Republic of the Philippines

**COMMISSION ON AUDIT**

Commonwealth Avenue, Quezon City

**INDEPENDENT AUDITOR’S REPORT**

Chairperson Designate

Philippine State College of Aeronautics Board of Trustees

Commission on Higher Education

C.P. Garcia Street, Diliman, Quezon City

President

Philippine State College of Aeronautics

Piccio Garden, Villamor Air Base, Pasay City

**Qualified Opinion**

We have audited the financial statements of Philippine State College of Aeronautics (PhilSCA), which comprise the Statements of Financial Position as at December 31, 2017, 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 Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects on the matter discussed in the Basis for Qualified Opinion paragraph, the accompanying financial statements present fairly, in all material respects, the financial position of the PhilSCA as at December 31, 2017, and its financial performance, cash flows, changes in net assets/equity, comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies in accordance with the Philippine Public Sector Accounting Standards (PPSASs).

**Basis for Qualified Opinion**

As discussed in Part II-Observations and Recommendations of this Report, our audit disclosed that the accuracy and completeness of the account Property Plant and Equipment (PPE) amounting to ₱326,182,133.22 as of December 31, 2017 are doubtful due to: a) unrecorded three parcels of land acquired through donation in CYs 2013, 2014, and 2016, contrary to Sections 5 and 13, Chapter 10 on PPE, Volume 1 of the GAM for NGAs; b) the recorded property in Villamor Air Base amounting to ₱255 million, subject of swap arrangement with the Bases Conversion Development Authority (BCDA), is still not covered by Transfer Certificate of Title in the name of PhilSCA; and c) non-reconciliation and non-maintenance of required Property Card (PC) and PPE Ledger Card (PPELC) under Section 42, Chapter 10 of the same Manual.

We conducted our audit in accordance with the 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 ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. 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 the 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.

Our audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s professional judgment, including the assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency’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 agency’s internal control. Our audit also includes evaluating 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.

**COMMISSION ON AUDIT**

By:



**CYNTHIA M. EVASCO**

State Auditor V

Supervising Auditor

Other State Universities

and Colleges Audit Group

March 27, 2018