	61,783,373	6,690,550

### II. Comparative Results of Operations

Particulars	2024	2023	Increase
Revenues	<b>33,042,005</b>	32,314,912	727,093
Operating expenses and income tax	<b>26,259,397</b>	25,837,912	421,485
Net Income	<b>6,782,608</b>	6,477,000	305,608

## 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, 2024 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, 2024 and 2023. 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 2024 and 2023 in accordance with Philippine Financial Reporting Standards for Small Entities.

## SUMMARY OF SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

1. Some deficiencies were identified in the recording, reporting, and monitoring of the status of Property and Equipment (PE) accounts with a carrying value of P15.060 million, indicating weakness in internal control over PE management, which raised the risk of asset mismanagement, unauthorized disposal, or loss.

We recommended that Management:

- a. Ensure all PE items are properly tagged with asset labels indicating the description of the property, model number, serial number, acquisition date/cost and person accountable;
  - b. Update property records to reflect complete and accurate descriptions;
  - c. Secure and submit the necessary documents to properly recognize the donated assets in their books, ensuring compliance with existing government regulations;
  - d. Prepare and submit to the Audit Team the Inspection Reports for all PE, including semi-expendable property, found unserviceable, obsolete and no longer needed; and
  - e. Immediately dispose the items for disposal to avoid further deterioration and possible loss of their value and prevent unnecessary storage costs and accordingly adjust the books.
2. Non-compliance with established cash management regulations, including violations of segregation of duties, inadequate record-keeping, improper use of petty cash, and insufficient safeguards, is contrary to the sound system of internal control, exposing the Corporation to risks of unauthorized transactions, undetected fraud, errors, and misstatements.

We recommended that Management:

- a. Implement the principle of segregation of duties by designating separate personnel to handle cash collection, disbursement, and documentation;
  - b. Prepare and maintain comprehensive cash books for recording all collections and disbursements;
  - c. Provide a secure location for the storage of petty cash fund; and
  - d. Establish petty cash management policies, including, but not limited to, clear guidelines for allowable petty cash expenses, disbursement procedures, replenishment, and proper documentation.
3. The lack of subsidiary ledgers (SLs) of the accounts in the Financial Statements for CY 2024 indicates weak internal controls over financial management and operational inefficiencies, which may affect Management's decision-making process, contrary to Sections 111, 114 and 124 of Presidential Decree (PD) No. 1445.



We recommended that Management:

- a. Prepare and regularly update SLs and schedules for all accounts;
- b. Ensure timely submission of SLs to the Audit Team to avoid unnecessary delays in financial review; and
- c. Implement internal controls and oversight mechanisms to monitor the timely and accurate maintenance of financial records, ensuring that SLs are always available and up to date.

### **STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES AND CHARGES**

There are no audit suspensions, disallowances and charges issued to PDGCC as at December 31, 2024.

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

Out of 42 audit recommendations embodied in the CY 2023 Annual Audit Report, 18 were implemented, and 24 were not implemented, of which five recommendations were reiterated in Part II of this Report.