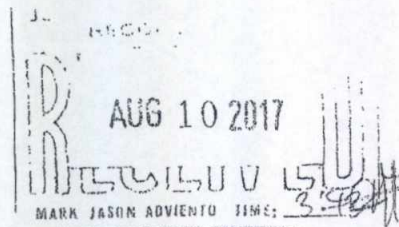




Republic of the Philippines  
**COMMISSION ON AUDIT**  
Cordillera Administrative Region  
Km 6, La Trinidad, Benguet

July 31, 2017

**THE BOARD OF DIRECTORS**  
John Hay Management Corporation  
Camp John Hay  
Baguio City



Sirs:

We are pleased to transmit the Annual Audit Report on the John Hay Management Corporation for the year ended December 31, 2016 in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines.

The audit was aimed to verify the level of assurance that may be placed in management's assertions of the financial statements, ascertain compliance with rules and regulations and determine whether resources were managed economically and efficiently. It was conducted in accordance with Philippine Public Sector Standards of Auditing and we believe that it provided reasonable basis for the results of our audit.

A qualified opinion was rendered on the fairness of the presentation of the financial statements as of December 31, 2016 due to:

- uncorrected errors in the presentation of the accounts and their balances in the submitted financial statements;
- doubtful accuracy of the Share Capital account with a reported balance of P383,814,079.00 due to non-submission of the Inventory List of Stockholders with the corresponding amounts of subscription;
- overstatement of the Property, Plant and Equipment (PPE) accounts by P22 million due to non-reclassification of a building leased to the Intercontinental Hotels Group (IHG)/SC Reservations Philippines, Inc. (SCRPI) to the Investment Property, Buildings account;
- long outstanding and unsubstantiated long-term Accounts Receivable and Accounts Payable totaling P14,345,842.05 and P4,359,735.37, respectively, rendering the validity of the reported balances uncertain;



- an unreconciled difference of ₱2,083,186.69 between the balances of the Due to Other Funds and Due from Other Funds accounts;
- an unreconciled difference of ₱195,219.62 between the subsidiary and general ledger balances for Inter-Agency Payables accounts with a total reported balance of ₱240,356.32; and
- overstatement of the Due to BIR account due to non-recognition in the books of the tax credit granted by the Bureau of Internal Revenue of ₱49,611.46.

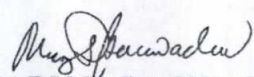
The following are the other significant findings and observations, the details of which are discussed in the Observations and Recommendations portion of the report:

1. The amount allotted for Gender and Development (GAD) programs, projects, and activities for CY 2016 of ₱1 Million was not optimized as only ₱447,571.25 was spent. Moreover, the Accomplishment Report in the prescribed format was not submitted rendering difficulty in assessing whether the activities conducted had addressed the issues and concerns identified in the GAD Plan and Budget (GPB).
2. The Corporation paid the Social Security System (SSS) the total amount of ₱151,749.58 in penalties and interest for (a) delayed remittance of contributions totaling ₱1,344,747.00 for the period January 2010 to January 2016, (b) arrears from May 1995 to February 10, 2010 of ₱35,644.82, and (c) past due loan of ₱2,056.02.

We request that the recommended remedial measures be immediately implemented and we will appreciate being informed of the actions(s) taken thereon within 60 days from receipt of this report, pursuant to Section 96 of the General Provisions of the General Appropriations Act for FY 2016 or Republic Act No. 10717.

We acknowledge the assistance and support extended to the Audit Team by the officials and employees of the Corporation.

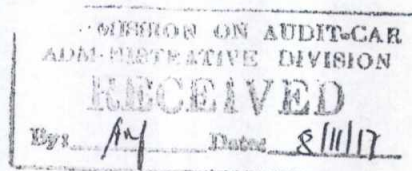
Very truly yours,

  
**MARY D. BACWADEN**  
 Assistant Regional Director  
 Officer-in-Charge





Republic of the Philippines  
**COMMISSION ON AUDIT**  
Cordillera Administrative Region  
Km 6, La Trinidad, Benguet

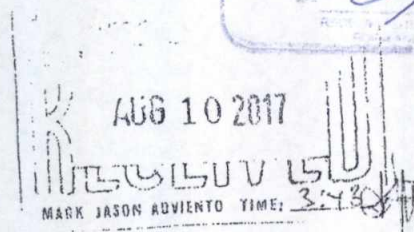


July 31, 2017



**Mr. ALLAN R. GARCIA**  
President and Chief Executive Officer  
John Hay Management Corporation  
John Hay Special Economic Zone  
Baguio City

Sir:



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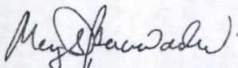
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Very truly yours,

  
**MARY D. BACWADEN**  
 Assistant Regional Director  
 Officer-in-Charge