

REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
Commonwealth Avenue, Quezon City, Philippines

## **INDEPENDENT AUDITOR'S REPORT**

**The Board of Directors**  
PITC PHARMA, INC.  
Makati City

We have audited the accompanying financial statements of the PITC Pharma, Inc., a subsidiary of the Philippine International Trading Corporation (PITC), which comprise the balance sheet as at December 31, 2010, and the statement of income and expenses, statement of changes in net capital deficiency 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 State accounting principles, 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 qualified audit opinion.

*Basis for Qualified Opinion*


As discussed in the accompanying Comments and Observations, the balance sheet showed total liabilities of P361,841,029; however, the results of confirmation disclosed variances amounting to P48,896,138. Likewise, the total receivables was valued at net amount of P73,443,423; but the results of confirmation of receivable from the Department of Health (DOH) and due from PITC showed a total variance of P20,043,362. These variances cast doubts on the accuracy and validity of the total liabilities and net receivables presented in the financial statements.

We were unable to obtain sufficient appropriate evidence about the carrying amounts of liabilities and receivables as at December 31, 2010. Consequently, we were unable to determine whether any adjustments to these accounts were necessary.

*Qualified Opinion*

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the PITC Pharma, Inc. as at December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

**COMMISSION ON AUDIT**

  
**CORA D. MARQUEZ**  
OIC Supervising Auditor, Audit Group I  
Cluster C, Corporate Government Sector

October 27, 2011