



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

Mayor FRANCISCO "ISKO MORENO" DOMAGOSO
City of Manila

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the City of Manila, which comprise the statement of financial position as at December 31, 2021, and the statement of financial performance, statement of changes in net assets/equity and statement of cash flows 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 of the matter described in the Bases for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the City of Manila as at December 31, 2021, and their financial performance and cash flows for the year then ended, and notes to the financial statements, in accordance with International Public Sector Accounting Standards (IPSAS).

Bases for Qualified Opinion

Accounting errors overstated the Cash-in-Bank (CiB) accounts by P51.371 million mainly because of the: (a) absence of an effective reconciliation of the records of the Office of the City Accountant (OCAT) and City Treasurer's Office (CTO); (b) inability of the accounting application to capture the standard transaction descriptions and references and produce the prescribed primary and subsidiary records that provide the audit trails; and (c) breakdowns in the bank reconciliation. Thus, overstated the carrying amounts of the CiB accounts by a net amount of P51.371 million.

The City had not settled cash advances totaling P182.725 million contrary to Section 89 of Presidential Decree No. 1445 and COA Circular No. 97-002 dated February 10, 1997,

and bear on the fair presentation of the affected accounts in the Financial Statements (FS).

Payables amounting to P21.888 million were not supported with the required documents proving their validity, thus, casting doubt on the fairness of the presentation of the payable accounts in the City's FS.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the City of Manila 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, 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 opinion.

Emphasis of Matter Paragraph

Without modifying our opinion, we draw attention to Note 32 of the Notes to Financial Statements, which explains that the affected accounts of the restated financial statements for the year ended December 31, 2020, have been restated from those which we originally reported on August 9, 2021.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the International Public Sector Accounting Standards and for such internal control as Management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management's responsibility for assessing the City of Manila's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intend to liquidate the City of Manila or to cease operations, or has no alternative but to do so.

Those charged with governance are responsible for overseeing the City of Manila's financial reporting process.

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 misstatement 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 than 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 City of Manila's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the City of Manila's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the City of Manila to cease or continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

COMMISSION ON AUDIT

By:

A handwritten signature in black ink, appearing to read 'NOEL A. JACOB', written over a horizontal line.

NOEL A. JACOB
Supervising Auditor

Manila City
June 13, 2022