



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

**CORPORATE GOVERNMENT SECTOR**  
**Office of the Director**  
**CLUSTER IV – INDUSTRIAL & AREA DEVELOPMENT**

June 8, 2016

**Commodore GILBERT S. RUERAS (Ret.)**  
President and Chief Executive Officer  
Philippine Aerospace Development Corporation  
Pasay City



**Sir :**

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Philippine Aerospace Development Corporation for the year ended December 31, 2015.

We expressed an adverse opinion on the fairness of presentation of the financial statements of the Corporation due to the inadequacy of the allowance for obsolescence provided on items which are considered worthless because they could no longer be installed to aircrafts or be sold for lack of authenticating documents from their respective manufacturers.

The other significant audit observations and recommendations are as follows:

1. Dividends due to the National Government (NG) for the years 2012 to 2015 totaling P6.840 million have yet to be remitted by the Corporation.

We recommended that Management comply with the pertinent provisions of Republic Act No. 7656 by settling its dividend liabilities with the NG.

2. Accrual in the books and payments of liabilities to the Commission on Audit (COA) and the Office of the Government Corporate Counsel (OGCC) amounting to P33.344 million and P2.383 million, respectively, representing assessments for cost of audit and legal services, respectively, are not updated.

We recommended that Management validate the amounts reflected in the summary of cost of audit prepared by the COA's Planning, Financial and Management Sector to determine if there are any unrecorded payments made by PADC or any inconsistencies therein. Likewise, it was recommended that the liability account be updated by recognizing the charges in the books of accounts and that payments to the COA and OGCC be made periodically.

3. The CY 2015 Corporate Operating Budget (COB) of the Corporation is still awaiting final approval by the Department of Budget and Management (DBM) as required by Executive Order No. 518, thus rendering the Corporation's spending for the year on unstable foothold.

We recommended that Management exert its best efforts to obtain the approval of the DBM of the Corporation's 2015 COB.

The other audit observations, together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 29, 2016, are presented in detail in Part II of the report.


We request that appropriate actions be taken on the observations and recommendations contained in the report and that we be informed on the actions taken thereon by submitting the duly accomplished Agency Action Plan and Status of Implementation Form (copy attached) within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

By:



**LEILA S. PARAS**  
Director IV

**Copy furnished:**

The President of the Republic of the Philippines  
The Vice President  
The Speaker of the House of Representatives  
The Chairperson – Senate Finance Committee  
The Chairperson – Appropriations Committee  
The Secretary of the Department of Budget and Management  
The Governance Commission for Government-Owned or Controlled Corporations  
The Presidential Management Staff, Office of the President  
The UP Law Center





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

**CORPORATE GOVERNMENT SECTOR**  
**Office of the Director**  
**CLUSTER IV – INDUSTRIAL & AREA DEVELOPMENT**

June 8, 2016

**THE BOARD OF DIRECTORS**

Philippine Aerospace Development Corporation  
Pasay City

**Gentlemen:**



Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of the Philippine Aerospace Development Corporation for the year ended December 31, 2015.

We expressed an adverse opinion on the fairness of presentation of the financial statements of the Corporation due to the inadequacy of the allowance for obsolescence provided on items which are considered worthless because they could no longer be installed to aircrafts or be sold for lack of authenticating documents from their respective manufacturers.

The other significant audit observations and recommendations are as follows:

1. Dividends due to the National Government (NG) for the years 2012 to 2015 totaling P6.840 million have yet to be remitted by the Corporation.

We recommended that Management comply with the pertinent provisions of Republic Act No. 7656 by settling its dividend liabilities with the NG.

2. Accrual in the books and payments of liabilities to the Commission on Audit (COA) and the Office of the Government Corporate Counsel (OGCC) amounting to P33.344 million and P2.383 million, respectively, representing assessments for cost of audit and legal services, respectively, are not updated.

We recommended that Management validate the amounts reflected in the summary of cost of audit prepared by the COA's Planning, Financial and Management Sector to determine if there are any unrecorded payments made by PADC or any inconsistencies therein. Likewise, it was recommended that the liability account be updated by recognizing the charges in the books of accounts and that payments to the COA and OGCC be made periodically.

3. The CY 2015 Corporate Operating Budget (COB) of the Corporation is still awaiting final approval by the Department of Budget and Management (DBM) as required by Executive

Order No. 518, thus rendering the Corporation's spending for the year on unstable foothold.

We recommended that Management exert its best efforts to obtain the approval of the DBM of the Corporation's 2015 COB.

The other audit observations, together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on April 29, 2016, are presented in detail in Part II of the report.

In a letter of even date, we requested the Corporation's President and Chief Executive Officer to implement the recommendations contained in the report and to inform this Office of the actions taken thereon within 60 days from the date of receipt.

We acknowledge the support and cooperation that the Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

**COMMISSION ON AUDIT**

**By:**

  
**LEILA S. PARAS**  
Director IV

**Copy furnished:**

The President of the Republic of the Philippines  
The Vice President  
The Speaker of the House of Representatives  
The Chairperson – Senate Finance Committee  
The Chairperson – Appropriations Committee  
The Secretary of the Department of Budget and Management  
The Governance Commission for Government-Owned or Controlled Corporations  
The Presidential Management Staff, Office of the President  
The UP Law Center