



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
Corporate Government Sector

STATE AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

The Monetary Board
Bangko Sentral ng Pilipinas
Manila

We have audited the accompanying balance sheet of the Bangko Sentral ng Pilipinas (BSP) as of December 31, 2007, and the related statements of income and expenses, changes in equity and cash flows for the year then ended. These financial statements are the responsibility of the Management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted state auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by Management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the BSP as of December 31, 2007, and the results of its operations and its cash flows for the year then ended in conformity with applicable generally accepted state accounting principles in the Philippines.

As disclosed in Notes 2.25 and 33 to the financial statements, the BSP states that there is a pending issue as to the basis of the distribution of BSP net income to the National Government. The BSP asserts that it has authority to maintain reserves as necessary and may exclude such reserves when calculating its net profit for purposes of distributing 75% of its net income to the National Government as dividends based on Sections 43, 44 and 132 (b) of R.A. 7653.

On the other hand, as discussed in Part II (Comments and Observations) of this Report, we maintain that the proper basis for BSP dividend declaration and payment to the National Government shall be 75% of its net earnings as defined in Section 2(d) of R.A. 7656 resulting in an underpayment of P16 billion. The request/appeal of the BSP for reconsideration of our stand is now pending resolution before the appropriate body. Hence, its outcome can not presently be determined.

FOR THE COMMISSION ON AUDIT:


RODULFO J. ARIESGA
Director IV

December 17, 2008