



Republic of the Philippines
COMMISSION ON AUDIT
Cluster 5 - Education and Employment
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, 2019, 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, 2019, 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 Philippine Public Sector Accounting Standards (PPSASs).

Basis for Qualified Opinion

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.

As discussed in Part II – Observations and Recommendations of this Report, misstatements totaling ₱290,634,445.04 exceeded the established materiality threshold of ₱30,520,633.59 or two percent of total Service and Business Income of ₱1,526,031,679.45, resulting in the overstatement/understatement of the accounts Accounts Payable, Due from National Government Agencies (NGAs), Inventories, Accumulated Surplus/(Deficit), Property, Plant and Equipment (PPE), Intangible Assets and Cash in Bank as at year-end. Details are shown below:

Accounting Errors/Omissions	Amount
1. Understatement of Accounts Payable and Expense accounts due to erroneous entries made in cancellation of stale checks	₱8,316.24
2. Overstatement of Due from NGAs and understatement of Inventories due to unrecorded deliveries from DBM-PS	1,212,305.20
3. Understatement of Inventories account due to unrecorded purchases	739,320.57
4. Overstatement of PPE and Accumulated Surplus/(Deficit) due to erroneous computation of Accumulated Depreciation and Depreciation Expense	221,998,490.08
5. Overstatement of Intangible Asset and Accumulated Surplus/(Deficit) due to non-derecognition of unserviceable/ non-existent Computer Software	66,594,236.11
6. Understatement of Accounts Payable and Cash in Bank due to non-reversion of stale checks	81,776.84
Total	<u>₱290,634,445.04</u>

Other accounting deficiencies totaling ₱340,078,838.70 were also observed in the recording and reporting of financial transactions due to absence of reconciliation of accounting records, non-preparation of required reports and unsupported prior year balances, thus affecting further the reliability, accuracy, and existence of the reported balances in the FS of accounts Cash in Bank, Due from NGAs, Inventories, PPE as at December 31, 2019 and Service and Business Income for the period then ended.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with PPSASs, 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 PRC'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

August 26, 2020