



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

## **INDEPENDENT AUDITOR'S REPORT**

**Honorable TEOFILO S. PILANDO, JR**

Chairman

Professional Regulation Commission

P.Paredes St.

Sampaloc, Manila

We have audited the accompanying financial statements of the Professional Regulation Commission (PRC), which comprise the Statement of Financial Position as at December 31, 2016 and the Statements of Financial Performance, Changes in Net Assets/Equity, Cash Flows, and Comparison of Budget and Actual Amounts for the year then ended and 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. 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, the following audit observations affected the fair presentation of the financial statements of the PRC, to wit:

1. The accuracy of recorded collections from business and service income derived thru e-payment system could not be ascertained due to material variances of ₱2,847,792.00 noted between the collection reports posted in the on-line system and the service provider's Fund Transfer Instructions to PRC. Moreover, collections of ₱15,718,111.00 for the month of March, 2017 were not recognized in the books, thereby understating the reported income for the year.
2. The Cash – Collecting Officers account balance as of year-end was doubtful due to inclusion of negative balances totaling ₱1,594,505.78 in the Subsidiary Ledgers of nine Collecting Officers, indicative of questionable cash accountabilities.
3. The Cash in Bank-Local Currency Current/Savings Accounts balance of ₱1,268,167.01 as of December 31, 2016 was unreliable in the absence of Bank Statements and Bank Reconciliation Statements.
4. The validity, accuracy, and existence of the Inventory accounts are doubtful due to unreconciled discrepancies of ₱44,006,400.88 at year-end between accounting and property records and inventory reports which showed variances in the physical count, non-inclusion of 3,075 board certificates, and non-submission of the monthly Report of Accountability for Accountable Forms.
5. The total balance of ₱521,953,406.58 for Property, Plant and Equipment (PPE) at year-end cannot be relied upon due to the difference of ₱445,559,939.58 between the accounting books as against the Report on the Physical Count of Property, Plant and Equipment (RPCPPE), misclassification of some PPE accounts, inclusion of unreconciled/dormant accounts totaling ₱14,864,649.49, negative balances of ₱6,312,515.83 and non-provision of depreciation for some PPEs.

***Qualified Opinion***

In our opinion, except for the 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 PRC as at December 31, 2016, and its financial performance, changes in net assets/equity, cash flows, and comparison of budget and actual amounts, for the year then ended in accordance with the PPSAS.

**COMMISSION ON AUDIT**

**By:**

  
**OFELIA A. MONICO**  
State Auditor V  
Supervising Auditor

May 31, 2017