

- 7.4 Records disclosed that PDGCC did not create a GFPS. As a consequence, the gender related PAPs were not integrated, the GPB was not implemented, and the GAD AR was not properly prepared. Also, the GPB and GAD AR were not submitted for review to PCW, contrary to Items 2.3, 8.7 and 10.1 of PCW-NEDA-DBM Joint Circular No. 2012-01.
- 7.5 Management, however, informed that creation of a GFPS is not practicable considering that PDGCC has only four employees, one female and three males. Also, since the corporation is operating on a limited budget, it intends to collaborate with and participate in the GAD related activities of the PDGCC building occupants, namely, the Bureau of the Treasury, Commission on Elections and Intramuros Administration, to comply with the requirements of the Joint Circular.
- 7.6 We recommended and Management agreed to:**
- a. At least designate a GAD focal person, considering the very small number of the personnel complement, to ensure and advocate for, guide, coordinate, and monitor the development, implementation, review and updating of the GAD plans and GAD-related PAPs of the corporation; and**
 - b. Diligently submit/file to appropriate oversight agency the required reports within the required date of submission.**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 19 recommendations embodied in the CY 2017 Annual Audit Report, four were fully implemented, five were partially implemented (one will be issued with Notice of Charge) and 10 were not implemented. Out of the 10 unimplemented recommendations, four were reconsidered pursuant to PIC Q & A No. 2016-03 and one will be issued with Notice of Disallowance. The results of our evaluation of the implementation are shown in the table that follows:

OBSERVATIONS AND RECOMMENDATIONS	ACTION TAKEN/COMMENTS
2017	
<p>1. PDGCC did not recognize as assets all the held common areas of the condominium project with an insurable amount of P160.324 million as enabled by the Master Deed with Declaration of Restrictions pursuant to Republic Act (RA) No. 4726 or the Condominium Act. The non-recognition of the common areas understated the assets and equity of the PDGCC and the related depreciation accounts. Thus, the fair presentation of the financial statements as at December 31, 2017 was adversely affected, contrary to the relevant provisions of the Conceptual Framework for Financial Reporting and Paragraph 7 of the Philippine Accounting Standards (PAS) 16.</p>	
<p>We recommended that Management:</p>	
<p>a. Determine and recognize the appraisal value of the common areas of the condominium project on a per-class basis;</p>	<p>Reconsidered pursuant to PIC Q and A No. 2016-03 dated August 31, 2016.</p>
<p>b. Establish the depreciation method and estimates to be used and recognize separately the related depreciation of the common areas;</p>	<p>Reconsidered pursuant to PIC Q and A No. 2016-03 dated August 31, 2016.</p>
<p>c. Recognize the Government Equity account for the carrying amount of the common areas and provide subsidiary ledger for each member; and</p>	<p>Reconsidered pursuant to PIC Q and A No. 2016-03 dated August 31, 2016.</p>
<p>d. Disclose the required appraisal information in the Notes to the Financial</p>	<p>Reconsidered pursuant to PIC Q and A No. 2016-03 dated August 31, 2016.</p>

OBSERVATIONS AND RECOMMENDATIONS	ACTION TAKEN/COMMENTS
<p>Statements relevant to the common areas of the project.</p>	
<p>2. The propriety and reliability of the Government Equity and Retained Earnings accounts amounting to P17.940 million and P16.947 million, respectively, as at December 31, 2017 cannot be ascertained due to the lack of subsidiary ledgers and supporting schedules, contrary to Section 111 of Presidential Decree (PD) No. 1445 or the Government Auditing Code of the Philippines, Section 12 of RA No. 4726 and the relevant provision of the Conceptual Framework for Financial Reporting.</p>	
<p>We recommended that Management:</p>	
<p>a. Secure copy of the Articles of Incorporation filed with the Securities and Exchange Commission (SEC) to determine the initial balance of the capital account upon incorporation;</p>	<p>Fully implemented</p>
<p>b. Provide schedule for the Government Equity account showing the reconstructed capital structure of the PDGCC;</p>	<p>Not implemented Reiterated in Observation No. 2, Part II of this Report.</p>
<p>c. Provide schedule and subsidiary ledgers for the "Appropriated" and "Unappropriated" balances of the Retained Earnings account; and</p>	<p>Not implemented Reiterated in Observation No. 2, Part II of this Report.</p>
<p>d. Restate retrospectively the balances of the Government Equity and Retained Earnings accounts in the Statement of Changes in Equity.</p>	<p>Not implemented Reiterated in Observation No. 2, Part II of this Report.</p>
<p>3. The absence of Condominium Certificates of Title (CCTs) for the first four floors of the building and the non-annotations in the Transfer Certificates of Title (TCTs) covering the land of the CCTs for all the eight floors sold to the government, place risk on proving the ownership of the members. It likewise restraints the application of RA 4726 on</p>	

OBSERVATIONS AND RECOMMENDATIONS	ACTION TAKEN/COMMENTS
<p>matters relating to their appurtenant membership in the PDGCC as defined in the By-Laws and MDDR. We recommended that Management:</p>	
<p>a. File with the Registry of Deeds of the City of Manila CCTs of the ground, second, third and fourth floors of the building registered in the name of the government; and</p>	Fully implemented
<p>b. Annotate the CCTs in the TCT of the land for the eight floors sold to the government.</p>	Fully implemented
<p>4. Certificate of Registration (COR) issued by the Bureau of Internal Revenue (BIR) in 1994 prior to the enactment of the National Internal Revenue Code (NIRC) of 1997 needs to be updated to identify and clarify appropriate taxes that the PDGCC is required to file returns and/or pay amount due thereon.</p>	
<p>We recommended that Management apply for an updated COR with its RDO to identify and clarify the types of internal revenue taxes applicable to PDGCC and eventually file returns and/or pay taxes due thereon in accordance with the NIRC and BIR RR No. 7-2012 dated April 2, 2012. This complements PDGCC's previous request to BIR.</p>	Fully implemented
2016	
<p>5. The PDGCC did not recognize revenues of P191.012 million and the corresponding expenses of P196.169 million incurred from CY 2013 to CY 2016 for the beneficial services rendered to condominium owners, contrary to the relevant provisions of the Conceptual Framework for Financial Reporting and Philippine Accounting Standards (PAS) 1 and 18. The non-recognition of the said revenues and expenses resulted in the overstatement of Due from BTr/OP/IA/COMELEC/Pag-IBIG and the</p>	

OBSERVATIONS AND RECOMMENDATIONS	ACTION TAKEN/COMMENTS
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understatement of Deferred Tax Asset accounts by P3.834 million and the consequent understatement of Income Tax Payable by P3.713 million and the total Equity by P5.036 million for the same period.

We recommended that Management follow-up the response of the BIR on PDGCC's letter dated September 3, 2015 seeking clarification on the taxability of the membership fees and other assessment charges collected by the condominium corporations from its members and tenants.

Partially implemented

The BIR Commissioner has not responded yet to the request for clarification in CY 2017, Management sought the assistance of the National Tax Research Center (NTRC), Department of Finance. The NTRC advised PDGCC to apply for updating instead of renewing the Certificate of Registration (COR).

Management got the updated COR from BIR Revenue Region No. 33 on July 10, 2018.

2015

6. PDGCC Management did not submit/file the reports/returns required by concerned regulatory/oversight agencies of the government thereby subjecting the Corporation to the payment of penalties and interests.

We recommended that Management:

a. Diligently submit/file all required reports/returns to the concerned oversight/regulatory agencies of the government; and

Partially implemented

All the required reports/returns were submitted/filed to the concerned agencies except that of the Securities and Exchange Commission (SEC).

b. Require the persons responsible for the failure to submit and file the required reports/returns to pay the penalties and interests to be charged by the concerned regulatory bodies.

Not implemented

On March 8, 2018, PDGCC requested the SEC to waive the penalties and interests charged for failure to submit and file the required reports/returns. No response yet from SEC.

OBSERVATIONS AND RECOMMENDATIONS	ACTION TAKEN/COMMENTS
<p>7. The year-end benefits granted by the Board of Directors to the PDGCC officials and employees exceeded the amount authorized by the President of the Philippines by P0.375 million in violation of Section 3(b)(5) of Executive Order (EO) No. 24 dated February 11, 2011.</p> <p>We recommended that Management furnish the Audit Team with the prior approval of the President of the Philippines for the granting of the year-end cash gift of P20,000 as well as the Christmas grocery allowance granted to the members of the Board of Directors, members of the Administrative Committee, the PDGCC staff and contracted personnel to avoid disallowance.</p>	<p>Not implemented</p> <p>The approval of the OP for the granting of the year-end cash gift of P20,000 and Christmas grocery allowance of P5,000 is no longer feasible since the activity is already consummated.</p> <p>Some of the concerned employees refunded the amounts they received. Notice of Disallowance will be issued for the unrefunded amounts.</p>
<p>2014</p>	
<p>8. PDGCC did not allocate funds for the implementation of Gender and Development (GAD) activities and has not prepared the Annual GAD Plan, contrary to Executive Order No. 273 and Republic Act No. 9710, Magna Carta of Women, requiring the incorporation of the GAD Plan and Budget.</p> <p>We recommended that Management allocate funds for GAD activities, prepare the Annual GAD Plan, and incorporate in its COB in compliance with EO No. 273, RA No. 9710 and the GAA and submit to PCW for endorsement to DBM.</p>	<p>Partially implemented</p> <p>In December 2018, PDGCC sent a letter to PCW signifying its intention to enrol to the GMMS and to attend the Orientation for Users scheduled on January 22, 2019. PDGCC's designated user of the GMMS was not able to attend the orientation because she focused on the preparation of the financial statements in view of the year-end audit.</p>
<p>2013</p>	
<p>9. PDGCC Management failed to collect and recover from its former employee the undeposited collections of</p>	

OBSERVATIONS AND RECOMMENDATIONS	ACTION TAKEN/COMMENTS
<p>P72,050 and overpayment of salaries and allowances amounting to P12,000 despite the demand letter served on him in CY 2012.</p>	<p>Partially implemented</p> <p>The estafa case filed against the erring employee was dismissed by the Office of the City Prosecutor of Manila on May 5, 2014.</p>
<p>We recommended that Management:</p>	<p>For issuance of Notices of Charge</p>
<p>a. Institute appropriate legal action against the erring employee who failed to remit and deposit the rental collections of P72,050; and</p>	<p>Not implemented</p> <p>Management will request for write-off considering that the death of the respondent extinguished his personal liability.</p>
<p>b. Exhaust all means to collect the overpayment on his salaries amounting to P12,000.</p>	
<p>10. Expired lease agreements</p>	
<p>We recommended that Management require the Office of the President for the renewal of the Lease Agreements including the terms and conditions on the use by COMELEC of the Ground Floor – Quadrant D, 7th and 8th floors of the PDGCC building.</p>	<p>Partially implemented</p> <p>Preparation of draft Lease Agreement is on-going and in the process of negotiation with the lessee.</p>