



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

## **INDEPENDENT AUDITOR'S REPORT**

### **HON. LILIAN A. DE LAS LLAGAS**

Chairperson  
Philippine State College of Aeronautics Board of Trustees  
Commission on Higher Education  
C.P. Garcia Street, Diliman, Quezon City

### **PROF. MARWIN M. DELA CRUZ, PH.D.**

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 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.

In our opinion, except for the effects on the matter discussed in the Basis for Qualified Opinion section of the Report, the accompanying financial statements present fairly, in all material respects, the financial position of the PhilSCA as at December 31, 2020, and its financial performance, changes in net assets/equity, cash flows, comparison of budget and actual amounts, and notes to financial statements for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSASs).

### **Basis for Qualified Opinion**

As discussed in detail in Part II-Observations and Recommendations of the Report, the following accounting errors/omissions and deficiencies affected the fair presentation of the financial statements of the PhilSCA, to wit:

1. Total misstatements of ₱18,557,708.82 in Cash in Bank – Local Currency, Current Account (LCCA), Due from NGAs, Inventories, Prepayments, Liabilities, and Expenses accounts resulting from errors, omissions and improper accounting treatment of transactions as of December 31, 2020 exceeded the materiality threshold of ₱2,550,257.72, hence the accuracy, completeness, cut-off and classification of the said accounts could not be relied upon, thereby affecting the fair presentation of the financial statements (FSs).

2. Non-restatement of the material Prior Period Adjustments (PPAs) in the CY 2020 FSs with a total amount of ₱3,971,899.38 adversely affected the fair presentation of the comparative FSs, contrary to the provisions of the GAM for NGAs, Volume I and the IPSAS.
3. Unresolved variances and huge discrepancies between PhilSCA's Accounting records and their supporting schedules/documents and unsubstantiated balances were noted which affected the reliability of the Cash in Bank – LCCA and Accounts Receivable accounts totaling ₱524,076,604.95 as at December 31, 2020, contrary to Section 6.e, Chapter 19 of the GAM for NGAs, Volume I.

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 Revised Code of Conduct and 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 misstatements, 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 for 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, misrepresentation, 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 PhilSCA's internal control.
- Evaluate the appropriateness of the 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 transactions and events in a manner that achieves fair presentation.

#### **COMMISSION ON AUDIT**

By:



**MIGUELA S. BAON**  
State Auditor V  
Supervising Auditor  
Other State Universities  
and Colleges Audit Group

May 19, 2021