

EXECUTIVE SUMMARY

INTRODUCTION

The Manila Gas Corporation (MGC) was created on September 27, 1912 with a 50-year franchise under Commonwealth Act 2039 and extended for another 50 years under Republic Act No. 2278. Its corporate life expired in September 2012. The Corporation was registered with the Securities and Exchange Commission under Certificate of Incorporation No. 21378.

The Corporation's primary purpose is to manufacture, produce, buy, sell, supply, distribute, dispose of and deal in gas, coke, tar pit and all other residual products resulting from the manufacture of gas for fuel, heat, light, power and other purposes, and in general, to carry on the business for a gas-work company in all its branches, in the City of Manila and in any other places in the Philippines.

The Corporation ceased commercial operations in 2001 due to continued financial losses. Prior to its cessation of operations, MGC has been disposing of its assets, including its real estate property located in Manila.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	2020	2019	Increase (Decrease)
Assets	127,713,799	128,875,642	(1,161,843)
Liabilities	770,303	765,142	5,161
Equity	126,943,496	128,110,500	(1,167,004)

Comparative Results of Operations

	2020	2019	Increase (Decrease)
Income	969,560	1,289,381	(319,821)
Expenses	2,136,564	1,649,479	487,085
Net loss	(1,167,004)	(360,098)	806,906

SCOPE AND OBJECTIVES OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of MGC for the period January 1 to December 31, 2020 in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2020 and 2019.

Also, we conducted our audits to assess compliance with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S OPINION ON THE FINANCIAL STATEMENTS

We rendered an unmodified opinion on the fairness of presentation of the financial statements of the Corporation for the years 2020 and 2019.

SUMMARY OF OBSERVATIONS AND RECOMMENDATIONS

1. The Board of Trustees of MGC has not completed the final dissolution and liquidation of the Corporation pursuant to existing and applicable statutory provisions despite the lapse of five years from the three-year liquidation period that ended in September 2015.

We recommended that the MGC Board continue to act as "trustees" by legal implication to complete the liquidation of MGC in accordance with the provisions on corporate liquidation under the Revised Corporation Code of the Philippines and the Supreme Court ruling in the case of Clemente et al. vs CA (G.R. 82407, March 27, 1995).

2. The accuracy of the accounts receivable balance amounting to P24.151 million could not be ascertained due to the existence of unsubstantiated receivables which have been outstanding for more than 10 years and remained in the books which is not in conformity with Chapter 3 of the Conceptual Framework for Financial Reporting, Philippine Financial Reporting Standard No. 9 and COA Circular No. 2016-005 dated December 19, 2016.

We reiterated our prior year's recommendation that Management exert utmost effort to gather the supporting documents needed to request for approval of write-off of dormant receivable accounts pursuant to COA Circular No. 2016-005 on the proper disposition/closure of the dormant accounts.

3. Long outstanding payables amounting to P0.697 million remained recorded under payable accounts and were not reverted to retained earnings, contrary to the provisions of the Conceptual Framework in Recognition of Liabilities and COA Circular No. 99-04 dated August 7, 1999.

We recommended that Management assess the validity of the dormant payable accounts and revert back to retained earnings the payable accounts aged two years and above pursuant to the provisions of COA Circular No. 99-04 dated August 7, 1999.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the three audit recommendations embodied in the CY 2019 Annual Audit Report, one was reconsidered, one was partially implemented, and one was not implemented, thus, reiterated in Observation No. 2, Part II of this Report. Details are presented in Part III of this Report.