



**Republic of the Philippines**  
**COMMISSION ON AUDIT**  
National Government Sector  
Cluster 5, Education and Employment  
Commonwealth Ave., Quezon City

## **INDEPENDENT AUDITOR'S REPORT**

**The HONORABLE CHAIRMAN**  
Professional Regulation Commission  
P. Paredes St.  
Sampaloc, Manila

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the Professional Regulation Commission, which comprise the Statement of Financial Position as at December 31, 2015 and the Statements of Financial Performance, Cash Flows, Changes in Net Assets/Equity and Comparison of Budget and Actual Amounts and Notes to Financial Statements comprising a summary of significant accounting policies and other explanatory information.

### ***Management's Responsibility for the Financial Statements***

The Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Public Sector Accounting Standards (PPSAS), and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing (PPSSA). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the

financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluation on the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

### ***Basis for Qualified Opinion***

As discussed in Part II – Observations and Recommendations, our audit disclosed the following deficiencies in the Financial Statements:

1. The accuracy of reporting of the agency's collections on service and business income derived from applications of licensure examination and its registrations amounting to ₱1,073,758,173.06 cannot be established due to material variance of ₱29,646,704.52 noted between the records of the Cash Division as against that of the Planning and Monitoring Division. Likewise, the collection from PRC-Zamboanga amounting to ₱35,996.00 remained unrecorded in the PRC books resulting to understatement of collections by the same amount.
2. The accuracy and validity deposits/remittance of Shoe Mart Inc. (SMI) collections totaling ₱144,879,449.96 from September, 2012 to December 31, 2015 could not be ascertained due to lack of documentations submitted, particularly the certification of actual deposits from Land Bank of the Philippines and the Bureau of the Treasury as required under Section 3.7 to 3.9 of the MOA with SMI. Likewise, regular reconciliation of the reported collections by the Accounting Division as against the remittance of the SMI was not achieved due to the delay of submission of the required reports from SMI, thus rendering such amount doubtful.
3. Unrecorded deliveries of office supplies purchased thru PS-DBM totaling ₱8,284,786.94 in CY 2015 resulted in the overstatement of the account Due from NGAs and understatement of the Inventory accounts by the same amount. Also, the validity of the balance of Due from NGAs account amounting to ₱615,176,322.12 as of December 31, 2015 could not be ascertained due to unreconciled difference of ₱31,573,913.10 between the records of PS-DBM as against the PRC books from CY 2004 to CY 2015.
4. The existence, validity and correctness of the reported carrying amount of the PPE accounts for CY 2015 in the total amount of ₱290,225,018.86 is unreliable due to accounting errors resulting to a net overstatement of ₱29,572,438.55. Likewise, computation of depreciation expense for buildings and other machineries and equipment were not provided due to the absence of the date of acquisition of equipment and the non-availability of records for the old building occupied by PRC.

5. The total balance of Inventory accounts amounting to ₱59,660,691.60 is of doubtful validity due to: a) failure of the Accounting Division to take up the delivery of supplies and some of its issuances amounting to ₱8,284,786.94; b) the inclusion of dormant balance of ₱5,401,274.03 before the implementation of e-NGAS with no documents to support its existence; and c) the non- reconciliation of the records of the Accounting Division with the Property Office.
6. The carrying amount of the Construction in Progress (CIP) account amounting to ₱76,316,849.74 is unreliable due to the adjustment made in transferring the Computer Software developed for the modernization program of PRC in the amount of ₱66,594,236.11 to Intangible Assets account, contrary to Chapter 12 Section 4 of Government Accounting Manual. Likewise, the fund transferred to DPWH Tuguegarao amounting to ₱1,862,950.79 was recognized under account Construction in Progress thereby overstating the said account.

*Opinion*

In our opinion, except for the possible effects on the financial statements of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Professional Regulation Commission as at December 31, 2015, and its financial performance, cash flows, changes in net assets/equity, comparison of budget and actual amounts, and notes to financial statements for the year then ended in accordance with the PPSAS.

**COMMISSION ON AUDIT**

By:

  
**LUCILA P. PURUGGANAN**  
State Auditor V  
Supervising Auditor

April 5, 2016