



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

INDEPENDENT AUDITOR'S REPORT

The BOARD OF DIRECTORS

Civil Aviation Authority of the Philippines
MIA Road, Pasay City

Report on the Financial Statements

We have audited the accompanying financial statements of Civil Aviation Authority of the Philippines (CAAP), which comprise the statements of financial position as at December 31, 2015 and 2014, and the statements of profit or loss, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks 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 entity'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 entity's internal control. An 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.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse opinion.

Basis for Adverse Opinion

Accounts receivable totaling P5.576 billion which remained outstanding since 1997 were provided an allowance for uncollectibility of P0.453 million and P0.438 million only as of December 31, 2015 and 2014, respectively, thereby overstating the reported receivables as of even dates by P5.123 billion and P5.138 billion, respectively. In addition, Cash in Banks and Accounts Receivable accounts are understated and overstated, respectively by P125.025 million and P348.269 million as of December 31, 2015 and 2014, respectively, representing unbooked reconciling items consisting of unaccounted/unidentified deposits, remittances and bank debit/credit memos. Further, property and equipment account is understated by an amount equivalent to the fair market value of 23 parcels of land located at Parañaque City with a total land area of 20,176 square meters which remained unrecorded in CAAP books.

Included in the Statements of Financial Position is an account designated as "Other Assets" with balances of P4.684 billion and P4.585 billion as of December 31, 2015 and 2014, respectively. The account consists of various current assets, property and equipment, and other asset accounts transferred from ATO books in 2008 which were temporarily lodged under the "Other Asset" account pending verification, reconciliation and adjustment. Per verification, likewise, are the variances of P751.968 million and P812.352 million as of December 31, 2015 and 2014, respectively, between the general ledger and the aging schedule balances of accounts receivable. Moreover, Deferred Charges account with balances of P97.250 million and 103.491 million as of December 31, 2015 and 2014, respectively, are doubtful. We were not able to conduct alternative audit procedures to establish the accuracy of the balances of the mentioned accounts because of the absence of documents and inadequacy of the accounting records.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly the financial position of the Civil Aviation Authority Philippines as at December 31, 2015 and 2014, and its financial performance and its cash flows for the years then ended in accordance with the state accounting principles generally accepted in the Philippines.

Report on Supplementary Information Required Under BIR Revenue Regulation 15-2010

The Management of CAAP has not presented the supplementary information on taxes, duties and license fees required for purposes of filing with the Bureau of Internal Revenue. Such information is not a required part of the basic financial statements.

COMMISSION ON AUDIT


GINA MARIA P. MOLINA
Supervising Auditor

May 4, 2016