



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4- INDUSTRIAL AND AREA DEVELOPMENT
Commonwealth Avenue, Quezon City, Philippines

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Civil Aviation Authority of the Philippines
MIA Road, Pasay City

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Civil Aviation Authority of the Philippines (CAAP), which comprise the statements of financial position as at December 31, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters discussed in the *Bases for Qualified Opinion* paragraph of our report, the accompanying financial statements present fairly, in all material respects, the financial position of CAAP as at December 31, 2024 and 2023, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

The faithful representation of the following accounts could not be obtained, which materially affects the fair presentation of the financial statements of CAAP: a) Property and Equipment (PE) account with a carrying value amounting to P59.972 billion due to the non-reconciliation of the variance amounting to P7.381 billion and P104.350 million between the balance per General Ledger (GL) vis-à-vis the balances per inventory report/property records and the Subsidiary Ledgers (SLs), respectively; and the non-recognition of land with an undetermined area and value, located in Pasay City, where the CAAP-Head Office Administrative Compound, Manila Control Tower, CAAP Hangar and Manila Radar are situated; b) Accounts Receivable (AR) and Operating Lease Receivable accounts with carrying value amounting to P3.795 billion and P339.748 million, respectively, due to the inadequate allowance for expected credit loss despite the existence of long-outstanding receivable balances with a carrying value of P1.650 billion; and the non-reconciliation of the variance of P1.132 billion between the balances of the GL and SLs; c) Input Tax account amounting to P403.464 million due to the overstatement in the account by P402.719 million, along with the understatement of the Creditable Input Tax by P206.193 million, resulting from the non-filing with the Bureau of Internal Revenue and non-recognition of creditable input tax between 2020 to 2024; d) Inventory account amounting to P143.710 million due to the non-reconciliation of the variance of P98.126 million between the balance per GL vis-à-vis the balances per inventory reports/property records; and non-recognition of impairment loss to write-down inventory to its net realizable value, which is not in accordance with PAS 2 on *Inventories*.

We conducted our audits in accordance with the 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 CAAP in accordance with the Code of Ethics for Government Auditors (Code of Ethics), together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

Management is responsible for the preparation and fair presentation of the financial statements in accordance with PFRS, 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.

In preparing the financial statements, management is responsible for assessing CAAP's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate CAAP or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing CAAP'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.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 CAAP's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on CAAP's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause CAAP to cease to continue as a going concern.
- Evaluate the overall presentation, structure, and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 40 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. Because of the significance of the matter described in the *Bases for Qualified Opinion* paragraph, it is inappropriate to and we do not express an opinion on the information referred to above.

COMMISSION ON AUDIT



VIRGINIA A. LERO
State Auditor V
Supervising Auditor

June 11, 2025