



**REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
CORPORATE GOVERNMENT SECTOR
CLUSTER I – BANKING AND CREDIT**

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 sheets as at 31 December 2016 and 2015, income statements, statements of comprehensive income, statements of changes in equity and cash flow statements for the years 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 audits. We conducted our audits in accordance with Philippine Public Sector 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 in our audits 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 2016 and 2015, and its financial performance and its cash flows for the years 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 2.8.3 to the financial statements which disclosed that as approved by the Monetary Board effective CY2010, gains or 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. This practice of recognizing realized gains/losses on foreign exchange rate fluctuation is generally the industry practice of other central banks. Moreover, we draw attention to Note 2.8.3 to the financial statements which disclosed that changes 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. Our opinion is not modified in respect of these matters.

COMMISSION ON AUDIT


EDUARDO D. PADERNAL
Supervising Auditor

30 June 2017