



**REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
CORPORATE GOVERNMENT SECTOR
CLUSTER A - FINANCIAL**

INDEPENDENT AUDITOR'S REPORT

The Monetary Board
Bangko Sentral ng Pilipinas
Manila

We have audited the accompanying financial statements of Bangko Sentral ng Pilipinas, which comprise the balance sheet as at 31 December 2011, and the income statement, statement of comprehensive 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's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with RA No. 7653 and applicable Philippine Financial Reporting Standards and Philippine Accounting Standards as aligned with the International Financial Reporting Standards, 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.

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 International 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 audit opinion.

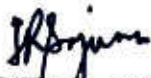
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bangko Sentral ng Pilipinas as at 31 December 2011, and its financial performance and its cash flows for the year then ended in accordance with applicable Philippine Financial Reporting Standards and Philippine Accounting Standards as aligned with International Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 2.7 to the financial statements which disclosed that as approved by the Monetary Board effective CY2010, gains/(losses) due to changes in exchange rates are realized only when the foreign currency is repatriated to local currency or the foreign currency is used to pay foreign obligations, or upon maturity of a foreign exchange forward or option contract involving the Philippine Peso. Otherwise, gains/(losses) are not recognized as discussed in item no. 1 of the Observations and Recommendations portion of the audit report, resulting in the misstatement of the Revaluation of International Reserves account and understatement of net loss for the year by at least Php13.387 billion. Moreover, we draw attention to the same Note 2.7 to the financial statements which disclosed that change in price and exchange rates of financial assets, liabilities, and derivative instruments are booked under "Revaluation of International Reserves" (RIR) account, either asset (if loss) or liabilities (if gain) in accordance with Section 45 of RA No. 7653. These are deviations from PAS 21 on the Effect of Changes in Foreign Exchange.

COMMISSION ON AUDIT



MA. TERESITA R. GOJUNCO
Supervising Auditor

29 June 2012