



INDEPENDENT AUDITOR'S REPORT

THE BOARD OF COMMISSIONERS

Cebu Port Authority
North Reclamation Area
Cebu City

Report on the Financial Statements

We have audited the accompanying financial statements of the Cebu Port Authority (CPA), which comprise the balance sheet as of December 31, 2014 and the statement of income, statement of changes in equity and statement of cash flows for the year then ended and a summary of significant accounting policies and other explanatory information.

Management Responsibility for the Financial Statements

The management of the Cebu Port Authority is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence of the amount 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 statement 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 obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Qualified Opinion

In forming our audit opinion, we consider the following audit observations and recommendations:

1. The expansion of an existing port with a project cost of ₱11,019,057.76 was recorded as repair and maintenance expense instead of Property, Plant and Equipment (PPE) resulting to the understatement of the PPE and net income accounts.
2. The cash in bank and the related liability accounts were not adjusted as of year-end for the undelivered/unreleased checks totaling ₱15,652,340.48 contrary to the instructions under Sec. 34 of GAFMIS Circular Letter No. 2002-001 dated December 16, 2002.

We likewise consider the following unattended conditions enumerated in the CY 2013 Annual Audit Report, as reiterated in Part II of this report:

- Ownership of land valued at ₱3.573 billion is still not ascertained. Further, there is still a discrepancy of approximately 463,688 square meters in the land area.
- COA Disallowances and uncollected port charges totaling ₱24.21 million previously written off in 2004 were still not restored in the books of accounts.
- The delay in causing the enforcement of a court decision and the non-validation of the result of a court approved compromise agreement resulted in the non-collection of monetary benefits totaling ₱13,506,201.45 and the non-adjustment of the recorded deferred charges totaling ₱14,634,353.61, respectively. Further, the non-recording by the Accounting Division of the receivables from the resolved case is contrary to the accrual basis of accounting and understates the authority's reported Income and Retained Earnings.

Qualified Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Cebu Port Authority as of

December 31, 2014 and its financial performance and its cash flows for the year then ended in accordance with state accounting principles.

Emphasis of Matter

We draw attention to Note 6 of the Financial Statements which states that Prepaid Taxes includes quarterly payments for income tax and taxes withheld by port users; Input VAT represents Value Added Tax on purchases; advances to contractors represents the 15% mobilization cost paid to contractors for various projects which will be recouped upon until completion and final payment and the account Deferred Expenses included the amount of ₱14,634,353.61 retained by Hinigaran Realty Development Corporation representing 50% of the port charges due from them. Adjustment of the said account which had remained outstanding for more than six (6) years depends on the determination by Management of the cost of repairs undertaken by the other party as per court approved Compromise Agreement.

COMMISSION ON AUDIT

By:


JOSE R. DESAMPARADO
State Auditor V
Supervising Auditor


April 8, 2015

CEBU PORT AUTHORITY
Cebu City

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The management of **CEBU PORT AUTHORITY** is responsible for all information and representations contained in the financial statements for the years ended December 31, 2014 and 2013. The financial statements have been prepared in conformity with applicable laws and regulations and generally accepted accounting principles applied on a consistent basis and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration for materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.



GLENN B. CASTILLO
FAD Manager



VADM EDMUND C TAN PCG (Ret)
General Manager