



Republic of the Philippines
COMMISSION ON AUDIT
National Government Sector
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

Honorable TEOFILO S. PILANDO, JR.

Chairman

Professional Regulation Commission

P. Paredes St., Sampaloc

Manila

Qualified Opinion

We have audited the financial statements of the **Professional Regulation Commission (PRC)**, which comprise the Statement of Financial Position as at December 31, 2020, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to Financial Statements, including a summary of significant accounting policies and explanatory information.

In our opinion, except for the effects on the matters discussed in the Basis for Qualified Opinion section of our Report, the accompanying financial statements present fairly, in all material respects, the financial position of the **PRC** as at December 31, 2020, 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 International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

As discussed in Part II of this Report, the financial statements of PRC are misstated by a total amount **₱306,353,562.35**, which exceeded the established materiality threshold of **₱16,795,228.66** or two percent of total Service and Business Income of **₱839,761,432.99**, due to accounting errors/omissions in the following accounts:

Category/ Classification	Misstatements			
	Errors/ Audit Observations	Amount (in Pesos)	Accounts Affected	Under/(Over) Statement (in Pesos)
Inter-Agency Receivables	a) Unrecorded savings/ unutilized amount from	2,356,989.32	Due from GOCCs	(2,356,989.32)

Category/ Classification	Misstatements			
	Errors/ Audit Observations	Amount (in Pesos)	Accounts Affected	Under/(Over) Statement (in Pesos)
	various completed projects already remitted by Philippine International Trading Corporation (PITC) to the Bureau of Treasury (BTr.)		Cash – Treasury /Agency Deposit, Regular	2,356,989.32
	b) Unrecorded Interest earned on bank deposits for the 4 th quarter of CY 2020	2,327.00	Due from GOCCs Interest income	2,327.00 2,327.00
	c) Unreconciled difference between PRC books and Department of Public Works and Highways (DPWH) -RO No. V	88,263.60	Due from NGAs	(88,263.00)
			Cash Collecting Officer	88,263.00
Inventories	d) Inclusion of Semi-expendable Items below P15,000.00 capitalization threshold in the PPE accounts	32,439.00	Semi- Expendable Technical and Scientific Equipment	28,175.00
			Technical and Scientific Equipment	(28,175.00)
			Semi- Expendable Furniture and Fixtures	4,264.00
			Furniture and Fixtures	(4,264.00)
Property, Plant and Equipment (PPE)	e) Completed Building and Information Technology (IT) projects still recorded in the account Construction in Progress (CIP)- Buildings and Other Structure account	80,384,246.12	Buildings	57,987,887.21
			IT Equipment/ Intangible asset account	22,396,358.91
			Construction in Progress - Buildings and Other Structure account	(80,384,246.12)
	f) Direct Labor Cost of completed building projects still recorded in CIP- Buildings and Other Structure account	4,739,427.31	Buildings	4,739,427.31
			Construction in Progress - Buildings and Other Structure account	(4,739,427.31)
	g) Erroneous computation of Accumulated Depreciation and Depreciation Expense	214,023,372.56	Depreciation Expense	6,208,693.75
			Accumulated Depreciation	214,023,372.56
			Accumulated Surplus/(Deficit)	(207,814,678.81)

Category/ Classification	Misstatements			
	Errors/ Audit Observations	Amount (in Pesos)	Accounts Affected	Under/(Over) Statement (in Pesos)
	h) Existence of PPE items with zero acquisition cost subjected to depreciation	175,797.74	Depreciation Expense	(175,797.74)
Accumulated Depreciation			(175,797.74)	
Accounts Payable	i) Unreverted/Dormant Accounts Payable	1,319,509.69	Accounts Payable	(1,319,509.69)
			Accumulated Surplus/ (Deficit)	1,319,509.69
Other Payables and Trust Liabilities	j) Proceeds from the sale of bid documents recorded as Other Payables instead of Trust Liability account	1,338,208.75	Other Payables	(1,338,208.75)
			Trust Liabilities	1,338,208.75
Expenses / Accumulated Surplus (Deficit)	k) Payment of honoraria debited to Due to Officers and Employees account instead of the Honoraria account	130,910.68	Honoraria	130,910.68
			Due to Officers and Employees	130,910.68
	l) Recording of the prior year's expenditures as current	1,762,070.58	Other General Expenses	(1,275,863.50)
			Salaries and Wages-regular	(344,867.55)
			Security Services	(125,591.72)
			Personal Economic Relief Allowance (PERA)	(15,747.81)
			Accumulated Surplus/Deficit	1,762,070.58
Total Misstatements		306,353,562.35		

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the Revised Code of Conduct and the Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with IPSASs 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 Responsibilities for the Audit of the Financial Statements


Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditor's Report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatements of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis of our opinion. The risk of not detecting a material misstatement resulting from fraud is higher for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Implementing Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements present the underlying transaction and events in a manner that achieves fair presentation.

COMMISSION ON AUDIT

By:


REBECCA B. SABUELBA
State Auditor IV
OIC-Supervising Auditor

June 7, 2021