



**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 December 31, 2008, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with applicable Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with applicable Philippine Financial Reporting Standards.

Emphasis of Matter

As disclosed in Note 2.28 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 per cent 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 stated in item no. 3 of the Status of Implementation of Prior Years' Audit Recommendations portion of the audit report, we maintain that the proper basis for BSP dividend declaration and payment to the National Government shall be 75 per cent of its net earnings as defined in Section 2(d) of R.A. 7656 resulting in an underpayment of PHP16,452.070 million. The request/appeal of the BSP for reconsideration of our stand is now pending resolution before the appropriate body. Hence, its outcome cannot presently be determined.

COMMISSION ON AUDIT


LUZ LORETO-TOLENTINO
Director IV

September 8, 2009