



**Republic of the Philippines**  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City

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**INDEPENDENT AUDITOR'S REPORT**

**The Acting Chairperson**

Professional Regulation Commission

P. Paredes St.

Sampaloc, Manila

We have audited the accompanying financial statements of the Professional Regulation Commission, which comprise the Statement of Financial Position as of December 31, 2014 and the Statements of Financial Performance, Cash Flows, Changes in Net Assets/Equity 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***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Public Sector Accounting Standards, 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 – Observations and Recommendations, our audit disclosed the following deficiencies in the Financial Statements:

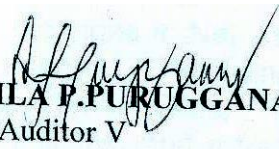
1. The balance of Service and Business Income account of ₱1,078,597,417.66 was incorrect and unreliable in view of the unrecorded collections estimated at ₱27,808,348.81 and the discrepancies of the recorded total collections as against the audited balances of each income classifications.
2. The existence, validity and correctness of the reported balances of the Property, Plant and Equipment accounts in the financial statements for CY 2014 totalling ₱446,505,959.78 cannot be relied upon due to non adjustments of ₱10,784,227.70 for the disposal of equipment done in CYs 2011-2014, unreconciled difference between accounting and property records amounting to ₱6,589,282.73 and non-maintenance of complete accounting and property records on inventories. Likewise, computation of depreciation expense for buildings and other machineries and equipment were not provided due to the problem of the date of acquisition of equipment and the non availability of records for the Old building occupied by the PRC.
3. The balance of Inventory accounts amounting to ₱53,858,254.72 is of doubtful validity due to failure of the Accounting Division to take up the issuance of supplies and materials; the inclusion of dormant balance of ₱5,401,274.03 before the implementation of e-NGAS with no documents to support its existence; and the non-reconciliation of the records of Accounting Division with the Property Office reports as to balance of Inventory of supplies and materials on hand.
4. Deliveries of office supplies amounting to ₱6,785,766.50 for CY 2014 were not recorded in the books of accounts of the PRC, thereby resulting to overstatement of the account Due from NGAs and understatement of the Inventories account by the same amount. Furthermore, the balance of Due from NGAs account amounting to ₱126,503,757.03 as of December 31, 2014 is of doubtful validity due to unreconciled difference of ₱31,573,913.10 between the records of PS-DBM as against the PRC books.

### *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, 2014, 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 Philippine Public Sector Accounting Standards.

### **COMMISSION ON AUDIT**

By:



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

October 9, 2015