




Republic of the Philippines  
**APAYAO STATE COLLEGE**  
Conner, Apayao

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

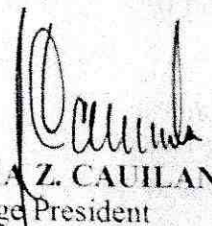
The management of **APAYAO STATE COLLEGE** is responsible for all information and representations contained in the accompanying Statement of Financial Position as at December 31, 2019 and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standards and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

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

  
**JEMMARIE S. KOTOKEN**  
Accountant III

Date Signed

February 14, 2020

  
**NELIA Z. CAULAN, Ph.D.**  
College President

Date Signed





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

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**INDEPENDENT AUDITOR'S REPORT**

**DR. NELIA Z. CAUILAN**

College President  
Apayao State College  
Conner, Apayao

**Qualified Opinion**

We have audited the financial statements of Apayao State College (ASC), which comprise the statements of financial position as at December 31, 2019 and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts 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 *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all materials respects, the financial position of ASC as at December 31, 2019 and its financial performance, its cash flows and its comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSASs).

**Basis for Qualified Opinion**

As discussed in detail in Part II of this Report, the following audit observation affected the fair presentation of the financial statements of ASC:

1. Expenditures amounting to ₱3,530,247.12 chargeable against the Fund Transfers were not initially recognized under the appropriate expense and asset accounts but automatically debited as "Due to NGAs";
2. Accounts Receivable balance is unreliable due to the presence of negative accounts amounting to ₱1,776,111.01;
3. Cost of Sales balance of ₱2,758,099.69 is unreliable due to the non-conduct of physical inventory and the absence of Subsidiary Ledger Cards (SLCs) and Stock Cards (SCs) pertaining to canteen operations; and



4. Income and Accounts Receivable were understated by ₱1,597,200.00 due to failure to record outstanding bills of debtors of the Income Generating Enterprises of the College.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Key Audit Matters**

Except for the matter described in the Basis for Qualified Opinion section, we have determined that there are no other key matters to communicate in our report.

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

Management is responsible for the preparation and presentation of the financial statements in accordance with IPSASs, and for such internal control as management determines is necessary to enable preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Those charged with governance are responsible for overseeing the College'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.


Our audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risk 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 agency'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 agency's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting

estimates made by the management, as well as evaluating the overall presentation of the financial statements.

**COMMISSION ON AUDIT**

By:



**ISIDORA E. FERNANDEZ**  
OIC Supervising Auditor 

26 June 2020