



Republic of the Philippines
COMMISSION ON AUDIT
NATIONAL GOVERNMENT AUDIT SECTOR
Cluster 8 – Agriculture and Environment
Quezon City

June 19, 2024

PHILIPPINE FIBER INDUSTRY
DEVELOPMENT AUTHORITY

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OFFICE OF THE EXECUTIVE DIRECTOR

OIC-Executive Director **EVELYN B. CAGASAN, MM**
Philippine Fiber Industry Development Authority
3/F DA-PCAF Bldg., Elliptical Road
Diliman, Quezon City

Dear Director Cagasan:

We are pleased to transmit the Annual Audit Report on the **Philippine Fiber Industry Development Authority** for the Calendar Year 2023, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Audit Code of the Philippines (Presidential Decree No. 1445).

The audit was conducted to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of the implementation of prior years' audit recommendations.

The attached report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, and the Status of Implementation of Prior Year's Audit Recommendations which were discussed with the concerned Management officials and staff.

We request that a status report on the actions taken on the recommendations be submitted within sixty (60) days from the date of receipt of the report hereof, pursuant to Section 99 of the General Provisions of the General Appropriations Act for FY 2023 (R.A. No. 11936) using the attached Agency Action Plan and Status of Implementation (AAPSI), copy furnished the Secretary of the Department of Budget and Management (DBM), Speaker of the House of Representatives, President of the Senate of the Philippines, House Committee on Appropriations and the Senate Committee on Finance.

We express our appreciation for the valuable support and cooperation extended to the audit team by the officials and staff of that Agency.

Very truly yours,

Melissa Grace B. Martinez
MELISSA GRACE B. MARTINEZ
Director IV



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY

For the Year Ended December 31, 2023

EXECUTIVE SUMMARY

A. Introduction

On August 1, 2013, Department Order No. 02 series of 2013 was signed by Secretary Proceso J. Alcala of the Department of Agriculture (DA) for the consolidation of Fiber Industry Development Authority (FIDA) and Cotton Development Administration (CODA) into the Philippine Fiber Industry Development Authority (PhilFIDA).

The said Department Order was issued pursuant to Executive Order (EO) No. 366 dated October 4, 2004 re: Rationalization of the Functions and Agencies of the Executive Branch and due to the approval of the Rationalization Plan covering the consolidation of the FIDA and CODA on May 29, 2013. As stated therein, the FIDA and CODA shall transfer to PhilFIDA all functions and powers vested to them by law.

PhilFIDA is mandated to promote the accelerated growth and development of the Philippine Fiber Industry in all its aspects through research and development (R&D), production support, extension support, education and training, fiber processing and utilization technologies, standards implementation and regulation.

The PhilFIDA Central Office (CO) has six divisions, each supervised by a Division Chief, as follows: (1) Planning Division; (2) Administrative, Financial and Management Division; (3) Regulatory Division; (4) Research Division; (5) Fiber Utilization and Technology Division; and (6) Technical Assistance Division.

It has nine Regional Offices (ROs) located in various areas which are headed by Directors/Supervising Fiber Development Officers-Officer-in-Charge (OIC) Directors, as follows: (1) Regions I and II & CAR in La Trinidad, Benguet; (2) Regions III and IV in Quezon City; (3) Region V in Legazpi City; (4) Region VII in Cebu City; (5) Region VIII in Tacloban City; (6) Regions IX and ARMM in Pagadian City; (7) Region X in Cagayan de Oro City; (8) Regions XI and XII in Davao City; (9) Region XIII in Butuan City, and one Regional Satellite Office (RSO) VI in Jaro, Iloilo City.

PhilFIDA is headed by OIC, Executive Director Evelyn B. Cagasan, MM, assisted by Engr. Ramil B. Barcelona as OIC, Deputy Executive Director. As of December 31, 2023, there are 362 existing plantilla positions, of which 287 are filled-up and 75 unfilled positions. In addition, it has 179 job-order workers and contract of service and 29 co-terminous with the incumbent.

B. Financial Highlights

The Agency's financial position, financial performance and sources and application of funds for Calendar Year (CY) 2023 compared with the previous year are shown below.

Financial Position	Amount (in PhP)	
	2023	2022
Assets	496,762,689.93	519,058,193.97
Liabilities	129,959,597.09	144,424,999.46
Net Assets/Equity	366,803,092.84	374,633,194.51
Financial Performance		
Revenue	2,065,313.90	2,332,386.79
Current Operating Expenses	(398,732,480.84)	(352,869,525.25)
Deficit from Current Operation	(396,667,166.94)	(350,537,138.46)
Net Financial Assistance/Subsidy	396,371,863.04	439,591,659.05
Surplus for the Period	(295,303.90)	89,054,520.59
Sources and Application of Funds		
Appropriations	450,404,092.47	387,783,611.03
Allotment Received	450,404,092.47	387,783,611.03
Obligations Incurred	419,194,089.30	386,817,909.26
Unobligated Balance	31,210,003.17	965,701.77

For CY 2023, PhilFIDA has total allotment of ₱450,404,092.47, consisting of Agency Specific Budget, Automatic Appropriations, Special Purpose Fund and Continuing Appropriations amounting to ₱415,472,000.00, ₱16,600,000.00, ₱17,430,978.00 and ₱901,114.47, respectively.

C. Scope and Objectives of Audit

The audit covered the accounts, transactions and operations of PhilFIDA for CY 2023. The audit was conducted to: (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

D. Independent Auditor's Report

A qualified opinion was rendered on the fairness of presentation of the financial statements of the PhilFIDA as at December 31, 2023 due to various accounting errors amounting to ₱61,138,508.50.

E. Significant Observations and Recommendations

The following are the significant audit observations with the corresponding recommendations:

1. The reported balance of the Cash in Bank – Local Currency Saving Account (CIB-LCSA) amounting to ₱9,818,356.14 as of year-end is unreliable due to: (a) unrecorded interest income earned from escrow account with Land Bank of the Philippines – Trust Banking Group (LBP-TBG) of ₱87,770.94 for the 4th quarter of

2021 and the undetermined amount of interest earned from January 2020 to December 31, 2023 (excluding for the 4th quarter of 2021); (b) inclusion of negative balance of ₱320,811.81 due to erroneous posting of transactions; and (c) erroneous deposit of ₱42,815,067.51 to the CIB-LCSA instead of Cash in Bank, Local Currency Current Account (CIB-LCCA). These accounting errors affected the fair presentation of CIB-LCSA and CIB-LCCA accounts in the financial statement. **(Observation No. 1)**

We recommended, and Management agreed, to require the Accountant to: (a) verify the documents relative to the interest accruing to the escrow fund and record the interest amounting to ₱87,770.94; (b) coordinate/confirm with the LBP-TBG the latest bank balance of the escrow account and request copies of the bank statements, Statement of Financial Position (SFP), and Income Statements (IS) to determine the actual interest earned on the periods without corresponding SFP and IS and record the same in compliance with Section 7 of the agreement; (c) analyze the payroll account to avoid erroneous posting of liquidation reports; and (d) prepare the necessary adjustments on the erroneous posting of liquidation reports, if warranted.

2. The accuracy of the year-end balance of Property, Plant and Equipment (PPE) accounts amounting to ₱610,563,445.96 cannot be relied upon due to: (a) misclassification of various accounts by ₱27,764,447.27; (b) unrecorded PPE of ₱2,702,270.52; (c) double recording of adjustment of ₱6,665,510.24 on the reclassification of accounts; and (d) variance of ₱490,743,704.27 between the balances per books and the physical count. **(Observation No. 2)**

We recommended, and Management agreed, to require the (i) Accountant to (a) prepare adjusting entries for the misclassification of accounts amounting to ₱27,764,447.27; (b) draw a JEV to take up the unrecorded PPEs; (c) prepare adjusting entry to correct the double recording of adjustment for Construction in Progress-Buildings and Structures; (ii) Property Office to (d) initiate the One-Time Cleansing of PPE Accounts in compliance with the guidelines and procedures provided in COA Circular No. 2020-006 dated January 31, 2020; and (e) submit relevant documents pertaining to the new building to the Accounting Section for proper recording in the books.

3. The reported balance of *Other Supplies and Materials for Distribution* amounting to ₱24,171,203.60 is overstated by ₱22,340,624.00 due to non-dropping from the books of supplies and materials already distributed to beneficiaries, thereby affecting the fair presentation of the account in the financial statements. **(Observation No. 4)**

We recommended, and Management agreed, to require the Project-in charge to submit to the Accountant the Report of Supplies and Materials Issued and other necessary documents relative to the issued Modified Abaca Stripping Knife to serve as basis in recording the dropping of the same from the books of accounts.

4. The reliability and accuracy of the Due from National Government Agencies account balance amounting to ₱21,496,347.64 as of December 31, 2023 could not be ascertained due to difference of ₱2,169,510.52 between the balances per books and confirmed balances provided by the implementing agencies (IAs) which have possible effect on the account balance. Likewise, fund transfers to various IAs amounting to ₱17,243,266.24 aged two to 50 years remained unliquidated at year-end. **(Observation No. 7)**

We recommended, and Management agreed, to direct the Accountant to: (a) require the concerned IAs to promptly submit the liquidation reports, in compliance with the provisions outlined under COA Circular No. 94-013 dated December 13, 1994; and (b) reconcile with the concerned IAs to establish a reliable basis for the accurate recording of transactions in the books of accounts.

5. Of the ₱6,030,617.74 cash advances granted during the year, ₱5,966,729.40 or 98.94 percent were liquidated. However, ₱704,417.09 or 88.05 percent of the prior years' balance of ₱800,052.59 remained unliquidated for over 10 years and were not requested for write-off. Additionally, advances to officers and employees included negative balances amounting to ₱42,685.24 which understated the supposed balance of ₱747,192.33. **(Observation No. 12)**

We recommended, and Management agreed, to require the Accountant to: (a) validate the existence of dormant prior years' unliquidated cash advances and consider filing a request for authority to write-off dormant accounts duly supported with relevant documents following the guidelines set forth in COA Circular No. 2016-005 as amended by COA Circular No. 2023-008; (b) create a composite team to analyze and locate the necessary documents for the preparation of a request for write off in compliance with the abovementioned Circular; and (c) verify the negative balances and identify the erroneous entries, and prepare adjusting entries to reflect the correct balances of the Advances to Officers and Employees and Advances to Special Disbursing Officer accounts.

The observations and recommendations were discussed with agency officials in an exit conference conducted on April 18, 2024. Management comments were considered in the report, where appropriate.

F. Enforcement of Settlement of Accounts

The total audit suspensions and disallowances found in the audit of various transactions of the agency as of December 31, 2023 amounted to ₱75,391,794.21 and ₱25,576,788.29, respectively. Settlement for audit suspension during the year amounted to ₱245,342,067.26, while ₱548,882.10 amount of disallowances were settled during the year.

There was no settlement made on disallowances issued prior to the effectivity of the 2009 Rules and Regulations on the Settlement of Accounts (RRSA) amounting to ₱1,416,112.46.

G. Implementation of Prior Years' Audit Recommendations

Out of the 48 prior years' audit recommendations, 22 were implemented and 26 were not implemented, of which 18 were reiterated with modifications in this report.

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PART I

AUDITED FINANCIAL STATEMENTS

PART II

OBSERVATIONS AND RECOMMENDATIONS

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

PART IV

ANNEXES



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

INDEPENDENT AUDITOR'S REPORT

The OIC-Executive Director

Philippine Fiber Industry Development Authority
3/F DA-PCAF Bldg., Elliptical Road
Diliman, Quezon City

Qualified Opinion

We have audited the financial statements of **Philippine Fiber Industry Development Authority (PhilFIDA)**, which comprise the statement of financial position as at December 31, 2023 and the statement of financial performance, statement of cash flows, statement of changes in net assets/equity, statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements.

In our opinion, except for the effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the **PhilFIDA** as at December 31, 2023, and its financial performance, cash flows, changes in net assets/equity, comparison of budget and actual amounts for the year then ended, and notes to the financial statements in accordance with International Public Sector Accounting Standards (IPSASs).

Basis for Qualified Opinion

As discussed in Part II – Observations and Recommendations of this Report, there were accounting errors/omissions which affected the fair presentation of the financial statements:

Accounting Errors/Omissions	Amount (in PhP)
a. Unrecorded income of the escrow account	87,770.94
b. Negative balances due to erroneous recording of liquidation reports	3,951,873.67
c. Unrecorded Property, Plant and Equipment (PPE)	2,702,270.52
d. Double recording of adjustment	6,554,510.24
e. Misclassification affecting various assets, liabilities, and equity accounts	25,318,967.98
f. Non-provision of Allowance for Impairment of the dormant receivable accounts	182,491.15
g. Non-derecognition of supplies and materials distributed to beneficiaries	22,340,624.00
Total Errors/Omissions	61,138,508.50

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, 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 for the Financial Statements

Management is responsible for the preparation of the financial statements in accordance with the IPSASs, and for such internal control as management determined is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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 the Agency's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- 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 observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

COMMISSION ON AUDIT

By:



MANUEL R. GARCIA
OIC-Supervising Auditor, DA 2

April 15, 2024



Republic of the Philippines
Department of Agriculture

PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY


3/F DA-PCAF Bldg., Department of Agriculture, Elliptical Rd., Diliman, Quezon City
Email: oed@philfida.da.gov.ph, Website: www.philfida.da.gov.ph
Trunk line: 928-8756 Local 2681; Tel/Fax: 441-4606

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

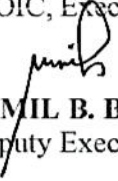
The management of the Philippine Fiber Industry Development Authority is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2023, and the related Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amount, Statement of Changes in Net Assets/Equity and Notes to Financial Statements for the year then ended. The financial statements have been prepared in conformity with International Public Sector Accounting Standards and generally accepted state accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

For and by the authority of the Assistant
Secretary and OIC, Executive Director


ALMA MARIA K. SANTOS
OIC, Administrative, Financial and
Management Division

2-14-2024
Date Signed


Engr. RAMIL B. BARCELONA
OIC, Deputy Executive Director

02-14-2024
Date Signed

PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL POSITION
ALL FUNDS

As at December 31, 2023
(In Philippine Peso)

	<u>Note</u>	<u>2023</u>	<u>2022</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	66,222,624.87	125,043,404.01
Receivables	6	58,918,891.12	63,783,570.93
Inventories	7	52,094,072.88	41,367,699.38
Other Current Assets	8	4,156,012.79	4,578,635.98
Total Current Assets		<u>181,391,601.66</u>	<u>234,773,310.30</u>
Non - Current Assets			
Property, Plant and Equipment	9	304,381,991.02	274,791,750.58
Intangible Assets	10	10,989,097.25	9,493,133.09
Total Non-Current Assets		<u>315,371,088.27</u>	<u>284,284,883.67</u>
Total Assets		<u>496,762,689.93</u>	<u>519,058,193.97</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	75,899,631.43	60,540,470.45
Inter-Agency Payables	13	42,217,181.16	71,538,294.14
Trust Liabilities	14	1,179,599.64	1,075,859.14
Deferred Credits	15	6,951,922.80	6,951,922.80
Other Payables	16	3,711,262.06	4,318,452.93
Total Current Liabilities		<u>129,959,597.09</u>	<u>144,424,999.46</u>
Total Assets Less Total Liabilities		<u>366,803,092.84</u>	<u>374,633,194.51</u>
NET ASSETS/EQUITY			
Accumulated Surplus (Deficit)		<u>366,803,092.84</u>	<u>374,633,194.51</u>
Total Net Assets/Equity		<u>366,803,092.84</u>	<u>374,633,194.51</u>

This statement should be read in conjunction with the accompanying notes.

PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY

Notes to Financial Statements For the Year Ended December 31, 2023

1. General Information/Agency Profile

The financial statements (FSs) of the Philippine Fiber Industry Development Authority (PhilFIDA) were authorized for issue on February 14, 2024, as shown in the Statement of Management Responsibility for Financial Statements signed by Engr. Ramil B. Barcelona, OIC, Deputy Executive Director, and Ms. Alma Maria K. Santos, OIC, Administrative, Financial and Management Division.

On August 1, 2013, Department Order No. 02 series of 2013 was signed by Former Secretary Proceso J. Alcala of the Department of Agriculture (DA) for the consolidation of Fiber Development Authority (FIDA) and Cotton Development Administration (CODA) into the PhilFIDA.

The said Department Order was issued pursuant to Executive Order No. 366 dated October 4, 2004 re: Rationalization of the Functions and Agencies of the Executive Branch and also due to the approval of the Rationalization Plan (RP) covering the consolidation of the FIDA and CODA on May 29, 2013. As stated therein, the FIDA and CODA shall transfer to PhilFIDA all functions and powers vested to them by law.

PhilFIDA is mandated to promote the growth and development of the Philippine fiber industry through research and development (R&D) on fiber crops and fiber utilization and technology, production support, extension support, education and training development, standards implementation, and trade regulation. The Agency's main office address is 3/F DA-PCAF Bldg., Department of Agriculture, Elliptical Road, Diliman, Quezon City.

2. Statement of Compliance and Basis of Preparation of Financial Statements

The FSs have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS) which was adopted by the Commission on Audit per COA Resolution No. 2020-001 dated January 9, 2020.

The FSs have been prepared on the basis of historical cost unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

3. Summary of Significant Accounting Policies

3.1 Basis of Accounting

The FSs are prepared on an accrual basis in accordance with the IPSAS.

3.2 Financial instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets, as appropriate. The PhilFIDA determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that the PhilFIDA commits to purchase or sell the asset.

The PhilFIDA financial assets include: cash and short-term deposits; trade and other receivables; loans and other receivables.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the surplus or deficit.

Derecognition

The PhilFIDA derecognizes a financial asset or, where applicable, a part of a financial asset or part of a Bureau of similar financial assets when:

- The rights to receive cash flows from the asset have expired or is waived.

The PhilFIDA has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party; and either: (a) the PhilFIDA has transferred substantially all the risks and rewards of the asset; or (b) the PhilFIDA has

neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The PhilFIDA assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include the following indicators:

- The debtors or a group of debtors are experiencing significant financial difficulty
- Default or delinquency in interest or principal payments
- The probability that debtors will enter bankruptcy or other financial reorganization
- Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults)

b. Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of IPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

The PhilFIDA liabilities include trade and other payables, and financial guarantee contracts.

Subsequent measurement

The measurement of financial liabilities depends on their classification.

Derecognition

A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in surplus or deficit.

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and cash at the bank. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and short-term deposits.

3.4 Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operations of the PhilFIDA.

3.5 Property, Plant and Equipment

Recognition

An item is recognized as Property, Plant, and Equipment (PPE) if it meets the characteristics and recognition criteria as a PPE.

The characteristics of PPE are as follows:

- tangible items;
- are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and
- are expected to be used during more than one reporting period.

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

Measurement at Recognition

An item recognized as PPE is measured at cost.

A PPE acquired through a non-exchange transaction is measured at its fair value as of the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Measurement After Recognition

After recognition, all PPE is stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE are required to be replaced at intervals, the PhilFIDA recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expenses in surplus or deficit as incurred.

Depreciation

Each part of an item of PPE with a cost that is significant in relation to the total cost of the item is depreciated separately. The depreciation charge for each period is recognized as an expense unless it is included in the cost of another asset.

Initial Recognition of Depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation Method

The straight-line method of depreciation shall be adopted unless another method is more appropriate for agency operation.

Estimated Useful Life

The PhilFIDA uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

The PhilFIDA uses a residual value equivalent to 10 percent of the cost of the PPE adopted from the previous years since most of the agency's PPEs were already fully depreciated when the latest GAM was released and for consistency purposes. The agency will prospectively adopt the 5 percent salvage value.

Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount if the asset's carrying amount is greater than its estimated recoverable service amount.

Derecognition

The PhilFIDA derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on the de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

3.6 Leases

PhilFIDA as a lessee

Operating lease

Operating leases are leases that do not transfer substantially all the risks and benefits incidental to ownership of the leased item to the PhilFIDA.

Operating lease payments are recognized as an operating expense in surplus or deficit on a straight-line basis over the lease term.

3.7 Intangible Assets

Recognition and Measurement

Intangible assets are recognized when the items are identifiable non-monetary assets without physical substance; probably, the expected future economic benefits or service potential that are attributable to the assets will flow to the entity; and the cost or fair value of the assets can be measured reliably.

Intangible assets acquired separately are initially recognized at cost.

Recognition of an Expense

Expenditure on an intangible item shall be recognized as an expense when it is incurred unless it forms part of the cost of an intangible asset that meets the recognition criteria of an intangible asset.

Subsequent Measurement

The useful life of the intangible assets is assessed as either finite or indefinite. Intangible assets with a finite life are amortized over its useful life.

The straight-line method is adopted in the amortization of the expected pattern of consumption of the expected future economic benefits or service potential.

An intangible asset with indefinite useful lives shall not be amortized.

Intangible assets with an indefinite useful life or an intangible asset not yet available for use are assessed for impairment whenever there is an indication that the asset may be impaired.

The amortization period and the amortization method, for an intangible asset with a finite useful life, are reviewed at the end of each reporting period. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on an intangible asset with a finite life is recognized in surplus or deficit as the expense category that is consistent with the nature of the intangible asset.

Gains or losses arising from the de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the surplus or deficit when the asset is derecognized.

3.8 Revenue from non-exchange transactions

Recognition Revenue from Non-Exchange Transactions

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As PhilFIDA satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognize an amount of revenue equal to that reduction.

Measurement of Revenue from Non-Exchange Transactions

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

Fees and fines not related to taxes

The PhilFIDA recognizes revenues from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenues are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

3.9 Budget information

The annual budget is prepared on a cash basis and is published in the government website.

As a result of the adoption of the cash basis for budgeting purposes, a separate Statement of Comparison of Budget and Actual Amounts is presented showing the basis, timing or entity differences. Explanatory comments are provided in the notes to the annual financial statements; first, the reasons for overall growth or decline in the budget are stated, followed by details of overspending or underspending on line items.

3.10 Employee benefits

The employees of PhilFIDA are members of the Government Service Insurance System which provides life and retirement insurance coverage.

The PhilFIDA recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as an expense unless capitalized, and as a liability after deducting the amount paid.

The PhilFIDA recognizes expenses for accumulating compensated absences when these are paid (commuted or paid as terminal leave benefits). Unused entitlement that has accumulated at the reporting date is not recognized as an expense. Non-accumulating compensated absences, like special leave privileges, are not recognized.

4. Changes in Accounting Policies

COA Circular No. 2022-004 dated May 31, 2022, was issued prescribing the guidelines relative to the increase in the capitalization threshold from ₱15,000 to 50,000. During CY 2022 no reclassifications were made for items covered by the new threshold due to no report of the physical count of inventories available from the property section. The reclassification was taken up in the books only in April 2023.

5. Cash and Cash Equivalents

Accounts	2023	2022
	Amount (in PhP)	
Cash on Hand	12,285.29	70,877.38
Cash in Bank – Local Currency	64,703,845.30	124,183,168.44
Treasury/Agency Cash Accounts	1,506,494.28	789,358.19
Total Cash and Cash Equivalents	66,222,624.87	125,043,404.01

5.1 Cash on Hand

Accounts	2023	2022
	Amount (in PhP)	
Cash-Collecting Officer	-	20,405.52
Petty Cash	12,285.29	50,471.86
Total Cash on Hand	12,285.29	70,877.38

5.2 Cash in Bank – Local Currency

Accounts	2023	2022
	Amount (in PhP)	
Cash in Bank - Local Currency, Current Account	54,885,489.16	113,526,614.30
Cash in Bank - Local Currency, Savings Account	9,818,356.14	10,656,554.14
Total Cash in Bank – Local Currency	64,703,845.30	124,183,168.44

5.2.1 The balance of Cash in Bank – Local Currency, Current Account amounting to ₱54,885,489.16 consists of regional offices funds to pay

personnel services, maintenance and operating expenses; trust receipts from other national government agencies; and collection of payment for bid documents.

5.2.2 The balance of ₱9,818,356.14 in the *Cash in Bank - Local Currency, Savings Account (CIB – LCSA)* consists of ₱10,139,167.95 Escrow Account of CODA and Fast-Agro Systems Technology, Inc., representing proceeds derived from the sale of cotton-lint stored at the CODA warehouse in San Fabian, Pangasinan, alongside accrued interest earned on said account. Additionally, the Cash in Bank - LCSA includes the PhilFIDA Payroll account, maintained at Land Bank of the Philippines (LBP) West Avenue Branch, which currently reflects a negative balance of ₱320,811.81, pending verification.

5.3 Treasury/Agency Cash Accounts

Accounts	2023	2022
	Amount (in PhP)	
Cash, Treasury/Agency Deposit, Regular	-	257,781.26
Cash, Treasury/Agency Deposit, Trust	1,506,494.28	531,576.93
Total Treasury/ Agency Cash Accounts	1,506,494.28	789,358.19

The *Cash-Treasury/Agency Deposit, Trust* account amounting to ₱1,506,494.28 consists of refund of unutilized project funds.

6. Receivables

This account includes the following amount:

Accounts	2023	2022
	Amount (in PhP)	
Loans and Receivables	28,157,917.07	32,861,805.19
Inter-Agency Receivables	21,520,795.90	21,491,736.26
Other Receivables	9,240,178.15	9,430,029.48
Total Receivables	58,918,891.12	63,783,570.93

6.1 Loans and Receivables

Aging of the following accounts are as follows:

Accounts	Balance as of December 31, 2023			
	Less than 1 yr.	> 1 yr. to < 10 yrs.	10 years and above	Total
	Amount (in PhP)			
Accounts Receivable	-	-	86,737,397.75	86,737,397.75
Notes Receivables	-	-	6,967,148.64	6,967,148.64
Loans Receivables	-	-	360,836.64	360,836.64
Total	-	-	94,065,383.03	94,065,383.03

Accounts	2023	2022
	Amount (in PhP)	
Accounts Receivable	86,737,397.75	86,737,397.75
<i>Allowance for Impairment - Accounts Receivable</i>	(62,866,949.20)	(58,529,460.36)
Net Value - Accounts Receivable	23,870,448.55	28,207,937.39
Notes Receivable	6,967,148.64	6,967,148.64
<i>Allowance for Impairment - Notes Receivable</i>	(2,786,859.47)	(2,438,502.03)
Net Value - Notes Receivable	4,180,289.17	4,528,646.61
Loans Receivable – Others	360,836.64	360,836.64
<i>Allowance for Impairment - Loans Receivable-Others</i>	(253,657.29)	(235,615.45)
Net Value - Loans Receivable – Others	107,179.35	125,221.19
Total Loans and Receivables	28,157,917.07	32,861,805.19

6.1.1 Of the ₱86,737,397.75 balance of *Accounts Receivable* account, ₱86,135,968.92 represents uncollected amount by then CODA from Fast Agro Systems Technology consisting of ginning fees, insurance charges and warehousing fees of seed cotton lint stored at the Philippine Cotton Corporation (PCC) warehouse (which later became CODA) for the period August 1992 to March 2004; the balance of ₱601,428.83 represents uncollected fees (inspection and licensing) by then FIDA regional offices from their stakeholders.

6.1.2 The balance of the *Accounts Receivable* and the *Allowance for Impairment – Accounts Receivable* is as follows:

Particulars	Accounts Receivable	Allowance for Impairment – Accounts Receivable	Net Value
	Amount (in PhP)		
Uncollected ginning fees, insurance charges and warehousing fees of seed cotton lint stored at PCC warehouse for the period August 1992 to March 2004 from Fast Agro Systems Technology, Inc.	86,135,968.92	62,461,060.85	23,674,908.07
Uncollected bill of charges (inspection & licensing fees) by the Regional Offices	601,428.83	405,888.35	195,540.48
Total	86,737,397.75	62,866,949.20	23,870,448.55

A rate of 5 percent was determined by the agency as a reasonable basis for the annual provision for allowance for impairment on its receivables. The *Allowance for Impairment-Accounts Receivable* is computed at 5 percent of the balance of the accounts receivable as of year-end.

6.1.3 The balance of the *Notes Receivables* account amounting to ₱6,967,148.64 represents the accounts of Imperial Textile Mills and Atlas Development Corporation which are dormant accounts of the former PCC, transferred to CODA, with no documents available to support the request for authority to write off the account. The *Allowance for Impairment-Notes Receivable* is computed at 5 percent on the balance of the account as of year-end.

6.1.4 The amount of ₱360,836.64 under the *Loans Receivable* account represents the uncollected production loans granted to different participating cooperatives under the Pilot Assistance to Cotton Farmers Project (PACFP) and the Development of Model Farms for Cotton Industry Enhancement (DMFCIE) Project. The *Allowance for Impairment-Loans-Receivable* is computed at 5 percent on the balance of the account as of year-end.

6.2 Inter-Agency Receivables

Accounts	2023	2022
	Amount (in PhP)	
Due from National Government Agencies	21,496,347.64	21,467,288.00
Due from Government-Owned and/or Controlled Corporations	24,448.26	24,448.26
Total	21,520,795.90	21,491,736.26

6.2.1 The balance *Due from National Government Agencies* account amounting to ₱21,496,347.64 pertains to the following:

Agency	Particulars	Age	Amount (in PhP)
Bureau of Plant Industry	No Available Records	over 30 years	6,870.60
Department of Agriculture-Region IX	Abaca Nursery Project	over 30 years	681.79
Forest Product Research Industry Dev't. Com.	Forpridecom Pulp Project	over 30 years	509.17
National Printing Office	Payment of accountable forms	over 30 years	34,280.10
Office of the OGCC	Payment of salary of OGCC lawyer	2005-2011	18,000.00
Procurement Service	Payment of various supplies	1997-2012	7,055,829.93
Rizal State College	Maintenance of Mulberry Genebank	over 30 years	12,064.56
Sericulture Research and Development Center	No available records	over 30 years	20,000.00
University of the Phil.-Los Baños	Various Projects	2001-2005	2,261,483.83

Agency	Particulars	Age	Amount (in PhP)
University of the Phil.-Diliman	Various Projects	2009-2012	12,086,627.66
Total			21,496,347.64

6.2.2 The balance of *Due from Government-Owned and/or Controlled Corporations* account amounting to ₱24,448.26, represents dormant accounts from the former PCC transferred to CODA and then to PhilFIDA. This account was taken in 1991 and dormant for over 30 years.

6.3 Other Receivables

Aging of the following accounts are as follows:

Accounts	Balance as of December 31, 2023			
	Less than 1 yr.	> 1 yr. to < 10 yrs.	10 years and above	Total
	Amount (in PhP)			
Receivable-Disallowance/Charges	389,065.49	8,508,826.95	-	8,897,892.44
Due from Officers and Employees	5,412.38	64,274.92	70,523.12	140,210.42
Other Receivables	540.07	-	302,846.11	303,386.18
Total	395,017.94	64,274.92	8,882,196.18	9,341,489.04

Accounts	2023	2022
	Amount (in PhP)	
Receivable-Disallowances/Charges	8,897,892.44	9,110,255.15
Due from Officers and Employees	140,210.42	103,414.76
Other Receivables	303,386.18	302,528.14
<i>Allowance for Impairment-Other Receivables</i>	<i>(101,310.89)</i>	<i>(86,168.57)</i>
Total Other Receivables	9,240,178.15	9,430,029.48

6.3.1 The balance of *Receivables – Disallowances/Charges* account of ₱8,897,892.44 represents disallowed payment of staple food allowance, Cost of Living Allowance (COLA), Collective Negotiation Agreement (CNA), Cultural and Sports Allowance for 2016 and 2017, Monetary Incentive for CY 2017 and Pamaskong Handog for FY 2018.

6.3.2 The *Other Receivables* account amounting to ₱303,386.18 consists of a net amount of ₱302,528.14 attributed to the dormant account of the former CODA and a receivable amounting to ₱858.04 from DLL and Sons Company Asia Ltd. Inc. due to an error in the computation of withholding tax, resulting in an overpayment of the said amount. The Allowance for Impairment-Other Receivables is computed at 5 percent on the balance of the account as of year-end. These accounts have been dormant for over 30 years.

7. Inventories

Accounts	2023	2022
	Amount (in PhP)	
Other Supplies and Materials for Distribution		
Carrying Amount, January 1	24,171,203.60	00.00
Carrying Amount, December 31	24,171,203.60	00.00
Office Supplies Inventory		
Carrying Amount, January 1	588,962.14	856,470.26
Additions/Acquisitions during the year	541,477.76	252,065.49
Expensed during the year except write-down	(559,187.18)	(28,270.13)
Adjustments	(59,373.65)	(491303.48)
Carrying Amount, December 31	511,879.07	588,962.14
Accountable Forms, Plates and Stickers Inventory		
Carrying Amount, January 1	8,000.00	1,700.00
Additions/Acquisitions during the year	10,000.00	10,000.00
Expensed during the year except write-down	-	(3,700.00)
Carrying Amount, December 31	18,000.00	8,000.00
Semi-Expendable -Machinery and Equipment		
Carrying Amount, January 1	106,054.22	51,212.09
Adjustments	69,117.57	54,842.13
Carrying Amount, December 31	175,171.79	106,054.22
Semi-Expendable- Office Equipment		
Carrying Amount, January 1	999,055.56	593,275.03
Additions/Acquisitions during the year	184,887.00	52,004.25
Adjustments	745,583.27	353,776.28
Carrying Amount, December 31	1,929,525.83	999,055.56
Semi-Expendable – ICT Equipment		
Carrying Amount, January 1	8,064,783.70	7,549,837.75
Additions/Acquisitions during the year	668,848.52	183,299.08
Adjustments	4,175,744.96	331,646.87
Carrying Amount, December 31	12,909,377.18	8,064,783.70
Semi-Expendable -Agricultural and Forestry Equipment		
Carrying Amount, January 1	26,310,508.30	2,150,746.00
Additions/Acquisitions during the year	774,389.70	-
Adjustments	(24,156,363.60)	24,159,762.30
Carrying Amount, December 31	2,928,534.40	26,310,508.30

Accounts	2023	2022
	Amount (in PhP)	
Semi-Expendable - Communication Equipment		
Carrying Amount, January 1	800,796.87	559,437.20
Additions/Acquisitions during the year	6,998.00	
Adjustments	(27,208.86)	241,359.67
Carrying Amount, December 31	780,586.01	800,796.87
Semi-Expendable -Disaster Response and Rescue		
Carrying Amount, January 1	19,944.00	19,944.00
Carrying Amount, December 31	19,944.00	19,944.00
Semi-Expendable Military- Police and Security Equipment		
Carrying Amount, January 1	4,560.00	4,560.00
Carrying Amount, December 31	4,560.00	4,560.00
Semi-Expendable -Technical and Scientific Equipment		
Carrying Amount, January 1	928,829.00	392,758.54
Additions/Acquisitions during the year	2,370,492.00	-
Adjustments	1,133,030.50	536,070.46
Carrying Amount, December 31	4,432,351.50	928,829.00
Semi-Expendable - Other Equipment		
Carrying Amount, January 1	680,101.72	175,113.05
Additions/Acquisitions during the year	63,519.80	45,052.00
Adjustments	125,503.01	459,936.67
Carrying Amount, December 31	869,124.53	680,101.72
Semi-Expendable – Furniture, Fixtures		
Carrying Amount, January 1	2,847,415.72	1,930,937.21
Additions/Acquisitions during the year	315,161.50	92,760.00
Adjustments	169,019.40	823,318.51
Carrying Amount, December 31	3,331,596.62	2,847,415.72
Semi-Expendable – Books		
Carrying Amount, January 1	8,688.15	8,688.15
Adjustments	3,530.20	-
Carrying Amount, December 31	12,218.35	8,688.15
Total	52,094,072.88	41,367,699.38

7.1 The Inventory Held for Distribution account pertains to the purchased/acquired *Modified Abaca Stripping Knife* (MASKs) and were already distributed to the farmers-beneficiaries. The same is not yet recorded as an expense due to the non-submission of proof of receipt of by the beneficiaries.

7.2 The Inventory Held for Consumption and Semi-expendable accounts were purchases/acquired office supplies, tangible items, and equipment costing less than ₱15,000.00 for use in the Agency's operations. The reclassification of equipment costing below ₱50,000.00 was adjusted in April 2023 under JEV No. 2023-04-000976 dated April 07, 2023.

7.3 The increase in the *Semi-Expendable Machinery and Equipment* account was due to the reclassification of the PPEs account amounting to ₱50,000.00 below to Semi-Expendable items.

7.4 The decrease in the *Semi-Expendable Agricultural and Forestry Equipment* account was due to the reclassification of the MASKs amounting to ₱24,171,203.60 to inventory held for distribution.

8. Other Current Assets

Accounts	2023	2022
	Amount (in PhP)	
Advances	768,305.43	₱800,059.16
Prepayments	2,274,161.44	2,786,830.90
Deposits	1,113,545.92	991,745.92
Total Other Assets	4,156,012.79	4,578,635.98

8.1 Advances

Accounts	2023	2022
	Amount (in PhP)	
Advances to Special Disbursing Officers	63,798.34	6.57
Advances to Officers & Employees	704,507.09	800,052.59
Total Advances	768,305.43	800,059.16

8.1.1 The balance of *Advances to Special Disbursing Officers* amounting to ₱63,798.34 represents cash advances granted for the procurement of supplies only by PhilFIDA Central Office.

8.1.2 The *Advances to Officers and Employees* amounting to ₱704,507.09 represents cash advances granted for travel during the CY 2023.

8.2 Prepayments

Accounts	2023	2022
	Amount (in PhP)	
Advances to Contractors	489,374.34	1,041,620.96
Prepaid Rent	631,055.28	631,055.28
Prepaid Insurance	23,252.86	20,586.95
Other Prepayments	1,130,478.96	1,093,567.71
Total Prepayments	2,274,161.44	2,786,830.90

8.2.1 The decrease in the *Advances to Contractors* was due to the adjustment made regarding the deduction of mobilization in the payment made for the first progress billing and completion of the new service connection and main feeder lines in the Biotechnology Laboratory and Fiber Processing Utilization laboratory of DLL & Sons Co. LTD. Asia Inc. under JEV No. 2023-06-001894 dated June 30, 2023, and JEV No. 2023-06-001906 dated June 30, 2023.

8.2.2 The balance of *Other Prepayments* amounting to ₱1,130,478.96 represents payment for fidelity bond premiums of the Accountable Officers, amortized over the life of the bond on a pro-rate basis.

8.3 Deposits

Accounts	2023	2022
	Amount (in PhP)	
Guaranty Deposits	753,840.00	753,840.00
Other Deposits	359,705.92	237,905.92
Total Deposits	1,113,545.92	991,745.92

8.3.1 *Other Deposits* amounting to ₱359,705.92 represents deposit to Meralco for new application; secondary metering and simple connection for the Biotech Building in BAI compound, Visayas Ave., Vasra, Quezon City.

9. Property, Plant, and Equipment

Particulars	Land	Land Improvements	Infrastructure Assets	Buildings and Other Structures	Machinery and Equipment
	Amount (in PhP)				
Carrying Amount, January 1, 2023	2,128,533.65	2,959,756.37	1,143,961.99	29,367,284.32	139,655,752.46
Additional /Acquisitions	-	-	-	4,000,000.00	29,894,178.12
Adjustments	-	-	-	59,941,169.77	(20,457,921.99)
Total	2,128,533.65	2,959,756.37	1,143,961.99	93,308,454.09	149,092,008.59
Adjustments	-	-	-	(150,016.48)	19,485,349.82
Depreciation	-	-	-	(1,000,638.28)	(15,512,741.26)
Carrying Amount, December 31, 2023	2,128,533.65	2,959,756.37	1,143,961.99	92,157,799.33	153,064,617.14
<i>Gross Cost</i>	2,128,533.65	6,435,800.90	1,143,961.99	147,400,708.62	371,565,939.88
<i>Less: Accumulated Depreciation</i>	-	3,476,044.53	-	55,242,909.29	218,501,322.74
<i>Carrying Amount, December 31, 2023</i>	2,128,533.65	2,959,756.37	1,143,961.99	92,157,799.33	153,064,617.14

Particulars	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvements	Construction in Progress	Other Property, Plant and Equipment	TOTAL
	Amount (in PhP)					
Carrying Amount, Jan. 1, 2023	26,173,355.35	4,893,690.47	317,662.7	68,185,424.15	(33,670.88)	274,791,750.58
Additional /Acquisitions	1,668,000.00		-	7,011,441.04	610,777.00	43,184,396.16

Particulars	Transportation Equipment	Furniture, Fixtures and Books	Leased Assets Improvements	Construction in Progress	Other Property, Plant and Equipment	TOTAL
	Amount (in PhP)					
Adjustments	3,010,750.00	(576,840.66)	-	(65,869,898.61)	9,160,919.47	(14,791,822.02)
Total	30,852,105.35	4,316,849.81	317,662.70	9,326,966.58	9,738,025.59	303,184,324.72
Adjustments		403,739.46	-	-	195,725.88	19,934,798.68
Depreciation	(2,176,082.79)	(47,670.04)		-	-	(18,737,132.37)
Carrying Amount, December 31, 2023	28,676,022.56	4,672,919.23	317,662.70	9,326,966.58	9,933,751.47	304,381,991.02
Gross Cost	51,790,773.87	10,350,888.70	323,021.1	9,326,966.58	9,486,073.67	610,563,445.96
<i>Less: Accumulated Depreciation</i>	23,114,751.31	5,677,969.47	5,358.4	-	163,099.20	306,181,454.94
Carrying Amount, December 31, 2023	28,676,022.56	4,672,919.23	317,662.70	9,326,966.58	9,933,751.47	304,381,991.02

The following table shows the balance of each PPE Account and their respective Accumulated Depreciation and Net Book Values as of year-end.

Account Name	2023	2022
	Amount (in PhP)	
Land	2,128,533.65	2,128,533.65
Land	2,128,533.65	2,128,533.65
Net Value	2,128,533.65	2,128,533.65
Land Improvements	2,959,756.37	2,959,756.37
Other Land Improvements	6,435,800.90	6,435,800.90
Total	6,435,800.90	6,435,800.90
Accumulated Depreciation-beginning	3,476,044.53	3,476,044.53
Accumulated Depreciation-end	3,476,044.53	3,476,044.53
Net Value	2,959,756.37	2,959,756.37
Infrastructure Assets	1,143,961.99	1,143,961.99
Water Supply Systems	774,070.19	774,070.19
Total	774,070.19	774,070.19
Net Value	774,070.19	774,070.19
Power Supply Systems	369,891.80	369,891.80
Total	369,891.80	369,891.80
Net Value	369,891.80	369,891.80
Buildings and Other Structures	92,157,799.33	29,367,284.32
Buildings	59,237,720.93	59,237,720.93
Adjustments	4,813,277.61	-
Total	64,050,998.54	59,237,720.93
Accumulated Depreciation-beginning	48,104,484.47	47,615,309.63
Depreciation	312,016.81	163,047.94
Disposals/Adjustments	-	326,127.20
Accumulated Depreciation-end	48,416,501.28	48,104,484.47
Net Value	15,634,497.26	11,133,236.46
Other Structures	24,221,817.92	24,221,817.92

Account Name	2023	2022
	Amount (in PhP)	
Additions	4,000,000.00	-
Adjustments	55,127,892.16	-
Total	83,349,710.08	24,221,817.92
Accumulated Depreciation-beginning	5,987,770.06	5,149,132.11
Depreciation	838,637.95	838,637.95
Accumulated Depreciation-end	6,826,408.01	5,987,770.06
Net Value	76,523,302.07	18,234,047.86
Machinery and Equipment	153,064,617.14	139,655,752.46
Machinery	14,699,391.20	8,730,350.20
Additions	-	5,969,041.00
Adjustments	(691,175.85)	-
Total	14,008,215.35	14,699,391.20
Accumulated Depreciation-beginning	6,621,722.14	6,352,081.42
Depreciation	717,213.69	771,468.45
Disposals/Adjustments	(622,058.28)	(447,572.97)
Accumulated Depreciation-end	6,716,877.55	6,621,722.14
Net Value	7,291,337.80	8,077,669.06
Office Equipment	20,451,053.52	20,445,353.52
Additions	45,495.00	5,700.00
Adjustments	(2,374,504.21)	-
Total	18,122,044.38	20,451,053.52
Accumulated Depreciation-beginning	15,194,147.22	14,941,594.20
Depreciation	224,508.32	257,827.02
Disposals/Adjustments	(1,760,709.37)	(5,274.00)
Accumulated Depreciation-end	13,657,946.17	15,194,147.22
Net Value	4,464,098.21	5,256,906.30
Information & Communication Technology Equipment	38,388,294.25	38,529,224.20
Additions	1,202,000.00	-
Adjustments	(16,317,479.64)	(140,929.95)
Total	23,272,814.61	38,388,294.25
Accumulated Depreciation-beginning	22,127,379.48	18,892,891.49
Depreciation	3,592,024.88	3,613,791.88
Disposals/Adjustments	(12,359,262.03)	(379,303.89)
Accumulated Depreciation-end	13,360,142.33	22,127,379.48
Net Value	9,912,672.28	16,260,914.77
Agricultural & Forestry Equipment	129,455,148.13	124,479,618.13
Additions	28,560,980.00	4,975,530.00
Adjustments	3,015,555.00	-
Total	161,031,683.13	129,455,148.13
Accumulated Depreciation-beginning	46,533,873.52	37,276,335.12
Depreciation	9,546,886.28	9,257,538.40
Disposals/Adjustments	(733,560.30)	
Accumulated Depreciation-end	55,347,199.50	46,533,873.52
Net Value	105,684,483.63	82,921,274.61
Communication Equipment	846,281.80	876,706.80

Account Name	2023	2022
	Amount (in PhP)	
Adjustments	(481,271.36)	(30,425.00)
Total	365,010.44	846,281.80
Accumulated Depreciation-beginning	459,849.67	487,232.17
Disposals/Adjustments	(434,104.22)	(27,382.50)
Accumulated Depreciation-end	25,745.45	459,849.67
Net Value	339,264.99	386,432.13
Medical Equipment	533,580.91	533,580.91
Total	533,580.91	533,580.91
Accumulated Depreciation-beginning	23,591.52	23,591.52
Accumulated Depreciation-end	23,591.52	23,591.52
Net Value	509,989.39	509,989.39
Technical & Scientific Equipment	152,494,498.81	150,309,370.31
Additions	85,703.12	2,185,128.50
Adjustments	(3,239,229.46)	
Total	149,340,972.47	152,494,498.81
Accumulated Depreciation-beginning	129,074,119.11	126,556,374.60
Depreciation	2,408,779.53	2,730,696.20
Disposals/Adjustments	(4,536,270.91)	(212,951.69)
Accumulated Depreciation-end	126,946,627.73	129,074,119.11
Net Value	22,394,344.74	23,420,379.70
Other Equipment	5,261,435.13	5,261,435.13
Adjustments	(369,816.54)	-
Total	4,891,618.59	5,261,435.13
Accumulated Depreciation-beginning	2,439,248.63	2,152,558.92
Depreciation	286,004.71	286,004.70
Disposals/Adjustments	(302,060.85)	-
Accumulated Depreciation-end	2,423,192.49	2,439,248.63
Net Value	2,468,426.10	2,822,186.50
Transportation Equipment	28,676,022.56	26,173,355.35
Motor Vehicles	47,112,023.87	47,112,023.87
Additions		
Adjustments	3,010,750.00	
Total	50,122,773.87	47,112,023.87
Accumulated Depreciation-beginning	20,938,668.52	18,808,375.03
Depreciation	2,176,082.79	2,176,082.79
Disposals/Adjustments (Impairment)	-	(45,789.30)
Accumulated Depreciation-end	23,114,751.31	20,938,668.52
Net Value	27,008,022.56	26,173,355.35
Other Transportation Equipment	-	-
Additions	1,668,000.00	-
Total	1,668,000.00	-
Net Value	1,668,000.00	-
Furniture, Fixtures and Books	4,672,919.23	4,893,690.47
Furniture and Fixtures	10,806,982.93	10,428,982.93
Additions	-	378,000.00
Adjustments	(541,538.66)	-

Account Name	2023	2022
	Amount (in PhP)	
Total	10,265,444.27	10,806,982.93
Accumulated Depreciation-beginning	5,996,914.69	5,953,654.65
Depreciation	47,670.04	47,670.04
Disposals/Adjustments	(371,967.66)	(4,410.00)
Accumulated Depreciation-end	5,672,617.07	5,996,914.69
Net Value	4,592,827.20	4,810,068.24
Books	120,746.43	120,746.43
Disposals/Adjustments	(35,302.00)	-
Total	85,444.43	120,746.43
Accumulated Depreciation-beginning	37,124.20	37,124.20
Adjustments	(31,771.80)	-
Accumulated Depreciation-end	5,352.40	37,124.20
Net Value	80,092.03	83,622.23
Leased Assets Improvements	317,662.70	317,662.70
Leased Assets Improvements, Land	24,356.40	24,356.40
Total	24,356.40	24,356.40
Accumulated Depreciation-beginning	5,358.40	5,358.40
Accumulated Depreciation-end	5,358.40	5,358.40
Net Value	18,998.00	18,998.00
Leased Assets Improvements, Building	298,664.70	298,664.70
Total	298,664.70	298,664.70
Net Value	298,664.70	298,664.70
Construction in Progress	9,326,966.58	25,124,032.47
Construction in Progress – Buildings & Other Structures	68,185,424.15	49,791,695.53
Additions	7,011,441.04	18,393,728.62
Adjustments	(65,869,898.61)	-
Total	9,326,966.58	68,185,424.15
Accumulated Depreciation-end	-	-
Net Value	9,326,966.58	68,185,424.15
Other Property, Plant and Equipment	9,933,751.47	(33,670.88)
Work/Zoo Animals	26,350.00	26,350.00
Total	26,350.00	26,350.00
Accumulated Depreciation-end	-	-
Net Value	26,350.00	26,350.00
Other Property, Plant and Equipment	298,804.20	298,804.20
Additions	610,777.00	-
Adjustments	9,160,919.47	-
Total	10,070,500.67	298,804.20
Accumulated Depreciation-beginning	358,825.08	358,825.08
Disposals/Adjustments	(195,725.88)	-
Accumulated Depreciation-end	163,099.20	358,825.08
Net Value	9,907,401.47	(60,020.88)
Total	304,381,991.02	274,791,750.58

9.1 The difference of ₱39,107,894.06 between the reflected amount in the Statement of Cash Flows of ₱4,076,502.10 and additions to PPE of ₱43,184,396.16 pertains to the cost of delivered PPEs which were not yet paid during the year.

9.2 The agency failed to calculate and record accumulated depreciation for *Infrastructure Assets, Other Transportation Equipment and Leased Assets Improvements* in 2023 and in the previous years. The balances of these accounts as of December 2023 will be adjusted to record the accumulated depreciation in 2024.

10. Intangible Assets

Particulars	2023	2022
	Computer Software	Computer Software
	Amount (in PhP)	
Carrying Amount, January 1	9,493,133.09	7,580,797.13
Additions-Purchased/Adjustment	1,495,964.16	1,912,335.96
Total	10,989,097.25	9,493,133.09
Carrying Amount, December 31 (As per Statement of Financial Position)	10,989,097.25	9,493,133.09
Gross Cost (Balance per Statement of Financial Position)	10,989,097.25	9,493,133.09
Less: Accumulated Amortization (including accumulated impairment loss)	-	-
Carrying Amount as of year-end (As per Statement of Financial Position)	10,989,097.25	9,493,133.09

10.1 The agency failed to record amortization for *Intangible Assets* in 2023 and in preceding years. Consequently, the balance of this account as of December 2023, amounting to ₱10,989,097.25 will be adjusted for the expired portion and to establish monthly amortization for the unexpired portion in 2024.

10.2 The additional amount of ₱1,495,964.16 in CY 2023 was the renewal of subscription of computer software/license of 152 units for the period covered September 28, 2023 to September 30, 2024 with the details as follows:

Particulars	Amount (in PhP)
Application software 0365E3 EntE1, part No. AAA-04151	672,144.00
Application software 0365E1 EntE1, part No. AAA-04073	772,746.00
Application software E5 User, part No. AAA-28248	51,074.16
Total	1,495,964.16

11. Other Non-Current Assets

Accounts	2023	2022
	Amount (in PhP)	
Other Assets	3,054,512.94	3,054,512.94
Accumulated Impaired Losses-Other Assets	(3,054,512.94)	(3,054,512.94)
Total	0.00	0.00

11.1 The *Other Assets* account amounting to ₱3,054,512.94 pertains to various unserviceable PPE for disposal.

12. Financial Liabilities

Accounts	2023	2022
	Amount (in Php)	
Accounts Payable	67,959,088.21	52,922,578.17
Due to Officers and Employees	7,940,543.22	7,617,892.28
Total Financial Liabilities	75,899,631.43	60,540,470.45

12.1 The *Accounts Payable* account balance of ₱67,959,088.21 represents the amount of unreleased checks and due and demandable obligations to creditors for the year 2023.

12.2 The *Due to Officers and Employees* account amounting to ₱7,940,543.22 represents advances to authorized disbursing officers for the payment of salaries, wages, and Representation and Transportation Allowances in 2023 which were recorded in December 2023 in the books and subsequently liquidated in January 2024.

13. Inter-Agency Payables

Account	2023	2022
	Amount (in Php)	
Due to BIR	3,317,493.59	2,704,686.89
Due to GSIS	1,167,265.22	659,563.24
Due to Pag-IBIG	76,343.55	35,105.54
Due to PhilHealth	210,296.17	119,518.77
Due to NGAs	37,459,214.08	68,032,851.15
Due to GOCCs	(13,431.45)	(13,431.45)
Total Inter-Agency Payables	42,217,181.16	71,538,294.14

13.1 The balances of *Due to BIR*, *Due to GSIS*, *Due to Pag-IBIG*, and *Due to PhilHealth* accounts are subject to a detailed analysis to determine whether the amounts due to these agencies are duly taken up in the books and said liabilities are also duly remitted and recorded. This will ensure reliable account balances.

13.2 *Due to NGAs* of ₱37,459,214.08 represents funds received from the Department of Agriculture, other staff bureaus, and other government agencies for the implementation of various projects, broken down as follows:

Particulars	Amount (in Php)
Bureau of Agricultural Research (BAR)	13,484,780.88
Cotton Development Administration (CODA)	4,099,528.18
Department of Agriculture (DA)	22,565,723.33
Department of Budget and Management (DBM)	1,664.50
Department of Science and Technology (DOST)	37,649.53
Garments and Textile Export Board (GTEB)	11.20

Particulars	Amount (in Php)
National Agricultural and Fishery Council (NAFC)	466,031.98
National Grid Corporation of the Philippines (NGCP)	66.10
Philippine Amusement and Gaming Corporation (PAGCOR)	2,300.00
University of the Philippines Los Baños (UPLB)	294,246.40
Visayas State University (VSU)	101611.04
Various Agencies	(3,594,399.06)
Total Trust Liabilities	37,459,214.08

13.3 Various Agencies with negative balances are subject to reconciliation and detailed analysis to determine whether there were errors in the recording of transactions during the year.

13.4 The *Due to GOCCs* account amounting to negative ₱13,431.45 in 2023 is subject to detailed analysis to determine whether there were errors, late recording of transactions, or unrecorded transactions during the year and in the past years.

14. Trust Liabilities

Accounts	2023	2022
	Amount (in PhP)	
Trust Liabilities	-	97,200.00
Guaranty/Security Deposits Payable	1,179,599.64	978,659.14
Total Trust Liabilities	1,179,599.64	1,075,859.14

14.1 The *Trust Liabilities* account, totaling ₱97,200.00 in CY 2022, represents funds received from Encam Agricultural Marketing for the project titled "Evaluation of Omega Green Fertilizer on Cotton." This amount has been fully liquidated under JEV No. 2023-10-000177 dated October 24, 2023.

14.2 *Guaranty / Security Deposits Payable* amounting to ₱1,179,599.64 represents performance security deposits from various suppliers for PhilFIDA's procurement and bidder's performance bond for the delivery of agricultural products.

15. Deferred Credits

Accounts	2023	2022
	Amount (in PhP)	
Deferred Credits	6,951,922.80	6,951,922.80

The balance of *Deferred Credits* account amounting to ₱6,951,922.80 pertains to the initial deposit to Escrow Account maintained at LBP-Malate, which represents the proceeds from the sale of cotton-lint of Fast Agro Systems Technology, Inc.

16. Other Payables

The amount of ₱3,711,262.06 under the Other Payables account consists mainly of retention monies for the payment of various contractors for the construction of facilities located in Quezon City and PhilFIDA regional offices.

17. Service and Business Income

The *Service and Business Income* pertains to the following:

Accounts	2023	2022
	Amount (in Php)	
Service Income	1,568,609.00	1,847,659.50
Licensing Fees	1,568,609.00	1,847,659.50
Business Income	468.24	946.58
Interest on NG Deposit	468.24	946.58
Fines and Penalties	78.35	-
Total Service and Business Income	1,569,155.59	1,848,606.08

17.1 *Licensing Fees* are income collected by the agency in the performance of its regulatory functions consisting of the following:

Particulars	Amount (in Php)
Fiber Grading/Baling Establishment (GBE)	332,407.00
Buying Station	15,886.00
Fiber Classifier	16,686.00
Fiber Processors	340,407.00
Fiber Trader – Local	782,932.00
Fiber Trader – Exporter	80,291.00
Total	1,568,609.00

18. Other Non-Operating Income

The *Other Non-Operating Income* pertains to *Miscellaneous Income* amounting to ₱496,158.31 which includes a collection for laboratory services for the fiber extraction of snake plant, sale of coconut palay, sale of corn kernels from the experiment in Region I, laboratory services - chemical analysis of pineapple fiber and leaves and coconut fiber, recovery cost of lost assets from the persons accountable, bid documents, laboratory fees, penalty on the violation of the transport of abaca fiber.

19. Personnel Services

Accounts	2023	2022
	Amount (in Php)	
Salaries and Wages	127,437,680.54	131,017,147.97
Other Compensation	55,867,389.11	36,703,072.03
Personnel Benefit Contributions	17,701,761.15	19,479,040.31

Accounts	2023	2022
	Amount (in Php)	
Other Personnel Benefits	20,330,664.20	23,844,047.93
Total Personnel Services	221,337,495.00	211,043,308.24

19.1 Salaries and Wages

The *Salaries and Wages* amounting to ₱127,437,680.54 pertains to the salaries and wages of regular employees and the payment of the Service Recognition Incentive (SRI) of the permanent employees for FY 2023.

19.2 Other Compensation

Accounts	2023	2022
	Amount (in Php)	
Personal Economic Relief Allowance (PERA)	6,826,727.29	7,279,181.81
Representation Allowance (RA)	1,606,375.00	1,595,500.00
Transportation Allowance (TA)	1,460,805.42	1,552,703.22
Clothing/Uniform Allowance	1,728,000.00	1,830,000.00
Subsistence Allowance	382,450.00	-
Laundry Allowance	67,477.30	-
Hazard Pay	2,027,536.38	-
Year End Bonus	11,322,346.20	10,681,446.00
Cash Gift	1,420,750.00	1,512,000.00
Mid-Year Bonus	11,471,567.00	10,792,241.00
Other Bonuses and Allowances	17,553,354.52	1,460,000.00
Total Other Compensation	55,867,389.11	36,703,072.03

19.2.1 The *Other Bonuses and Allowances* account in 2023 amounting to ₱17,553,354.52 represents the payment of the Productivity Enhancement Incentive (PEI) and Collective Negotiation Agreement (CNA) incentive.

19.3 Personnel Benefit Contributions

Accounts	2023	2022
	Amount (in Php)	
Retirement and Life Insurance Premiums	14,639,248.87	16,553,306.51
Pag-IBIG Contributions	338,200.00	354,600.00
PhilHealth Contributions	2,385,112.28	2,216,433.80
Employees Compensation Insurance Premiums (ECIP)	339,200.00	354,700.00
Total Personnel Benefit Contributions	17,701,761.15	19,479,040.31

19.4 Other Personnel Benefits

Accounts	2023	2022
	Amount (in Php)	
Terminal Leave Benefits	20,017,597.73	23,575,635.14
Other Personnel Benefits	313,066.47	268,412.79
Total Other Personnel Benefits	20,330,664.20	23,844,047.93

19.4.1 Other Personnel Benefits amounting to ₱313,066.47 represents payment of Loyalty Award and salary step increment.

20. Maintenance and Other Operating Expenses

Accounts	2023	2022
	Amount (in Php)	
Traveling Expenses	20,112,117.11	17,518,249.65
Training and Scholarship Expenses	8,105,178.00	7,120,974.69
Supplies and Materials Expenses	33,099,532.03	14,808,881.23
Utility Expenses	6,205,721.96	6,133,886.74
Communication Expenses	4,638,097.40	4,655,607.16
Confidential, Intelligence and Extraordinary Expenses	1,027,824.66	1,012,417.40
Professional Services	31,663,581.90	26,121,501.50
General Services	11,140,722.95	11,065,451.96
Repairs and Maintenance	6,399,198.38	3,694,840.90
Taxes, Insurance Premiums, and Other Fees	2,611,344.15	2,388,025.92
Labor and Wages	13,696,262.06	10,724,737.63
Other Maintenance and Operating Expenses	15,097,663.11	11,611,702.50
Total	153,797,243.71	116,856,277.28

20.1 Travelling Expenses

Accounts	2023	2022
	Amount (in Php)	
Travelling Expenses – Local	19,482,851.05	17,500,035.65
Travelling Expenses – Foreign	629,266.06	18,214.00
Total Travelling Expenses	20,112,117.11	17,518,249.65

20.1.1 Traveling Expenses – Local amounting to ₱19,482,851.05 represents reimbursement of transportation allowance and per diems incurred by the officers and employees during meetings, monitoring of projects, and other official functions in the implementation of programs, activities, and projects. The increase was due to more travel undertaken for the implementation and monitoring of PhilFIDA's project activities and programs.

20.1.2 Traveling Expenses - Foreign amounting to ₱629,266.06 represents reimbursement of the traveling expenses incurred by various PhilFIDA personnel who are on official foreign travel to Singapore, Seattle, Washington, USA and Geneva, Switzerland.

20.2 Training and Scholarship Expenses

The *Training Expenses* amounting to ₱8,105,178.00, pertain to the costs incurred by the participation/attendance in and conduct of trainings, conventions and seminars/workshop. It also includes training fees, registration

fees, honoraria of the resource speaker, cost of accommodation of participants, cost of handouts, supplies, materials, meals, snacks, and all other training-related expenses.

20.3 Supplies and Materials Expenses

Accounts	2023	2022
	Amount (in Php)	
Office Supplies Expenses	3,944,522.29	2,041,167.34
Accountable Forms Expenses	36,600.00	37,880.00
Medical, Dental and Laboratory Supplies Expenses	6,098,673.48	855,349.36
Fuel, Oil and Lubricants Expenses	3,621,099.73	4,139,274.64
Agricultural and Marine Supplies Expenses	12,694,873.45	4,032,309.91
Semi-Expendable Machinery and Equipment expenses	189,269.00	-
Semi-Expendable Furniture, Fixtures expenses	6,510.00	-
Other Supplies and Materials Expenses	6,507,984.08	3,702,899.98
Total Supplies and Materials Expenses	33,099,532.03	14,808,881.23

20.3.1 *Office Supplies Expenses* amounting to ₱3,944,522.29 pertain to the purchases of office supplies used in the conduct of training, workshops, and other similar items for government operations.

20.3.2 *Medical, Dental, and Laboratory Supplies Expenses* amounting to ₱6,098,673.48 represent the procurement of various laboratory supplies/chemicals, Personal Protective Equipment of FUTD-QIS Staff, ethyl alcohol, and other medical supplies used for the health prevention of COVID-19.

20.3.3 *Agricultural and Marine Supplies Expenses* amounting to ₱12,694,873.45 represent the cost of planting materials, agricultural supplies, fertilizers, and pesticides for the operations.

20.3.4 *Other Supplies and Materials Expenses* amounting to ₱6,507,984.08 represent the purchased various supplies and materials for office consumption that are not classified under the office supplies expense account such as token to the resource speaker in the conduct of training/workshop, meals and polo shirt during opening of physical fitness exercise, procurement of window blinds for the office of the Executive Director, and purified water.

20.3.5 Effective 2023, all inventoriable items are taken up as inventories upon procurement except purchases from replenishment of Petty Cash Fund for the central office transactions only

20.4 Utility Expenses

Accounts	2023	2022
	Amount (in Php)	
Water Expenses	421,071.81	376,368.86
Electricity Expenses	5,784,650.15	5,757,517.88
Total Utility Expenses	6,205,721.96	6,133,886.74

20.5 Communication Expenses

Accounts	2023	2022
	Amount (in Php)	
Postage and Courier Services	684,027.68	765,921.50
Telephone Expenses – Mobile	1,084,364.03	1,035,152.90
Telephone Expenses – Landline	371,524.03	355,639.26
Internet Subscription Expenses	2,498,181.66	2,498,893.50
Total Communication Expenses	4,638,097.40	4,655,607.16

20.6 Confidential, Intelligence, and Extraordinary Expenses

The account *Extraordinary and Miscellaneous Expenses* amounting to ₱1,027,824.66 represents expenses incurred by executive officials of the agency such as meeting expenses and other related expenses in the performance of their functions.

20.7 Other Professional Services

Accounts	2023	2022
	Amount (in Php)	
Legal Services	142,150.00	239,663.40
Consultancy Services	380,892.00	632,000.00
Other Professional Services	31,140,539.90	25,249,838.10
Total Professional Services	31,663,581.90	26,121,501.50

20.7.1 The amount of ₱380,892.00 under the *Consultancy Services* account represents payment of services rendered by Atty. Jonathan G. Renegado as Legal Officer for the months of January and June 2023, and payment for consulting service for the annual audit of PhilFIDA QMS & ISO for issuance of Socotec certification.

20.7.2 *Other Professional Services* account amounting to ₱31,140,539.90 represents payment of services rendered by the employees hired under Job Order Contract / Contract of Service by the PhilFIDA Central Office and its regional offices.

20.7.3 The *Legal Services* account amounting to ₱142,150.00 represents payment made for notarial fees in 2023.

20.8 General Services

Accounts	2023	2022
	Amount (in Php)	
Janitorial Services	2,634,345.51	2,260,545.44
Security Services	8,089,165.03	8,801,693.52
Other General Services	417,212.41	3,213.00
Total General Services	11,140,722.95	11,065,451.96

20.8.1 *Other General Services* account amounting to ₱417,212.41 represents payment for termite control service, electrical work, dry cleaning of abaca/natural fibers, declogging services at Fiber Processing and Utilization Laboratory (FPUL), and painting of the Executive Director's office.

20.9 Repairs and Maintenance

Accounts	2023	2022
	Amount (in Php)	
Repairs and Maintenance - Buildings and Other Structures	1,507,170.98	137,211.00
Repairs and Maintenance - Machinery and Equipment –Machinery	1,603,187.65	2,437,902.80
Repairs and Maintenance - Transportation Equipment - Motor Vehicles	3,219,246.35	1,119,727.10
Repairs & Maint.-Furniture and Fixtures	60,103.92	
Repairs & Maint. – Semi-Expendable Machinery and Equipment	9,489.48	-
Total Repairs and Maintenance Expenses	6,399,198.38	3,694,840.90

20.9.1 The increase in *Repairs and Maintenance – Transportation Equipment – Motor Vehicles* expense account amounting to ₱2,099,519.25 was due to the preventive maintenance service of the agency's motor vehicles which are mostly old.

20.10 Taxes, Insurance Premiums and Other Fees

Accounts	2023	2022
	Amount (in Php)	
Taxes, Duties and Licenses	186,281.65	149,400.78
Fidelity Bond Premiums	1,070,160.34	837,227.22
Insurance Expenses	1,354,902.16	1,401,397.92
Total Taxes, Insurance Premiums and Other Fees	2,611,344.15	2,388,025.92

20.11 Labor and Wages

Accounts	2023	2022
	Amount (in Php)	
Labor and Wages	13,696,262.06	10,724,737.63

Labor and Wages amounting to ₱13,696,262.06, represents payment of labor services rendered for the Establishment and Maintenance of Regular and Motherblock Nurseries, Distribution of seed-derived planting materials, Cotton Development Project, Research and Development Fund, Photoshoot and video documentation for the updates of multimedia platform and development of audio/video presentation.

20.12 Other Maintenance and Operating Expenses

Accounts	2023	2022
	Amount (in Php)	
Advertising Expenses	17,236.80	35,961.41
Printing and Publication Expenses	459,290.77	344,251.00
Representation Expenses	4,616,522.04	2,355,737.98
Transportation and Delivery Expenses	957,902.68	627,497.00
Rent/Lease Expenses – Rents - Buildings & Structures	7,302,445.61	7,611,121.32
Rent/Lease Expenses – Rents – Motor Vehicles	104,000.00	16,350.00
Rent/Lease Expenses – Rents – Equipment	180,293.04	168,106.29
Rent/Lease Expenses – Rents – Land	10,500.00	-
Rent/Lease Expenses – Rents – Living Quarters	101,000.00	43,000.00
Membership Dues and Contributions to Organizations	140,000.00	100,000.00
Subscription Expenses	24,211.19	2,070.00
Bank Transaction Fee	-	50,200.00
Other Maintenance and Operating Expenses	1,184,260.98	257,407.50
Total Other Maintenance and Operating Expenses	15,097,663.11	11,611,702.50

20.12.1 *Representation Expenses* amounting to ₱4,616,522.04 represents the cost paid on meals and snacks of the onsite participants during the workshops/meetings, orientations, stakeholder's forum, and QMS orientation course.

20.12.2 *Rent/Lease Expenses-Rents-Building and Structures* amounting to ₱7,302,445.61 represents office rentals in the Regional Offices, and office space rental of the new office of the Technical Assistance Division located in Project 6, Quezon City.

20.12.3 Bank Transaction Fee amounting to ₱50,200.00 in CY 2022 represents the cost for the purchase of Check Booklets for the use of the agency.

20.12.4 *Other Maintenance and Operating Expenses* amounting to ₱1,184,260.98 represents payment for the Gratuity Pay under a

contract of service and Job Order for FY 2023, Bids and Awards Committee honorarium for FY 2023, storage fee of cotton seeds and plaque of employees-awardees on 20 years and above years of service.

21. Non-Cash Expenses

Accounts	2023	2022
	Amount (in Php)	
Depreciation	18,737,132.37	20,142,765.37
Impairment Loss-Receivable Accounts	4,719,030.44	4,719,030.44
Loss of Assets	141,579.31	108,143.92
Total Non-Cash Expenses	23,597,742.12	24,969,939.73

The *Impairment Loss-Receivable* account is computed using a 5 percent rate for the annual provision for the Allowance for Impairment of its receivables. This is to recognize impairment loss on uncollected dormant accounts as of year-end.

21.1 Depreciation

Accounts	2023	2022
	Amount (in Php)	
Depreciation – Buildings and Other Structures	1,000,638.28	1,001,685.89
Depreciation - Machinery and Equipment	15,512,741.26	16,917,326.65
Depreciation - Transportation Equipment	2,176,082.79	2,176,082.79
Depreciation – Furniture and Fixtures	47,670.04	47,670.04
Total Depreciation	18,737,132.37	20,142,765.37

21.2 *Impairment Loss- Receivable* accounts amounting to ₱4,719,030.44 pertains to the recognition of impairment loss due to non-collection of Accounts and Loans Receivables.

21.3 The account *Loss of Assets* amounting to ₱141,579.31 in CY 2023 represents the amount of unreturned/lost property previously issued to a retired employee.

22. Net Financial Assistance/Subsidy

Particulars	2023	2022
	Amount (in Php)	
Notice of Cash Allocation (NCA) Issued by DBM		
Current	426,712,728.00	437,598,895.00
Constructive Receipt of NCA for TRA	12,435,092.90	16,095,685.15
Total Subsidy Income from NG	439,147,820.09	453,694,580.15
Less: Reversion of unutilized NCA/NTA	42,775,957.86	14,102,921.10
Subsidy Income from NG per Statement of Financial Performance	396,371,863.04	439,591,659.05

23. Changes in Net Assets/Equity

The adjustment of net revenue recognized directly in net assets/equity in the amount of ₱17,620,672.95 represents deposits on collections of the revenues/income and refunds of the cash advances to the National Treasury under the Cash-Treasury/Agency Deposit, Regular and closed to Accumulated Surplus account at year-end.

24. Other Adjustments

Adjustments affecting the Statement of Changes in Net Assets/Equity for CY 2023 are as follows:

Particulars	Amount (in PhP)
Liquidation on prior years special cash advances	22,210,234.82
Liquidation on prior years cash advance on PS	413,191.18
Liquidation on prior years cash advance on MOOE	5,802,306.51
Liquidation on prior years cash advance on TEV	269,747.24
Adjustment on Depreciation	1,695,549.12
Adjustment on Income	(55,169.06)
Adjustment on the payment of Accounts Payable (PPE)	(2,985,619.69)
Reversion of dormant Accounts Payable	(32,079,243.82)
Adjustment on the recording of various accounts	(5,556,871.49)
TOTAL	(10,085,875.18)

The prior year's adjustments amounting to a negative balance of ₱10,085,875.18, will be analyzed to determine whether there is a need for restatement of the Financial Statements, as they affect the Accumulated Surplus account.

25. Statement of Comparison of Budget and Actual Amounts

The difference in the budgeted amount compared to the actual amount is as follows:

	Final Budget	Actual Amount	Difference
RECEIPTS	Amount (in PhP)		
Services and Business Income	1,382,000.00	2,065,313.90	(683,313.90)
Total Receipts	1,382,000.00	2,065,313.90	(683,313.90)
PAYMENTS			
Personnel Services	229,654,478.00	214,137,383.52	15,517,094.48
Maintenance and Other Operating Expenses	202,674,707.14	176,394,908.22	26,279,798.92
Capital Outlay	18,074,907.33	5,839,571.30	12,235,336.03
Financial Expenses	-	-	-
Total Payments	450,404,092.47	396,371,863.04	54,032,229.43
NET RECEIPTS/PAYMENT	(449,022,092.47)	(394,306,549.14)	(54,715,543.33)

The above data were based on the submitted Financial Accountability Reports (FAR) No. 1 Current and Continuing and FAR No. 4 to DBM.

25.1 Allotment, Obligations and Balances

FUND 101	Cate- gory	Allotment		Obligations	Unexpended Balance		
		Amount (in PhP)					
A. Current Year's Allotment		Current	Total	Total	Reverted	Extended	Total
	PS	229,654,478.00	229,654,478.00	218,206,599.57	11,447,878.43		11,447,878.43
	MOOE	202,613,500.00	202,613,500.00	186,711,530.43		15,901,969.57	15,901,969.57
	FinEx	0.00	0.00	0.00			
	CO	17,235,000.00	17,235,000.00	13,387,931.39		3,847,068.61	3,847,068.61
Others							
Sub-Total		449,502,978.00	449,502,978.00	418,306,061.39	11,447,878.43	19,749,038.18	31,196,916.61
B. Special Purpose Funds	PS						
Sub-Total		0.00	0.00	0.00	0.00	0.00	0.00
C. Prior Year's Allotment Continuing Appropriati ons	PS	0.00	0.00	0.00			
	MOOE	61,207.14	61,207.14	58,950.91	2,256.23	0.00	2,256.23
	FinEx	0.00	0.00	0.00	0.00	0.00	0.00
	CO	839,907.33	839,907.33	829,077.00	10,830.33	0.00	10,830.33
Sub-Total		901,114.47	901,114.47	888,027.91	13,086.56	0.00	13,086.56
Grand Total		450,404,092.47	450,404,092.47	419,194,089.30	11,460,964.99	19,749,038.18	31,210,003.17

26. Key Management Interest:

26.1 Key Management Personnel

The key management personnel of the PhilFIDA consists of the Executive Director, the Deputy Executive Director and six Division chiefs, namely: a) Administrative, Financial and Management Division (AFMD); b) Planning Division; c) Research Division; d) Technical Assistance Division (TAD); e) Fiber Utilization and Technology Division (FUTD); and f) Regulatory Division.

26.2 Key Management Compensation

The aggregate remuneration of the key management personnel is as follows:

Particulars	Aggregate Remuneration
	Amount (in PhP)
Salaries and Wages	5,875,574.78
Other Personnel Benefits	2,613,407.81
Total	8,488,982.59

26.3 Remuneration and Compensation provided to close family members of Key Management Personnel

During the reporting period, there were no remuneration and compensation given to close family members of Key Management Personnel of PhilFIDA.

Part II – OBSERVATIONS AND RECOMMENDATIONS

A. Financial Audit

Cash in Bank – Local Currency Saving Account

1. The reported balance of the Cash in Bank – Local Currency, Savings Account (CIB-LCSA) amounting to **₱9,818,356.14** as of year-end is unreliable due to: (a) unrecorded interest income from escrow account with LBP-TBG of **₱87,770.94** for the 4th quarter of 2021 and the undetermined amount of interest income for January 2020 to December 31, 2023 (excluding the 4th quarter of 2021); (b) inclusion of negative balance of **₱320,811.81** due to erroneous posting of transactions; and (c) erroneous deposit of **₱42,815,067.51** to the CIB-LCSA instead of Cash in Bank – Local Currency, Current Account (CIB-LCCA). These accounting errors affected the fair presentation of CIB-LCSA and CIB-LCCA accounts in the financial statements.

As of year-end, the general ledger (GL) of the account Cash in Bank – Local Currency, Savings Account (CIB-LCSA) showed a balance of **₱9,818,356.14**, details are shown below:

Table No. 1: Composition of CIB-LCSA	
Description	Amount (in PhP)
PhilFIDA Payroll Fund	(320,811.81)
Escrow Account	10,139,167.95
Total	9,818,356.14

a) Unrecorded income of the escrow account - ₱87,770.94

The Schedule of the CIB-LCSA as of December 31, 2023 showed a balance of **₱10,139,167.95** which pertains to the Escrow account at Lank Bank of the Philippines (LBP), Malate, Manila. However, the same remained unmoving in the books since December 31, 2019.

On March 23, 2004, the former Cotton Development Administration (now PhilFIDA) and Fast Agro Systems Technology, Inc. entered into an Escrow Agreement with the LBP, Trust Banking Group (LBP-TBG) as the Escrow Agent for the proceeds of the sale of the cotton lint in the amount of **₱6,951,922.80**. The Escrow Agreement is in view of the unresolved issue regarding the payment of storage fee and the settlement on the sharing of proceeds to be undertaken after the final determination of rates of the ginning service and storage fee.

Verification of documents revealed that the LBP-TBG consistently issued Statement of Financial Position (SFP) and Income Statement (IS) for the escrow fund on a

quarterly basis, distributing them via email to the designated official email address of the Office of the Executive Director.

Inquiries made and review of records disclosed that the Accounting Section had also received copies of the Statement of Financial Position (SFP) and Income Statement (IS), and that the interest earned was not recorded due to inadvertence.

Review of documents likewise showed that the SFP and IS on file are incomplete and only the following are available:

Table No. 2: SFP and IS on File		
Period	Total Assets/ Liability & Equity	Net Income
	Amount in (PhP)	
June 30, 2018	10,166,371.50	79,401.59
September 30, 2018	10,156,504.04	139,557.47
December 31, 2018	10,198,283.95	200,737.45
March 31, 2019	10,345,351.50	64,767.96
December 31, 2021	10,933,970.51	87,770.94

As illustrated in Table No. 2, the escrow account earns interest on a quarterly basis. However, the account remained unmoving in the books since December 2019, the undetermined interest income for the period January 1, 2020 to December 31, 2023, including the ₱87,770.94 reported interest income for the quarter ended December 31, 2021, were not recorded, contrary to Section 7 of the Escrow Agreement that *Any and all earnings from the investment and reinvestment of the Escrow Deposit hereof shall form part of the Fund.*

Further, due to incomplete records, the interest income accruing to the escrow fund for the period January 1, 2020 to September 30, 2021 and January 1, 2022 to December 31, 2023 could not be determined. Consequently, this led to the understatement of the account balance by ₱87,770.94 and an undetermined amount for the period covered without SFP and IS.

b) Inclusion of negative balance due to erroneous posting of liquidation reports - ₱320,811.81

Paragraph 48 of IPSAS 1 provides that:

Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS.

Review of the Schedule of the CIB-LCSA includes negative amounts totaling ₱320,811.81, consequently, this resulted in the reduction of the supposed balance of ₱10,139,167.95.

According to the Accounting personnel, the negative balance reported on October 31, 2023 was due to the erroneous posting of liquidation reports for salaries and wages, other compensation and contractual fees.

The Accountant should have looked into the root cause of the negative balances and taken the necessary corrective measures/actions to prevent misstatements, thereby averting the errors in the account balances before certifying the financial statements (FS).

It is imperative for the Accountant to exercise caution in the recording of transactions to prevent the occurrence of negative balances in the affected accounts. This proactive approach is essential to mitigate the risk of FS misstatements.

c) Erroneous deposit of ₱42,815,067.51 to the CIB-LCSA instead of CIB-LCCA to record cash transfers to payroll account

Volume III of the GAM for NGAS¹ provides the description of the CIB-LCCA and CIB-LCSA accounts and when these are to be used, as follows:

Cash in Bank-Local Currency Checking Account (CIB-LCCA) is used to recognize deposits with Authorized Government Depository Banks (AGDBs) of income received for which the agency has authority to use; trust receipts authorized under specific contracts and agreements; Revolving fund under specific laws; and credit advices/memos received from the Authorized Government Depository Banks. Credit this account for check disbursements and debit advices/memos received from the AGDBs.

Cash in Bank- Local Currency Savings Account (CIB-LCSA) is used in the Bureau of the Treasury- National Government books to recognize deposits to savings account with AGDBs for collection of fees and charges from national collecting officers; investment of funds; maturity of investments; and proceeds of over-the counter placements of Treasury Bills and Treasury Bonds; and maybe also be maintained by the BIR, BOC and other duly authorized agencies for amounts held in escrow. The account is credited for replenishments of the MDS accounts with AGDBs, transfers to other cash account of the Treasurer of the Philippines, refunds/settlement of decided cases in favor of private individuals/entities, or remittance to the Bureau of Treasury (BTr) of income resulting from decided cases in favor of the government.

For the period January to December 2023, the PhilFIDA paid salaries and wages and other compensation to its permanent/regular employees and contractual fees for

¹ Government Accounting Manual for National Government Agencies

contract of service/job order personnel through the Automated Teller Machine (ATM) in the total amount of ₱42,815,067.51, as presented below:

Table No. 3: Payment of Salaries through ATM for CY 2023		
Payee	Particulars	Amount in (PhP)
PhilFIDA Payroll Fund	Salaries and wages of regular/permanent employees, RATA and other compensation	31,376,816.78
	Contractual fees of PhilFIDA contract of service/job order personnel	11,438,250.73
TOTAL		42,815,067.51

Analysis of the CIB-LCSA account disclosed that the PhilFIDA debits the account to record deposit for salaries and wages, other compensation and contractual fees paid via ATM instead of CIB-LCCA and credits the same upon payment of the expenses contrary to the definitions as provided in the GAM manual.

Verification of the accounting entries was made against the illustrative accounting entries under Section 57(3), Chapter 6, of the GAM for NGAS Volume I. Details are shown below:

Table No. 4: Comparative Accounting Entries on the Payment of Salaries & Wages					
Per Section 57(3), Chapter 6, of the GAM for NGAS Vol I			Per Accounting Entry		
Account	DR	CR	Account	DR	CR
<i>Salaries and Wages</i> PERA <i>Due to BIR</i> <i>Due to GSIS</i> <i>Due to Pag-IBIG</i> <i>Due to PhilHealth</i> <i>Other Payables</i> <i>Due to Officers and Employees</i> To recognize expenses for salaries and wages to be paid through ATM	Xxx xxx	Xxx Xxx Xxx Xxx Xxx xxx	<i>Salaries and Wages</i> PERA <i>Due to BIR</i> <i>Due to GSIS</i> <i>Due to Pag-IBIG</i> <i>Due to PhilHealth</i> <i>Other Payables</i> <i>Due to Officers and Employees</i> To recognize expenses for salaries and wages to be paid through ATM	Xxx xxx	Xxx Xxx Xxx Xxx Xxx xxx
<i>Cash-in Bank-LCCA</i> <i>Cash- MDS, Regular</i> To recognize deposit for salaries and wages to be paid through ATM	xxx	xxx	<i>Cash-in Bank-LCSA</i> <i>Cash- MDS, Regular</i> To recognize deposit for salaries and wages to be paid through ATM	xxx	xxx
<i>Due to Officers and Employees</i> <i>Cash in Bank-LCCA</i> To recognize payment of salaries and wages through ATM	xxx	xxx	<i>Due to Officers and Employees</i> <i>Cash in Bank-LCSA</i> To recognize payment of salaries and wages through ATM	xxx	xxx

The appropriate account for the recognition of deposits and the payment of salaries and wages through ATM should have been CIB-LCCA instead of the CIB-LCSA in compliance with the above-cited regulations.

We recommended, and Management agreed, to require the Accountant to:

- a. verify the documents relative to the interest accruing to the escrow fund and record the interest amounting to ₱87,770.94;**
- b. coordinate/confirm with the LBP-TBG the latest bank balance of the escrow account and request copies of the bank statements, Statement of Financial Position, and Income Statements to determine the actual interest earned on the periods without corresponding SFP and IS and record the same in compliance with Section 7 of the agreement;**
- c. analyze the payroll account to avoid erroneous posting of liquidation reports; and**
- d. prepare the necessary adjustments on the erroneous posting of liquidation reports, if warranted.**

Unreliable balance of PPE accounts

- 2. The accuracy of the year-end balance of Property, Plant and Equipment (PPE) accounts amounting to ₱610,563,445.96 cannot be relied upon due to: (a) misclassification of various accounts by ₱27,764,447.27; (b) unrecorded PPE of ₱2,702,270.52; (c) double recording of adjustment of ₱6,665,510.24 on the reclassification of accounts; and (d) variance of ₱490,743,704.27 between the balances per books and the physical count.**

Rules and regulations governing the Property, Plant and Equipment account are as follows:

Table No. 5: Rules and regulation governing PPE accounts	
Section	Provisions
Section 38, Chapter 10 of Government Accounting Manual (GAM) for National Government Agencies (NGASs), Volume I	<i>The entity shall have a periodic physical count of PPE, which shall be done annually and presented on the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) (Appendix 71) as at December 31 of each year. This shall be submitted to the Auditor not later than January 31 of the following year. Equipment found at the station and losses discovered during the physical count shall be reported to the Accounting Division/Unit for proper accounting/recording.</i>
Item 5.12 of COA Circular No. 2020-006 dated January 31, 2020	<i>Property Records shall be updated based on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE Accounts to be considered as the correct balance of the agency's PPE</i>

Table No. 5: Rules and regulation governing PPE accounts	
Section	Provisions
Item 6.3 of COA Circular No. 2020-006 dated January 31, 2020	<i>The Property and Accounting Units shall undertake collaborative procedures to ensure that all PPEs included in the RPCPPE are duly recorded in their respective records and that the Property Cards (PCs) maintained by the Property Unit and the PPELCs maintained by the Accounting Unit are reconciled. Xxx...xxx.</i>
Section 7, Chapter 19 of GAM for NGAs, Volume I	<i>Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with the definitions of recognition criteria for assets, liabilities, revenue and expenses set out in IPSAS (paragraph 27 of IPSAS I</i>
GAM Manual, Volume III	<i>Building account is used to recognize the cost incurred in the purchase or construction or fair value, if acquired through donation or transfers without cost, of buildings, such as: office buildings, research/convention/training centers, agricultural laboratories, warehouses, cold storages and the like, for use in government operations.</i>
Section 25, Chapter 10 of GAM for NGAs Volume I	<i>An entity shall capitalize the costs incurred for repair, betterment, enhancement, expansion or upgrade of existing PPE if the amount is material and:</i> <i>a. where the expenditure results in an effective increase in the future economic benefits or service potential that is expected to be derived from using the asset and the increase in future economic benefits or service potential will be realized;</i> <i>b. there has been an effective increase in the quality of the services provided by the asset beyond that previously determined; or</i> <i>c. there has been an effective extension to the asset's useful life as a result of the expenditure.</i>
Section 17.b.1-2, Chapter 10 of the GAM for NGAs, Volume I	<i>b. Acquisition by Implementing Agency/Entity.</i> <i>1. The funds received from inter-agency fund transfer shall be recorded in the fund cluster for trust receipts as asset.</i> <i>2. The implementing agency/entity shall record and monitor the PPE purchased out of inter-agency transferred funds when the PPE meets the recognition criteria.</i>

As of December 31, 2023, the PPE accounts showed a total balance of ₱610,563,445.96 with a net book value of ₱304,381,991.02, as follows:

Table No. 6: PPE balances			
PPE Account	Balance	Accumulated Depreciation	Net Book Value
	Amount in (PhP)		
Land	2,128,533.65	-	2,128,533.65
Other Land Improvements	6,435,800.90	3,476,044.53	2,959,756.37
Water Supply Systems	774,070.19	-	774,070.19
Power Supply Systems	369,891.80	-	369,891.80
Buildings	64,050,998.54	48,416,501.28	15,634,497.26
Other Structures	83,349,710.08	6,826,408.01	76,523,302.07
Machinery	14,008,215.35	6,716,877.55	7,291,337.80
Office Equipment	18,122,044.38	13,657,946.17	4,464,098.21

Table No. 6: PPE balances			
PPE Account	Balance	Accumulated Depreciation	Net Book Value
	Amount in (PhP)		
Information and Communication Technology Equipment	23,272,814.61	13,360,142.33	9,912,672.28
Agricultural & Forestry Equipment	161,031,683.13	55,347,199.50	105,684,483.63
Communication Equipment	365,010.44	25,745.45	339,264.99
Medical Equipment	533,580.91	23,591.52	509,989.39
Technical & Scientific Equipment	149,340,972.47	126,946,627.73	22,394,344.74
Other Equipment	4,891,618.59	2,423,192.49	2,468,426.10
Motor Vehicles	50,122,773.87	23,114,751.31	27,008,022.56
Other Transportation Equipment	1,668,000.00		1,668,000.00
Furniture and Fixtures	10,265,444.27	5,672,617.07	4,592,827.20
Books	85,444.43	5,352.40	85,444.43
Leased Assets Improvements, Land	24,356.40	5,358.40	24,356.40
Leased Assets Improvements, Building and Other Structure	298,664.70	-	298,664.70
Construction in Progress - Buildings & Other Structures	9,326,966.58	-	9,326,966.58
Work/Zoo Animals	26,350.00	-	26,350.00
Other Property, Plant and Equipment	10,070,500.67	163,099.20	9,907,401.47
Total	610,563,445.96	306,181,454.94	304,381,991.02

Review of the accounts showed the following accounting errors and deficiencies:

a) Misclassification of account - ₱27,764,447.27

Review of the Report on the Physical Count of Property, Plant and Equipment – Central Office (RPCPPE-CO) disclosed that various transactions were recorded as Other Structures, Due to NGAs, Other PPE, Construction in Progress-Buildings and Other Structures (CIP-B & OS), Accounts Payable, and Other Supplies Expenses instead of the Building account, resulting in the overstatement of the aforementioned accounts and the understatement of the Building account, as follows:

Table No. 7: Accounts misclassified				
Description	Amount in (PhP)	Recorded in the books as	Accounts Affected	(Over)/ Understated Amount in (PhP)
Building, 831 sqm one-storey semi concrete structure	4,680,000.00	Other Structures	Buildings Other Structures	4,680,000.00 (4,680,000.00)
Building, repair/rehabilitation	4,998,249.01	Other Structures	Buildings Other Structures	4,998,249.01 (4,998,249.01)
2-Storey Biotech Lab Building -Phase 2	3,988,642.96	Due to NGAs	Buildings Due to NGAs	3,988,642.96 3,988,642.96
Cost of the construction of new service connection	4,689,196.34	Other PPE	Buildings Other PPE	4,689,196.34 (4,689,196.34)

Table No. 7: Accounts misclassified				
Description	Amount in (PhP)	Recorded in the books as	Accounts Affected	(Over)/ Understated Amount in (PhP)
and main feeder lines of the Biotech Lab				
Cost of the construction of new service connection and main feeder lines of the FUTD Bldg	4,689,196.34	Other PPE	Buildings Other PPE	4,689,196.34 (4,689,196.34)
Installation of solar panels	610,777.00	Other PPE	Buildings Other PPE	610,777.00 (610,777.00)
Installation of windows and tile works of the Biotech Lab Phase 2 – ₱994,615.10	895,153.59	CIP-B & OS	Buildings CIP-B & OS	895,153.59 (895,153.59)
	99,461.51	Accounts Payable	Buildings AP	99,461.51 99,461.51
Installation of glass doors and railings of the Biotech Lab Phase 2	411,500.00	Other Supplies Expenses	Buildings Other Sup Exp	411,500.00 (411,500.00)
Total				25,062,176.75

On March 29, 2019, payment was made for the construction of the 2-Storey Biotech Lab Building-Phase 2 in the amount of ₱3,988,642.96. However, as shown in the above table, the transaction was erroneously debited to the Due to NGAs instead of Buildings.

In addition, the cost of the construction of new service connection and main feeder lines and installation of windows, glass doors, railing and solar panel for the 2-Storey Biotech Lab Building represents enhancements and upgrading of the existing PPE, hence; these costs are to be capitalized and should be recorded under the Buildings instead of Other PPE.

Inquiry with the Accounting personnel concerned disclosed that the misclassification of accounts was due to the oversight in the analysis and recording of the transactions in the books of accounts.

Furthermore, upon review of the RPCPPE, it was observed that PPE accounts from the ROs were not reclassified in accordance with the Revised Chart of Accounts (RCAs) which led to the misstatement of the financial statements.

Table No. 8: PPE account not reclassified according with RCAs			
PPE Account	RO	Amount in (PhP)	Should be PPE account
Artesian Wells, Reservoir, Pumping Stations and Conduits	1	724,352.52	Water Supply Systems
Other Machinery and Equipment	8 and 13	1,977,918.00	Other Equipment
Total		2,702,270.52	

The RPCPPE of RO I showed an account Artesian Wells, Reservoir, Pumping Stations and Conduits of ₱724,352.52, which is not included in the GAM Chart of Account. These PPEs should have been classified under the Water Supply Systems account. Likewise, the equipment amounting to ₱1,977,918.00 was erroneously reported as Other Machinery and Equipment instead of Other Equipment.

The misclassification of accounts resulted in the understatement and/or overstatement of the affected accounts in the FS, as follows:

Table No. 9: Effect of misclassification				
Accounts	Per Book	Understated	Overstated	Adjusted Balance
	Amount in (PhP)			
Buildings	64,050,998.54	25,062,176.75		89,113,175.29
Due to NGAS	37,459,214.08	3,988,642.96		41,447,857.04
Other Structures	83,349,710.08		9,678,249.01	73,671,461.07
Other PPE	10,070,500.67		9,989,169.68	81,330.99
CIP- Building and Other Structures	9,326,966.58		895,153.59	8,431,812.99
Accounts Payables	67,959,088.21	99,461.51		68,058,549.72
Other Supplies Expenses	6,507,984.08		411,500.00	6,096,484.08
Total	278,724,462.24	29,150,281.22	20,974,072.28	286,900,671.18

b) Unrecorded PPEs - ₱2,702,270.52

The PPEs presented in Table 8, pertaining to Artesian Wells, Reservoir, Pumping Stations and Conduits and Other Machinery Equipment, amounting to ₱2,702,270.52, were not recorded in the book.

As the accounts were reflected in the RPCPPE of the ROs, the Accounting personnel will validate and implement necessary adjustments in coordination with the Property Office.

c) Double recording of adjustment – ₱6,665,510.24

The review of the General Ledger (GL) of the Construction in Progress – Buildings and Other Structures account revealed that JEV No. 2022-11-004025 dated November 11, 2022 was prepared covering the progress billing for the new service connection and main feeder lines of the Biotechnology Laboratory & Fiber Processing Utilization Laboratory. This transaction was recorded by debiting *Other Property Plant and Equipment Outlay* account and crediting *Cash, Modified Disbursing System (MDS)* and *Due to BIR* account, however, an adjustment was made to reclassify the same by debiting *Construction in Progress – Buildings and Other Structures* account.

The adjustment was inadvertently recorded twice in the books, occurring under JEV No. 2022-12-004503 dated December 1, 2022 and again under JEV No. 2023-06-001894 dated June 30, 2023. Adjusting entry was recorded as follows:

Table No. 10: Adjusting entry		
Accounts	Debit	Credit
	Amount in (PhP)	
Construction in Progress – Buildings and Other Structures	6,554,510.24	
Advances to Contractors		983,176.54
Other Payables		655,451.02
Other PPE Outlay		4,915,882.68

The Accounting personnel acknowledged the double recording of adjustment and will prepare the necessary adjusting entries.

Thus, the CIP-Building and Other Structures, Advances to Contractors, Other Payables and Other PPE Outlay accounts were overstated at year-end, as shown in the table above.

d) Variance between books and RPCPPE - ₱490,743,704.27

Comparison of the PPE accounts with aggregate balance amounting to ₱610,563,445.96 against the RPCPPE of both the CO and ROs with a reported balance of ₱509,593,937.23, showed a variance of ₱490,743,704.27. Details are presented in Table No. 11.

Table No. 11: Variance between books and RPCPPE			
PPE Account	Book Balance	RPCPPE	Variance
	Amount in (PhP)		
Land	2,128,533.65	3,230,477.46	1,101,943.81
Other Land Improvements	6,435,800.90	3,862,271.70	2,573,529.20
Water Supply Systems	774,070.19	-	774,070.19
Power Supply Systems	369,891.80	-	369,891.80
Buildings	64,050,998.54	209,807,281.64	145,756,283.10
Other Structures	83,349,710.08	-	83,349,710.08
Machinery	14,008,215.35	58,377,873.32	44,369,657.97
Office Equipment	18,122,044.38	4,368,570.34	13,753,474.04
Information & Communication Technology Equipment	23,272,814.61	23,983,218.65	710,404.04
Agricultural & Forestry Equipment	161,031,683.13	13,161,711.71	147,869,971.42
Communication Equipment	365,010.44	611,548.77	246,538.33
Medical Equipment	533,580.91	95,774.00	437,806.91
Technical & Scientific Equipment	149,340,972.47	148,125,748.14	1,215,224.33
Other Equipment	4,891,618.59	-	4,891,618.59
Motor Vehicles	50,122,773.87	36,259,991.91	13,862,781.96
Other Transportation Equipment	1,668,000.00	-	1,668,000.00
Furniture and Fixtures	10,265,444.27	4,178,450.82	6,086,993.45
Books	85,444.43	2,700.00	82,744.43
Leased Assets Improvements, Land	24,356.40	-	24,356.40
Leased Assets Improvements, Building and Other Structure	298,664.70	-	298,664.70

Table No. 11: Variance between books and RPCPPE			
PPE Account	Book Balance	RPCPPE	Variance
	Amount in (PhP)		
Construction in Progress - Buildings & Other Structures	9,326,966.58	-	9,326,966.58
Work/Zoo Animals	26,350.00	-	26,350.00
Other Property, Plant and Equipment	10,070,500.67	826,048.25	9,244,452.42
Sub-total	610,563,445.96	506,891,666.71	488,041,433.75
Artesian Wells, Reservoir, Pumping Stations and Conduits	-	724,352.52	724,352.52
Other Machinery and Equipment	-	1,977,918.00	1,977,918.00
Sub-total	-	2,702,270.52	2,702,270.52
Total	610,563,445.96	509,593,937.23	490,743,704.27

The variance of ₱490,743,704.27 was attributed to the non-reconciliation of year-end balances of four PPE accounts per books of accounts and the records of the Property Section. This discrepancy was due to the non-conduct of actual physical inventory of PPE and failure to prepare RPCPPE in the CO and ROs in previous years, primarily due to lack of personnel.

Out of the variance of ₱490,743,704.27, the amount of ₱122,899,999.45 pertains to a newly constructed 4-storey building which was included in the RPCPPE-CO but not yet recorded in the books.

The review of the Memorandum of Agreement (MOA) dated August 13, 2018, between the Department of Agriculture (DA), PhilFIDA, and the City of Las Piñas revealed PhilFIDA's claim of ownership over a 9,666.00 square meter parcel of land in Las Piñas City. Section 4 of the MOA stipulates that in return, the City unilaterally and voluntarily pledges to develop half portion of the property into a school campus and construct a building for PhilFIDA.

Inquiry disclosed that the building was constructed by the Department of Public Works and Highways (DPWH), not by the City. The Property Officer stated that the building had been turned over to PhilFIDA, supported by a Certificate of Acceptance duly signed by the former Executive Director.

However, this certificate lacked necessary documents and detailed information regarding the building's description and cost. It remained unclear how the cost of the building, as indicated in the RPCPPE-CO, was determined. Consequently, the buildings for Phase 1, 2, and 3, with costs of ₱57,899,999.45, ₱30,000,000.00, and ₱35,000,000.00, respectively, remained unrecorded due to the absence of necessary supporting documents. Details are as follows:

Table No. 12: Description of unrecorded buildings		
Description	Amount in (PhP)	Remarks
Building, 4-storey building with rooftop, equipped with CCTV, power generator and elevator – Phase 1 - Las Pinas	57,899,999.45	Not yet recorded in the

Table No. 12: Description of unrecorded buildings		
Description	Amount in (PhP)	Remarks
Building, 4-storey building with rooftop, equipped with CCTV, power generator and elevator – Phase 2 - Las Pinas	30,000,000.00	books due to absence of supporting documents
Building, 4-storey building with rooftop, equipped with CCTV, power generator and elevator – Phase 3 - Las Pinas	35,000,000.00	
Total	122,899,999.45	

According to the Property Officer and the Accountant they do not know the reasons on the non-submission or delayed submission of the necessary documents to support the transfer of the building since coordination meetings on the matter were between the heads of the agencies concerned.

The Property Office is tasked to provide the Accounting Section with relevant documents detailing how the amount of ₱122,899,999.45 was recorded in the RPCPPE-CO. These documents have not been furnished to the Accounting Section for the purpose of subsequent recording in the books; hence, the reason for non-recording.

It was further noted that PhilFIDA has yet to conduct the One-Time Cleansing of PPE accounts, as mandated by COA Circular No. 2020-006 dated January 31, 2020. This omission has prevented the reconciliation of accounting and property records, thereby hindering the provision of a reliable PPE balance that can be verified for existence, condition, and accountability.

The physical count of PPE is essential to establish the existence of the recorded balance of PPEs. Discrepancies between physical and book balances require investigation, and written explanations must be provided by responsible individuals in line with the guidelines for the One-Time Cleansing of PPE implementation.

Likewise, the Property Officer and the Inventory Team must ensure comprehensive inclusion of all properties owned by the agency in the RPCPPE, including those not listed in property records but found at stations. They should coordinate with the Accounting Section staff to facilitate reconciliation of records.

Due to the non-implementation of the One-Time Cleansing of PPE Accounts as per COA Circular No. 2020-006 dated January 31, 2020, coupled with various accounting errors and deficiencies, a significant variance of ₱490,743,704.27 arose between the balances per books and per RPCPPE. Consequently, the accuracy and reliability of the PPE accounts balances could not be relied upon.

We recommended, and Management agreed, to require the:

Accountant to -

- a. prepare adjusting entries for the misclassification of accounts amounting to ₱27,764,447.27;**

- b. draw a JEV to take up the unrecorded PPEs;
- c. prepare adjusting entry to correct the double recording of adjustment for Construction in Progress-Buildings and Structures;

Property Officer to:

- d. initiate the One-Time Cleansing of PPE Accounts in compliance with the guidelines and procedures provided in COA Circular No. 2020-006 dated January 31, 2020; and
- e. submit relevant documents pertaining to the new building to the Accounting Section for proper recording in the books.

Non-provision of Allowance for Impairment of dormant receivable accounts

- 3. The agency failed to provide allowance for impairment on dormant receivables amounting to ₱3,649,822.82 which resulted in the understatement of Allowance for Impairment-Receivable account and Impairment Loss-Receivable account both by ₱182,491.15.

Sec. 10, Chapter 7 of the GAM for NGAs, Vol. I states that *an entity shall assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired. X x x The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in surplus or deficit.*

DA Memorandum Order No. 66², series of 2021 provides the accounting policies and procedures which are left to the discretion of Management, and this includes the guidelines on the impairment of receivables accounts, as follows:

Table No. 13: Provisions of DA Memorandum No. 66. Series of 2021						
Particulars		Policies/Procedures				
<u>Loans Receivables</u>		The determination of bad debts expenses shall be derived from computations based on the following percentages and aging of the receivable as follows:				
Allowance for Impairment (formerly Allowance for Doubtful Accounts)						
		Age of Accounts	1-60 days	61-180 days	181- 1 year	More than 1 year
		Percentage	1	2	3	5
<u>Inter-Agency Receivables</u>		Allowance for Impairment shall be applied only for Inter-Agency Receivables which remained unreconciled despite the efforts exerted and dormant for several years.				
Allowance for Impairment for Due from						

² Accounting Policies and Procedures which are Left to the Discretion of Management Pursuant to the PPSAS and GAM

Table No. 13: Provisions of DA Memorandum No. 66. Series of 2021													
Particulars		Policies/Procedures											
NGAs, Due from GOCCs and Local Government Units		For purposes of computing the amount of impairment, all inter-agency receivable account shall be aged.											
		The determination of annual impairment loss shall be derived from computations based on the following computations based on the following percentages and aging of the Inter-Agency Receivables as follows:											
		<table><tr><td>Age of Accounts</td><td>One year</td><td>2-3 years</td><td>3-4 years</td><td>5 years and above</td></tr><tr><td>Percentage</td><td>1</td><td>2</td><td>3</td><td>5</td></tr></table>				Age of Accounts	One year	2-3 years	3-4 years	5 years and above	Percentage	1	2
Age of Accounts	One year	2-3 years	3-4 years	5 years and above									
Percentage	1	2	3	5									
<u>Other Receivables</u>		For purposes of computing the amount of impairment, all Other Receivable Accounts shall be aged.											
Allowance for Impairment for Due from Officers and Employees, Due from NGOs/Civil Society Organizations, and Other Receivables		The determination of bad debts expenses shall be derived from computations based on the following percentages and aging of the receivable as follows:											
		<table><tr><td>Age of Accounts</td><td>1-60 days</td><td>61-180 days</td><td>181- 1 year</td><td>More than 1 year</td></tr><tr><td>Percentage</td><td>1</td><td>2</td><td>3</td><td>5</td></tr></table>				Age of Accounts	1-60 days	61-180 days	181- 1 year	More than 1 year	Percentage	1	2
Age of Accounts	1-60 days	61-180 days	181- 1 year	More than 1 year									
Percentage	1	2	3	5									

Review of the Inter-Agency and Other Receivable accounts as of December 31, 2023, showed that no allowance for impairment was provided for the Due from NGAs, Due from GOCCs and Due from Officers and Employees which has been outstanding for a long period of time. The computed impairment loss for CY 2023 amounted to ₱182,491.15, as follows:

Table No. 14: Computation of Allowance for Impairment				
Account	Balance as of December 31, 2023	Allowance for Impairment		Difference (over)/under
		Per Audit	Per Books	
	Amount in (PhP)			
Inter-Agency Receivable Accounts				
- Due from NGAs*	3,554,851.44	177,742.58	-	177,742.58
- Due from GOCCs	24,448.26	1,222.41	-	1,222.41
Sub-total	3,579,299.70	178,964.99	-	178,964.99
Other Receivables Accounts				
- Due from Officers and Employees	70,523.12	3,526.16	-	3,526.16
Sub-total	70,523.12	104,837.05		3,526.16
Grand Total	3,649,822.82	182,491.15		182,491.15

*excluding funds transferred to Procurement Service

Inquiry from the Accountant disclosed that the recognition of Allowance for Impairment for the inter-agency receivable accounts was overlooked and was not

undertaken before the submission of the Financial Statements due to the retirement/resignation of the three accounting personnel. The accounting personnel informed that Allowance for Impairment of the receivable accounts will be computed this CY 2024.

The non-provision of Allowance for Impairment for dormant and non-moving balances departs from the provisions of Section 10, Chapter 7 of the GAM for NGAs, Vol. I and Item 3.03, Chapter 3 of Annex A of COA Circular No. 2020-001³ dated January 8, 2020 and resulted in the understatement of the Allowance for Impairment- Receivable account and Impairment Loss-Receivable account both by ₱182,491.15 which further affected the accuracy and reliability of the Receivable accounts balances presented in the financial statements as at year-end.

We recommended, and Management agreed, to require the Accountant to provide allowance for impairment on the long outstanding receivable accounts in compliance with Sec. 10, Chapter 7 of the GAM for NGAs, Volume I.

Overstatement of Other Supplies and Materials for Distribution account

- 4. The reported balance of *Other Supplies and Materials for Distribution* amounting to ₱24,171,203.60 is overstated by ₱22,340,624.00 due to non-dropping from the books of supplies and materials already distributed to beneficiaries, thereby affecting the fair presentation of the account in the financial statements.**

Paragraph 27 of IPSAS 1 provides that:

Financial statements shall present fairly the financial position; financial performance, and cash flow of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events, and conditions in accordance with definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSASs.

The "Other Supplies and Materials for Distribution" account includes Modified Abaca Stripping Knife (MASKs) designated for distribution to intended abaca farmers as beneficiaries. Despite the absence of a year-end physical count of the MASKs and the non-preparation of an RPCSP, as mandated by Section 4.7.8 (Annex A.8) of COA Circular No. 2022-004⁴ dated May 31, 2022, the project personnel submitted a Status of Distribution of MASKs report. This report indicated that 4,496 units, or 92.18 percent of the 4,877 units, with a unit cost of ₱4,969.00, or total of ₱22,340,624.00, were already distributed to the intended beneficiaries and should have been removed from the books.

³ Prescribing Volume III-Revised Chart of Accounts

⁴ Guidelines on the Implementation of Section 23 of the GP of RA No. 11639 also known as the General Appropriations Act for FY 2022 relative to the increase in the capitalization threshold from ₱15,000.00 to ₱50,000.00

Inquiry disclosed that the MASKs were directly delivered to ROs and distributed to beneficiaries. The non-derecognition of the MASKs from the books due to the failure of the project personnel in charge to submit the Report of Supplies and Materials Issued (RSMI) and the necessary supporting documents to the Accounting Section resulted in the overstatement of the Other Supplies and Materials for Distribution account and the understatement of the corresponding expense account.

It is informed that the reason for the deficiency was due to lack of awareness on the part of the project personnel in-charge on the necessity to prepare an RSMI and its supporting documents, every time issuance of supplies and materials are made, and to be submitted to the Accounting Section for proper recording in the books.

We recommended, and Management agreed, to require the Project-in charge to submit to the Accountant the RSMI and other necessary documents relative to the issued MASKs to serve as basis in the dropping of the same from the books of accounts.

Erroneous classification of Office Supplies Expenses account

- 5. The year-end balance of the Office Supplies Expenses account of ₱3,944,522.29 is overstated by ₱256,791.23 due to misclassification of accounts and erroneous recording of semi-expendable items and other expenses, which is inconsistent with the definitions under the Revised Chart of Account, thereby affecting the fair presentation of the financial statements.**

Annex A of COA Circular 2020-001 dated January 8, 2020 provides that the *Office Supplies Expense* is debited to recognize the cost or value of office supplies such as bond papers, pens, inks, paper clips, binder clips, staple wires, staple wire removers, rulers, ring binders and the like.

Section 15, Chapter 2, of the GAM for NGAs Volume I provides that fair presentation requires the faithful presentation of the effects of the transactions, other events, and conditions in accordance with the definitions and recognition criteria for assets, liabilities, revenue, and expenses set out in IPSAS.

As of December 31, 2023, the *Office Supplies Expenses* had a reported balance of ₱3,944,522.29.

Examination of the liquidation reports of the agency's disbursing officers showed that the Apple AirPods, Handheld Gimbal, and Apple Magsafe Duo Charger, amounting to ₱32,570.00 were purchased through special cash advance intended for video editing and documenting activities related to the Technical Assistance Division Programs, Activities, and Projects (TAD PAPs). However, these items were outright recorded as Office Supplies Expense, instead of Semi-Expendable-Information and Communications Technology (SE-ICT) Equipment, and thereafter recorded as SE-ICT Expense upon issuance.

It also appears that certain expenses such as toll fees, cell cards, car wash and even a steel cabinet amounting to ₱17,130.00, were erroneously classified and recorded as Office Supplies Expenses instead of being recorded under the respective expense account. This misclassification could lead to inaccuracies in financial reporting and budgeting.

Likewise, it underscores the laxity of controls and the lack of diligence among the accounting personnel responsible for analyzing and recording the liquidation reports. It is imperative that they exercise prudence to prevent such misclassification, considering that that misclassification of accounts directly impacts the accuracy of the accounts' balances as presented in the financial statements.

Similarly, the Accountant should review the entries in the Journal Entry Vouchers (JEVs) before approving the JEV, the subsequent entries in the cash disbursements journal and the posting in the GL in order to mitigate the risk of misstatements. This proactive approach ensures accuracy and integrity in financial reporting processes, thereby strengthening its control in the recording of transactions and the preparation of the financial reports.

Consequently, the erroneous recording and misclassification of accounts led to the overstatement of Office Supplies Expense by ₱256,791.23 and the understatement of the following accounts:

Table No. 15: Understated accounts	
Accounts	Amount (in PhP)
Semi-Expendable-ICT Equipment	140,825.00
Semi-Expendable-Office Equipment	14,850.00
Semi-Expendable-Furniture & Books	11,500.00
Other Maintenance and Operating Expense	15,370.00
R&M-Transportation Equipment	580.00
Telephone Expense	900.00
Training Expense	68,616.23
Travel Expense	4,150.00
Total	256,791.23

We recommended, and Management agreed, to require the Accountant to ensure accurate recognition of expenses using the Revised Chart of Account per Annex A of COA Circular No. 2020-001.

Non-reconciliation of accounting and property records

- The accuracy and validity of the year-end balance of Inventory accounts amounting to ₱52,094,072.88 could not be ascertained due to: (a) non-reconciliation of the balances per books and the RPCI/RPCSP showing a discrepancy of ₱22,627,469.28; (b) non-conduct of physical count of inventories and non-preparation and submission of RPCI; and (c) non-maintenance of a**

complete Supplies Ledger Cards/Semi-Expendable Property Ledger Card and Stock Cards/Semi-Expendable Property Card for all inventory contrary to pertinent regulations.

Rules and regulations governing the Inventory accounts are as follows:

Table No. 16: Rules and regulations governing Inventory accounts	
Section	Provisions
Section 17(g), Chapter 8 of the GAM for NGAS, Volume I	<i>Report of Supplies and Materials Issued (RSMI) (Appendix 64) – shall be prepared by the Property and/or Supply Custodian based on the RIS and shall be used by the Accounting Division/Unit as basis in preparing the JEV to record the supplies and materials issued.</i>
Section 17(i), Chapter 8 of the GAM for NGAS, Volume I	<i>Report on the Physical Count of Inventories (RPCI) (Appendix 66) – shall be used to report the physical count of supplies by type of inventory as at a given date. It shows the balance of inventory items per card and per count and shortage/overage, if any. These include the semi-expendable property wherein the issue is covered by ICS.</i>
Appendix 66 of GAM for NGAS, Volume II	<i>RPCI shall be prepared semi-annually by the Inventory Committee and by fund cluster. The report shall be reconciled with the SLCs and SCs maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly. It shall be submitted to the COA Auditor concerned not later than July 31 and January 31 of each year for the first and second semesters, respectively.</i>
Section 9 of of GAM for NGAS, Volume II	<i>The Inventory Accounting System requires accounting records to show the amount of inventory on hand at all times through the maintenance of the Supplies Ledger Cards (SLC) by the Accounting Division/Unit and Stock Card (SC) by the Supply and/or Property Division/Unit for each item in stock.</i>
Paragraph D, Appendix 57 of the GAM for NGAS Volume II	<i>The semestral physical inventory of supplies shall be reconciled with the SLCs and controlling accounts and Supply and/or Property records. Any discrepancies shall be immediately verified and adjusted.</i>
Section 4.71.1 (Annex A.1), COA Circular No. 2022-004	<i>Semi-Expendable Property Card (SPC) This form shall be maintained in the Supply and/or Property Division/Unit for each class of of semi-expendable property to record promptly the acquisition (based on the Inspection and Acceptance Report and other supporting documents), issue/transfer/disposal and the description/information about the asset.</i>
Section 4.71.2 (Annex A.2), COA Circular No. 2022-004	<i>Semi-Expendable Property Ledger Card (SPLC) This form shall be kept in the Accounting Division/Unit to record promptly the acquisition, description, custody, impairment, issue/transfer/disposal, repair history, and other information about the property.</i>
Section 4.7.8 (Annex A.8), COA Circular No. 2022-004	<i>Report on the Physical Count of Semi-Expendable Property (RPCSP) This form shall be used to report the physical count of semi-expendable property, which are owned by the agency/entity, by type of property still in the custody of the Property and/or Supply Division/unit as at a given date. It shows the balance of semi-expendable items per card and per count and shortage/overage, if any. It shall be prepared annually and by fund by the Inventory Committee.</i>

As of December 31, 2023, the Inventory account has an aggregate balance of ₱52,094,072.88 composed of the following:

Table No. 17: Inventory account balances	
Account	Amount in (PhP)
Other Supplies and Materials for Distribution	24,171,203.60
Office Supplies Inventory	511,879.07
Accountable Forms, Plates and Stickers Inventory	18,000.00
Semi-Expendable Machinery Equipment	175,171.79
Semi-Expendable Office Equipment	1,929,525.83
Semi-Expendable ICT Equipment	12,909,377.18
Semi-Expendable Agricultural & Forestry Equipment	2,928,534.40
Semi-Expendable Communication Equipment	780,586.01
Semi-Expendable Disaster Response and Rescue Equipment	19,944.00
Semi-Expendable Military, Police and Security Equipment	4,560.00
Semi-Expendable Technical and Scientific Equipment	4,432,351.50
Semi-Expendable Other Equipment	869,124.53
Semi-Expendable Furniture & Fixtures	3,331,596.62
Semi-Expendable Books	12,218.35
Total	52,094,072.88

Review of the accounts disclosed the following:

a) Non-reconciliation of accounting and property records with discrepancy amounting to ₱22,627,469.28

Comparison of the balances between the submitted RPCI and the Supplies Ledger Cards showed a discrepancy of ₱22,627,469.28. Details are presented in Table No. 18:

Table No. 18: Discrepancy between book and RPCI/RPCSP balances			
Inventory Account	Book Balance Dec. 31, 2023	RPCI/RPCSP (CO & ROs)	Discrepancy
	Amount in (PhP)		
Office Supplies Inventory	511,879.07	483,304.28	28,574.79
Semi-Expendable Machinery	175,171.79	715,020.51	539,848.72
Semi-Expendable Office Equipment	1,929,525.83	5,954,056.75	4,024,530.92
Semi-Expendable ICT Equipment	12,909,377.18	20,075,032.66	7,165,655.48
Semi-Expendable Agricultural & Forestry Equipment	2,928,534.40	2,162,415.21	766,119.19
Semi-Expendable Communication Equipment	780,586.01	1,716,314.52	935,728.51
Semi-Expendable Disaster Response and Rescue Equipment	19,944.00	30,851.36	10,907.36
Semi-Expendable Military, Police and Security Equipment	4,560.00	4,580.00	20.00
Semi-Expendable Medical Equipment	-	141,235.76	141,235.76
Semi-Expendable Sports Equipment	-	17,975.00	17,975.00
Semi-Expendable Technical and Scientific Equipment	4,432,351.50	8,330,475.30	3,898,123.80
Semi-Expendable Construction Equipment		18,335.00	18,335.00
Semi-Expendable Other Equipment	869,124.53	542,107.75	327,016.78

Table No. 18: Discrepancy between book and RPCI/RPCSP balances			
Inventory Account	Book Balance Dec. 31, 2023	RPCI/RPCSP (CO & ROs)	Discrepancy
	Amount in (PhP)		
Semi-Expendable Furniture & Fixtures	3,331,596.62	8,084,088.09	4,752,491.47
Semi-Expendable Books	12,218.35	13,125.00	906.65
Total	27,904,869.28	48,288,917.19	22,627,469.28

The discrepancy of ₱22,627,469.28 was attributed to the non-reconciliation of year-end balances of the Inventory accounts between Accounting and Property Sections caused by the absence of actual physical count of inventories and failure to prepare RPCI in the CO and ROs for CY 2023 and prior years due to lack of manpower, as claimed by the Management.

It is emphasized that the Property Officer should coordinate with the Accounting Section to reconcile their records to ensure the accuracy of the balances.

The significant variance of ₱22,627,469.28, attributed to the non-reconciliation of property and accounting records, undermines the reliability of the Inventory accounts.

b) Non-conduct of physical count of the accounts Other Supplies and Materials for Distribution and Accountable Forms, Plates and Stickers Inventory and non-preparation/submission of the RPCI/RPCSP

During the year, the agency failed to conduct physical count of the Other Supplies and Materials for Distribution and Accountable Forms, Plates and Stickers Inventory with a balance of ₱24,171,203.60 and ₱18,000.00, respectively, contrary to the provisions in Appendix 66 of GAM for NGAS, Volume II.

Review of records disclosed that the balance of Other Supplies and Materials for Distribution pertains to the Modified Abaca Stripping Knife (MASKs) amounting to ₱24,171,203.60 which were directly delivered to the ROs.

Regular semi-annual physical inventory count is essential to validate the recorded inventory balances. Any disparities between physical and book inventories should be promptly investigated and resolved, with written explanations required from responsible individuals, if necessary.

Due to the non-conduct of inventory, the existence of the recorded inventories cannot be relied upon.

c) Non-maintenance of a complete Supplies Ledger Cards and Stock Cards

The Supplies Ledger Cards (SLCs)/Semi-Expendable Property Ledger Cards (SPLC) for each and every type of supplies of the Other Supplies and Materials for Distribution, Office Supplies Inventory, Accountable Forms, Plates and Stickers

Inventory including the semi-expendable inventories were not maintained by the agency to support the Inventory balance of ₱52,094,072.88, contrary to Section 17.c, Chapter 8, GAM for NGAS Volume 1 and Section 4.71.2 (Annex A.2), COA Circular No. 2022-004.

The SLC shall be used to record materials received, issued and the balance both in quantity and amount at any time and shall be maintained by the Accounting Division/Unit for each kind of supplies and materials; while the SPLC shall be kept in the Accounting Division/Unit to record promptly the acquisition, description, custody, impairment, issue/transfer/disposal, repair history, and other information about the property.

Inquiry with the Accounting personnel disclosed that the SLCs/SPLCs derived from the eNGAS is incomplete since it pertains only to the inventories in the CO at the onset of the eNGAS.

On the other hand, the Property Section's Stock Cards (SCs) pertain only to office supplies inventory at the CO, but the SCs for other inventories including the semi-expendable items were not prepared.

The Property personnel explained that they are unable to prepare the SC for the other inventory accounts due to lack of manpower.

The maintenance of SC for each type of inventory and reconciling the same with accounting records is vital to ensure accurate inventory recording and prevent financial statement misstatements. The Property Office ought to put in place a system that would guarantee proper recording of all inventories. The failure to maintain the necessary SCs/SPCs leaves no foundation to verify the accuracy of the reported inventory balance.

We recommended, and Management agreed, to require the:

Accountant to –

- a. coordinate with the Property Officer at the CO and ROs to accurately classify inventories indicated in the RPCSP; reconcile the variance noted between the accounting records and property records and prepare the necessary adjusting entries accordingly;**
- b. prepare a complete and updated SLCs/SPLCs for each inventory item in accordance with the existing rules and regulations;**

Property Officers in the CO and ROs to –

- c. conduct physical count of all inventories on a semestral basis and prepare and submit the RPCI/RPCSP to COA within the prescribed period;**

- d. prepare and maintain an updated SCs/SPCs for each type of inventory where all receipts and issuances shall be recorded promptly to facilitate reconciliation.

Long outstanding/unreliable balance of Due from NGAs

7. The reliability and accuracy of the Due from NGAs account balance amounting to **₱21,496,347.64** as of December 31, 2023 could not be ascertained due to difference of **₱2,169,510.52** between the balances per books and confirmed balances provided by the IAs which have possible effect on the account balance. Likewise, fund transfers to various IAs amounting **₱17,243,266.24** aged two to 50 years remained unliquidated at year-end.

COA Circular No. 94-013⁵ dated December 13, 1994 sets forth the rules and regulations in the grant, utilization and liquidation of funds transferred to implementing agencies (IAs), as follows:

Table No. 19: Rules and regulations governing fund transfer	
Section	Provisions
4.6	Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds
4.9	The IA shall return to the SA any unused balance upon completion of the project
5.4	The SA shall require the IA to submit the reports and furnish the IA with a copy of the journal voucher taking up the expenditures

Analysis of the Due from NGAs account as of December 31, 2023, showed the following:

Table No. 20: Unliquidated fund transfer							
Implementing Agency	Year Granted	Fund Transfer		Liquidation		Balance	
						As of 12/31/2023	
		CY	PYs	CY	PYs	CY	PYs
Amount in (PhP)							
Bu. of Plant Industry	1972		6,870.60				6,870.60
Forest Product Research Industry	1982		509.17				509.17
Office of the OGCC	1985		18,000.00				18,000.00
Dept. of Agriculture RO IX	1995		681.79				681.79
Rizal State College	1999		12,064.56				12,064.56
National Printing Office	2009-2013		34,280.10				34,280.10
Sericulture Research and Dev't Center	1994		20,000.00				20,000.00
University of the Phils.. Los Banos	2001-2014		2,261,483.83				2,261,483.83

⁵ Rules and Regulations in the Grant, Utilization and Liquidation of Funds Transferred to Implementing Agencies

Table No. 20: Unliquidated fund transfer							
Implementing Agency	Year Granted	Fund Transfer		Liquidation		Balance	
						As of 12/31/2023	
		CY	PYs	CY	PYs	CY	PYs
		Amount in (PhP)					
University of the Phils., Diliman	2009-2020		7,867,805.90				7,867,805.90
	2022		4,218,821.76				4,218,821.76
Procurement Service	1997-2021		7,026,770.29		5,200.00		7,021,570.29
	2023	1,685,679.26		1,651,419.92		34,259.64	
Total		1,685,679.26	21,467,288.00	1,651,419.92	5,200.00	34,259.64	21,462,088.00
Balance, 12.31.23		23,152,967.26		1,656,619.92		21,496,347.64	
% to Total		100%		97.97%	0.02%	2.03%	99.98%

During the year, the only funds transferred by PhilFIDA to NGAs were the advances to PS-DBM amounting to ₱1,685,679.26, of which ₱1,651,419.92 or 97.97 percent were duly liquidated, leaving a balance of ₱34,259.64 as at year end. However, only ₱5,200.00 of the prior year's fund transfers amounting to ₱7,026,770.29 were liquidated during the year. Further details are provided in the succeeding paragraphs.

a) Unliquidated fund transfers aged more than two years to 50 years - ₱17,243,266.24

Analysis of the account reveals that out of the total unliquidated fund transfers as of December 31, 2023 amounting to ₱21,496,347.64, the amount of ₱15,144,294.91 or 70.45 percent remained unliquidated for more than two years to 10 years while ₱2,098,971.33 or 9.76 percent are attributed to dormant accounts spanning from more than 10 years to 50 years. This underscores the necessity for vigilant oversight and proactive measures to address long-standing inactive accounts.

Table No. 21: Unliquidated fund transfers aged 2 years and above							
Implementing Agency	Year Granted	Fund Transfer		Liquidation		Balance	
						As of 12/31/2023	
		CY	PYs	CY	PYs	CY	PYs
		Amount in (PhP)					
Aged 10 years and more							
Bu. of Plant Industry	1972		6,870.60				6,870.60
Forest Product Research Industry	1982		509.17				509.17
Office of the OGCC	1985		18,000.00				18,000.00
Dept. of Agriculture RO IX	1995		681.79				681.79
Rizal State College	1999		12,064.56				12,064.56
National Printing Office	2009-2013		34,280.10				34,280.10
Sericulture Research and Dev't Center	1994		20,000.00				20,000.00
University of the Phils., Los Banos	2001-2012		1,270,553.27				1,270,553.27
University of the Phils., Diliman	2009-2012		347,186.11				347,186.11
Procurement Service	1997-2012		388,825.73				388,825.73
Sub-total			2,098,971.33				2,098,971.33
University of the Phils., Los Banos	2014		990,930.56				990,930.56

Table No. 21: Unliquidated fund transfers aged 2 years and above							
Implementing Agency	Year Granted	Fund Transfer		Liquidation		Balance	
						As of 12/31/2023	
		CY	PYs	CY	PYs	CY	PYs
		Amount in (PhP)					
Aged 10 years and more							
University of the Phils., Diliman	2013-2021		7,520,619.79				7,520,619.79
Procurement Service	2013-2021		6,637,944.56		5,200.00		6,632,744.56
Sub-total			15,149,494.91		5,200.00		15,144,294.91
Total		-	17,248,466.24	-	5,200.00	-	17,243,266.24
Balance of FT, 12.31.23			17,248,466.24		5,200.00		17,243,266.24
% to Total			100%	0%	0.03%	0%	99.97%

Considering the age of the accounts particularly those over one year, it is expected that the intended objectives have been fulfilled and the allocated funds utilized accordingly. Therefore, it is imperative for the IAs to have submitted the required liquidation reports and fund utilization reports for proper assessment and accountability.

The absence of liquidation reports and non-compliance by IAs with their contractual obligations can be directly linked to deficiencies in management oversight regarding status of project implementation and the inadequate enforcement mechanisms for fund liquidation.

Further, the non-submission of the liquidation documents/reports violates the above-cited regulations and has led to the accumulation of unliquidated fund transfer and consequently resulted in the overstatement of the receivable accounts and the understatement of the related expense accounts.

This is a reiteration of prior year's audit observation.

b) Discrepancy between the balances per books and confirmed balance provided by the IAs - ₱2,169,510.52

To ensure the accuracy of reported balances in PhilFIDA's books, 10 Confirmation Letters were sent to the IAs. Of the 10 IAs, five IAs responded. Two of the five IAs reported zero balances, while the remaining three disclosed varying amounts, resulting in a discrepancy of ₱2,169,510.52.

Table No. 22: Discrepancy between books and implementing agencies balances				
Implementing Agency	Year Granted	Balance per Books	Balance Per Confirmation Reply	Difference
		Amount in (PhP)		
University of the Phils. Los Banos (UPLB)	2001- 2014	2,261,483.93	158,795.74	2,102,688.09
Sericulture Research and Dev't Center	1994	20,000.00	0.00	20,000.00

Table No. 22: Discrepancy between books and implementing agencies balances				
Implementing Agency	Year Granted	Balance per Books	Balance Per Confirmation Reply	Difference
		Amount in (PhP)		
Dept. of Agriculture RO IX	1995	681.79	46,995.05	46,313.26
Forest Product Research Industry	1982	509.17	0.00	509.17
Total		2,282,674.89	205,790.79	2,169,510.52

**excluding funds transferred to Procurement Service*

Based on the responses from the IAs, the difference of ₱2,169,510.52 could be attributed to unrecorded liquidation reports. This conclusion is drawn from the provision of copies of the Statement of Disbursement and Outstanding Obligations along with financial report from the IAs, as well as subsidiary ledger of the IAs reflecting zero balance.

The unrecorded liquidation reports, submitted by the IAs, overstated the Due from NGAs account and understated the corresponding expense/asset accounts.

The above deficiencies casts doubt on the reliability and accuracy of the Due from NGAs account.

We recommended, and Management agreed, to direct the Accountant to:

- a. **require the concerned IAs to promptly submit the liquidation reports, in compliance with the provisions outlined under COA Circular No. 94-013 dated December 13, 1994; and**
- b. **reconcile with the concerned IAs to establish a reliable basis for the accurate recording of transactions in the books of accounts.**

Discrepancy between books and confirmed balances from PS-DBM

8. **Advances to Procurement Services DBM for common-use office supplies and application software during the year amounted to ₱1,685,679.26, of which ₱1,651,419.92 or 97.97 percent was liquidated. However, of the prior years' balance of ₱7,026,770.29, the amount of ₱7,021,570.29 or 99.92 percent remained outstanding for five years or more. Moreover, the balance differs by ₱6,607,814.84 in comparison with the result of the confirmation from the PS-DBM due to non-reconciliation of records.**

Item 6.7 of COA Circular No. 94-013 dated December 13, 1994 provides that it is the duty and responsibility of the IA to return to the Source Agency (SA) any unused balance upon the completion of the project.

Section 5 of Executive Order No. 40⁶ dated 8 October 2001 provides that all National Government Agencies shall procure common-use office supplies, materials and equipment from the Procurement Service (PS) attached to the Department of Budget and Management (DBM). The said policy is reiterated under Section 1 of Administrative Order No. 17 dated 28 July 2011.

Advances made to the PS-DBM are recorded in the books under the Due from NGAs account. Analysis of the advances to PS-DBM is shown below:

Table No. 23: Unliquidated advances to PS-DBM						
Year Granted	Fund Transfer		Liquidation		Balance	
					As of 12/31/2023	
	CY	PYs	CY	PYs	CY	PYs
Amount in (PhP)						
1997-2021		7,026,770.29		5,200.00		7,021,570.29
2023	1,685,679.26		1,651,419.92		34,259.64	
Total	8,712,449.50		1,656,619.92		7,055,829.93	
% to Total	100%		97.97%	0.02%	2.03%	99.92%

As shown in Table No. 23, of the ₱1,685,679.26 advances to PS-DBM during the year, ₱1,651,419.92 or 97.97 percent was liquidated. On the other hand, of the prior years' balance of ₱7,026,770.29, the amount of ₱7,021,570.29 or 99.92 percent remained unliquidated for five years or more.

Comparison of the book balance with the confirmation reply of PS-DBM disclosed a discrepancy of ₱6,607,814.84. The balance per PS-DBM records as shown in the Agency Summary of Payment and Deliveries (ASPD) showed only ₱448,015.09, which does not reconcile with the book balance of ₱7,055,829.93 or a difference of ₱6,607,814.84.

The Accountant disclosed that the discrepancy could be attributed to incomplete/non-availability of records pertaining to charges made for airline tickets and non-submission of copies of Delivery Receipts (DRs) to the Accounting Section of PhilFIDA immediately upon receipt, thus; the difficulty in reconciling both the books and PS-DBM records. Likewise, the difference renders the Due from NGAs account doubtful.

We recommended, and Management agreed, to require the Accountant and the Property Officer to coordinate with PS-DBM for the immediate reconciliation of records.

⁶ Consolidating Procurement Rules and Procedures for all Government Agencies, GOCCs and Government Financial Institutions, and Requiring the Use of the Government Electronic Procurement System

Unreliable balance of Due to NGAs account

9. The accuracy of the balance of the Due to NGAs account in the amount of **₱37,459,214.08** as at year-end cannot be relied upon due to: (a) discrepancies of **₱30,302,876.94** between the balances per books of the funds received by PhilFIDA from source agencies and per confirmation results; and (b) presence of negative balance of **₱3,588,376.62** caused by inaccuracies in recording the liquidation reports. These accounting deficiencies have possible effects on the reported balance of the account in the FS.

As of December 31, 2023, the Due to NGAs account has a balance of **₱37,459,214.08** pertaining to the funds transferred to PhilFIDA, details are as follows:

Table No. 24: Composition of Due to NGAs balance as of Dec. 31, 2023						
Due to	Fund Transfer (FT)		Liquidation		Balance as of 12/31/2023	
	Amount in (PhP)					
	CY	PYs	CY	PYs	CY	PYs
NGAs	3,517,040.16	68,032,851.15	-	34,090,677.23	3,517,040.16	33,942,173.92
Total	71,549,891.31		34,090,677.23		37,459,214.08	

a) Discrepancy between the balances per books and SAs - ₱30,302,876.94

Relative to this, four Confirmation Letters (CLs) were sent to various Source Agencies (SAs) to determine the validity of the total balances of unliquidated fund transfers to PhilFIDA as recorded in the books as of December 31, 2023.

Results of confirmation with four SAs disclosed a difference of **₱30,302,876.94** among their records, details are as follows:

Table No. 25: Discrepancy between books and SA balances				
Source Agency	Year Transferred	Balance per Books	Balance Per Confirmation Reply	Difference
			Amount in (PhP)	
DA-RFO 8	2019	8,320,000.00	-	8,320,000.00
DA-OSEC	2018	3,331,373.02	10,433,610.00	7,102,236.98
Bureau of Agricultural Research (BAR)	2018, 2019, 2020	20,770,550.38	35,552,519.30	14,781,968.92
Visayas State University-NMLT	2021	101,611.04	2,940.00	98,671.04
Total		32,523,534.44	45,989,069.30	30,302,876.94

In 2019, the Department of Agriculture Regional Field Office 8 (DA-RFO 8) transferred fund to PhilFIDA RO 8 for the implementation of Livelihood Assistance for Abaca farmers in Eastern Samar amounting to **₱8,320,000.00** and subsequently recorded in the books.

Confirmation results from DA-RFO 8 showed that the amount of ₱8,320,000.00 was already liquidated by the PhilFIDA RO 8, leaving a zero balance in the Subsidiary Ledger (SL) of the DA-RFO 8.

The discrepancy in balances occurred because PhilFIDA RO 8, as the implementing office, submitted the Liquidation Reports (LRs) and original supporting documents directly to DA RFO 8 without informing the Accounting Section of PhilFIDA CO. This action also involved failure to furnish the PhilFIDA CO of the LRs for proper recording in the books, considering that PhilFIDA RO 8 has no complete set of books, which is a departure to Section 11, Chapter 6 of the Government Auditing Manual (GAM), Volume I.

It is informed that PhilFIDA RO 8 was unaware that LRs should be forwarded to the CO since the fund transfer originated from DA-RFO 8. As a result of the non-recording of the liquidation made to DA-RFO 8, the Due to NGAs account was overstated by ₱8,320,000.00.

With regard to the unliquidated balance of funds received from the DA OSEC, the amount of ₱3,331,373.02 is the forwarded balance in CY 2018 upon the onset of the *e*-NGAS and the non-submission of the liquidation reports.

Furthermore, the discrepancies in the books of PhilFIDA and the BAR stemmed from the following:

- a. outstanding balance in the books of PhilFIDA for certain projects amounting to ₱1,991,3265.52 had already been closed or had a zero balance per BAR records; and
- b. zero balance in the books of PhilFIDA but still with outstanding balance of ₱3,871,901.41 per BAR's records.

The Accounting personnel of PhilFIDA informed that they overlooked to furnish copies of the liquidation report to the source agencies, hence, the accumulation of unliquidated funds received.

It is essential that close coordination with source agencies should be made in reconciling and liquidating any outstanding fund transfers.

Likewise, the balance of Due to NGAs account includes unliquidated PYs funds transfer amounting to ₱33,942,173.92 due to non-submission of LRs by PhilFIDA to SAs.

b) Presence of a negative balance - ₱3,588,376.62

Review of the Schedule of the Due to NGAs disclosed that the balance of ₱37,459,214.08 includes negative balances amounting to ₱3,588,376.62, consequently, this resulted in a reduction of the supposed balance of ₱41,047,590.70, as follows

Table No. 26: Due to NGAs negative balances	
Description	Negative Balances Amount in (PhP)
BAR-Operationalization of the fiber RDE network	(269,362.98)
BPRE/BAR	(60,000.00)
COA AOM #16-015 erroneous recording	(196.85)
DA-Abaca disease Mgt. (IPM HVCC)	(2,776.52)
DA-BAR Banana Stalks & Water Lily	(626,573.45)
DA-BAR BIOTECH-R1406 virus detection technology (6.3m)	(1,394,004.40)
DA-BAR Jute Sacks	(621,396.03)
DA-enhancing the dev't of abaca being a HVCC	(311,298.67)
DA-RFU V-BUB abaca prod. & commercialization	(37,880.46)
DA-RFU VI-Abaca dev't program 2nd district of capiz	(535.00)
DA-RFU7 40% Fund Transfer for ABAKAHUYAN Dev't project	(14,964.27)
NAFC-Makamasa	(101,567.98)
NAFC-Nat'l Integ. sericulture dev't program	(87,871.52)
PRDP-PSO Mindanao Cluster-100% LP counter funds for 1-Plan 1.2 act. for 1st training	(58,960.49)
Unreconciled SL	(988.00)
Total	(3,588,376.62)

The Accounting personnel informed that the negative balances since CY 2018 was due to inaccuracies in recording of liquidation reports and subject to further verification, analysis and reconciliation and/or adjustments which could not yet be done due to lack of personnel.

The negative balance understated the Due to NGAs account which affected the fair presentation of the FS.

We recommended, and Management agreed, to require the Accountant to:

- a. submit liquidation reports to SAs in compliance with COA Circular No. 94-013;**
- b. ensure close coordination with the source agencies to facilitate the reconciliation and liquidation of fund transfer;**
- c. coordinate with PhilFIDA RO 8 regarding the submitted LRs to DA RFO 8 and require them to submit the same to the PhilFIDA CO for recording purposes; and**

- d. identify the cause(s) of the negative balance in the account and prepare the necessary adjustment in the books, if warranted.

Delayed/non- submission of financial reports

10. Disbursement vouchers, liquidation report, supporting documents, and other accounting and property reports were either not submitted within the prescribed period, with delays ranging from one to 242 days or were not submitted at all by concerned agency officials, thus, precluding the Audit Team to conduct the timely review of the financial accounts and transactions, as well as to promptly communicate of audit results to Management.

Section 7.2.1 of COA Circular No. 2009-006 dated September 15, 2009 provides that:

The Chief Accountant, Bookkeeper or other authorized official performing accounting and/or bookkeeping functions of the audited agency shall ensure, among others, that the reports and supporting documents submitted by the accountable officers are immediately recorded in the books of accounts and submitted to the auditor within the first ten (10) days of the ensuing month.

The following reports and their supporting documents were not submitted to the Audit Team within the prescribed period with delays ranging from one to 242 days, or were not submitted at all. Details are as follows:

Table No. 27: Number of days delayed in the submission of reports					
Report/ Document	Rules and Regulations	Timeline/ Due Date	No. of Reports with delay (Monthly)		Range of days delayed
			Not Submitted	With delay	
Monthly/Quarterly Trial Balance and Financial Statements (FSs) and Supporting Schedules (SSs)	Section 60 (c), Chapter 19, GAM for NGAs, Volume I	Within 10 days after the end of the month	-	4	1 - 17
RCI/RADAI with all paid DVs and SDs	Section 10, Chapter 6, GAM for NGAs Volume I	Daily or as often as necessary	- -	9 RF 9 TF	4 - 18 4 - 18
RCD with all ORs, DSs and SDs	Section 39, Chapter 5, GAM for NGAs Volume I	Daily or as often as necessary	-	10 RF 2 TF	16 - 68 16 - 68
Liquidation Reports	Section 7.2.1 of COA Circular No. 2009-006	First 10 days of the ensuing month.	July - December RF/TF	6 RF 1 TF	122 - 242 131

Table No. 27: Number of days delayed in the submission of reports					
Report/ Document	Rules and Regulations	Timeline/ Due Date	No. of Reports with delay (Monthly)		Range of days delayed
			Not Submitted	With delay	
Bank Reconciliation Statements (BRS)	Section 17 (i), Chapter 8 of the GAM for NGAs, Volume I	Within 20 days after receipt of the monthly Bank Statement	40	53	1 - 98
Report on the Physical Count of Inventories (RPCI)		Not later than July 31 and January 31 of each year for the first and second semesters, respectively	1	-	-
Inventory and Inspection of Unserviceable Property			-	-	-

As of this date, the Liquidation Reports (LRs) and all the supporting documents recorded in the months of July to December 2023 are not yet submitted to the Audit Team. The Accounting personnel reported that the Journal Entry Vouchers (JEVs) for the recorded LRs were not signed by the Accountant, leading to delays and non-submission.

Table No. 28: Unsubmitted liquidation reports			
Month	Regular Fund	Trust Fund	Total
	Amount in (PhP)		
July	27,222,837.41	0.00	27,222,837.41
August	11,311,791.74	0.00	11,311,791.74
September	14,927,181.68	1,964,189.32	16,891,371.00
October	19,410,582.09	659,479.00	20,070,061.09
November	37,238,489.77	77,608.00	37,316,097.77
December	126,089,491.62	19,537,300.00	145,626,791.62
Total	236,200,374.31	22,238,576.32	258,438,950.63

Likewise, the accounting personnel disclosed that the delays in submitting the DVs, and RCDs were attributed to the non-approval of the JEVs and the sudden resignation of the two personnel responsible for recording and filing of DVs/RCDs. Accordingly, the implementation of the eNGAS could have addressed the issue on delayed submission of monthly quarterly FSs. Nonetheless, the property personnel had successfully conducted the physical count of inventories and currently in the process of preparing the RPCI.

As to submission of Bank Reconciliation Statement, records showed that the most recent BRSs submitted were for the month October 2023. However, the following ROs failed to submit the BRS:

Table No. 29: Unsubmitted Bank Reconciliation Statements	
Regional Office (ROs)	Period Covered
IV – MOOE	January to October
VIII – PS	January, February, August
MOOE	July, August
Trust Fund	August

The Management informed the Audit Team that the personnel in charge of the said report had already resigned and the delay or non-submission was caused by the non-reconciliation of the balance per BRS with that of actual book balance of cash in bank. Efforts are currently being made to reconcile the discrepancies.

The delayed or non-submission of disbursement vouchers, liquidation reports, together with the supporting documents, and other accounting and property reports beyond the prescribed period prevented the Audit Team from conducting a complete auditorial review of the financial accounts and transactions of the Agency. This may result to non-detection of possible errors and deficiencies, if any, and non-communication of audit results to Management, which can be useful in decision-making and enhancing financial accountability.

The Audit Team emphasized that repeated failure of the Accountable Officer to submit the required reports may result in the imposition of administrative sanctions outlined in Section 122 of PD No. 1445 or automatic suspension of salaries of the Chief Accountant and Property Officer until compliance is met.

We recommended, and Management agreed, to:

- a. instruct the Chief Accountant to submit immediately the disbursement vouchers, and liquidation reports together with all the supporting documents for the months of July to November 2023 to preclude the issuance of Notice of Suspension;**
- b. require the Chief Accountant, the Property Officer and all concerned accountable officers in the ROs to strictly submit all accounting and property reports within the prescribed timelines;**
- c. require the Head of Regions IV and VIII to prepare and submit BRS; and**
- d. monitor the submission of the financial and property reports and enforce the provisions of Section 122 of PD No. 1445 on the suspension of payment of salaries of the Chief Accountant and Property Officer until compliance of submission of the financial and property reports is achieved, if warranted.**

B. Compliance on Other Laws, Rules and Regulations

Fund utilization/obligation, disbursement and cash utilization

- 11. The agency has a total appropriation/allotment of ₱450,404,092.47, of which ₱419,194,089.30 or 93.07 percent was obligated, leaving an unexpended balance of ₱31,210,813.17 or 6.93 percent. Of the amount obligated, ₱381,683,504.75 or 91.05 percent was disbursed as of year-end. Moreover, of the total cash allocation of ₱426,712,728.00, the amount of ₱383,936,770.14 or 89.98 percent was utilized while the balance of ₱42,775,957.86 was reverted to the National Treasury due to delayed processing of payments; thus, affecting the full implementation of targeted projects during the year.**

Section 70, GP, FY 2023 GAA, as implemented by Item 3.3 of National Budget Circular No. 583, dated January 4, 2022 states that:

All appropriation authorized in this Act, including budgetary support to GOCCs and financial assistance to LGUs, shall be available for release and obligation for the purpose specified, and under the same general and special provisions applicable thereto, until December 31, 2024.

Further, Section 2 of Executive Order (EO) No. 91⁷, s. 2019 provides that:

Any unreleased appropriations and unobligated allotments at the end of the FY, as well as unpaid obligations and undisbursed funds at the end of the extended payment period (EPP) shall revert to the National Treasury and shall not thereafter be available for expenditure, except by subsequent legislative enactment.

In addition, Sections 2.1 and 2.3 of the Department of Budget and Management (DBM) Circular Letter (CL) No. 2019-3⁸ dated January 4, 2019 provides the following guidelines on the validity of Cash Allocation (NCA), to wit:

2.1 - All NCA releases for Regular MDS Sub-Accounts, to be credited for any month, whether part of the comprehensive releases or constituting additional NCA releases, shall continue to be valid until the last working day of the 3rd month of the quarter covered.

2.3 - It is understood that all NCA balances of regular MDS Sub-Accounts at the end of each quarter are considered lapsed after the last working hour of said quarter.

⁷ Adopting the Cash Budgeting System Beginning Fiscal Year 2019, and for Other Purposes

⁸ Guidelines covering the Crediting and Validity of Notice of Cash Allocation (NCA) for Regular MDS Sub-Accounts effective First Quarter of FY 2019 and Onwards

During the year, the PhilFIDA has received allotment totaling ₱450,404,092.47 for the implementation of its programs/projects/activities. Of the total allotments received, ₱419,194,089.30 or 93.07 percent was obligated, while ₱381,683,504.75 was disbursed or 91.05 percent out of the total obligation, shown as follows:

Table No. 30: Fund Utilization/Obligation of PhilFIDA for CY 2023						
Allotment Class	Appropriation/ Allotment	Obligation	Unobligated Balance	Disbursement	Utilization Rate	Disburse ment Rate
	Amount (in PhP)					
Current Appropriation						
Personnel Services	229,654,478.00	218,206,599.57	11,447,878.43	211,993,414.25	95.01	97.15
MOOE	202,613,500.00	186,711,530.43	15,901,969.57	168,031,429.58	92.15	89.99
Capital Outlay	17,235,000.00	13,387,931.39	3,847,068.61	921,029.19	77.68	68.88
Sub-total	449,502,978.00	418,306,061.39	31,196,916.61	380,945,873.02	93.05	91.07
Continuing Appropriation						
Personnel Services	-	-	-	-	-	-
MOOE	61,207.14	58,950.91	2,256.23	24,795.91	96.13	42.06
Capital Outlay	839,907.33	829,077.00	10,830.33	712,835.82	98.71	85.97
Sub-total	901,114.47	888,027.91	13,086.56	737,631.73	98.55	83.06
Grand Total	450,404,092.47	419,194,089.30	31,210,003.17	381,683,504.75	93.07	91.05

The obligation and disbursement rates of 93.07 and 91.05, respectively, showed that the agency was not able to fully maximize the utilization of its available funds. Management attributed the same to the following, among others:

- delay in the procurement of the Bacillus stearothermophilus (Bst) polymerase due to wrong specifications in the bid documents submitted by the lone bidder;
- delay in the production of Loop-mediated isothermal Amplification para sa Abaka (LAMPParA) kits;
- unutilized funds for travel and training due to delay in the production of LAMPParA kits; and
- delayed signing of MOA between PhilFIDA and the LGUs which hinders the start of bidding and construction of the weaving and processing centers.

Unutilized cash allocation

Moreover, the agency received a total cash allocation of ₱426,712,728.00, of which 89.98 percent or ₱383,936,770.14 was utilized, leaving a balance of ₱42,775,957.86 which was reverted to the National Treasury.

The Chief Accountant attributed the unutilized amount of ₱42,775,957.86 to outstanding obligations for the procurement of machinery, equipment and other structures. This was the result of delayed processing of payments due to incomplete documentation and unprocessed disbursement vouchers at year-end, hence, affected the programs/project/activities (PPAs). Due to work overload, the Chief Accountant is unable to furnish the Audit Team with the list of PPAs affected by the reversion of ₱42,775,957.86.

It should be emphasized that the Accounting Section must compile a comprehensive list of the affected PPAs for prioritization in the upcoming year's implementation. Management should enforce timely submission of documentary requirements by the end users to prevent delays in fund disbursement, thus averting the lapsing and reversion of unutilized cash allocations. Further, Management should consider the validity of released cash allocations for each quarter which is applicable only at the end of the quarter, in accordance with DBM Circular Letter No. 2019-03.

Failure of the agency to fully utilize its monthly cash allocations, which are readily available for disbursement, has affected the implementation of the programs; thus, the expected benefits from P/A/Ps that should be funded from the annual budget were not fully realized to the disadvantage of the intended beneficiaries.

We recommended, and Management agreed to:

- a. undertake specific measures to address the causes of delay in the implementation of various targeted PAPs;**
- b. require the prompt submission by the end users of the required documentary requirements to prevent delays in fund disbursement and avoid lapsing and reversion of unutilized cash allocations;**
- c. direct the Chief Accountant to submit the list of PAPs affected by the reversion of funds for prioritization in the upcoming year's implementation; and**
- d. henceforth, ensure the timely and complete implementation of the PAPs to be able to fully utilize the cash allocated in accordance with the programs/projects' purposes for which the funds are appropriated to provide optimum benefits to the intended beneficiaries.**

Granting, utilization and liquidation of cash advances

- 12. Of the ₱6,030,617.74 cash advances granted during the year, ₱5,966,729.40 or 98.94 percent were liquidated. However, ₱704,417.09 or 88.05 percent of the prior years' balance of ₱800,052.59 remained unliquidated for over 10 years and were not requested for write-off. Additionally, advances to officers and employees included negative balances amounting to ₱42,685.24 which understated the supposed balance of ₱747,192.33.**

The following are the established rules and regulations on the grant and liquidation of cash advances:

Table No. 31: Rules and regulations governing cash advances	
Regulations	Provisions
Section 4.1 of COA Circular No. 97-002 dated February 10, 1997	A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No

Table No. 31: Rules and regulations governing cash advances	
Regulations	Provisions
	additional cash advance shall be allowed to any official or employee unless the previous cash advance is first settled or a proper accounting thereof is made
Section 1.2 of COA Circular No. 2012-001 dated June 14, 2012	Travel Expenses - within 30 days after the return of the official employee concerned to his official station for local travel and within 60 days after the return of the official/employee concerned in the Philippines in the case of foreign travel Special Purpose - as soon as the purpose of the cash advance has been served.
Section 89 of Presidential Decree (PD) No. 1445	No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported and liquidated as soon as the purpose for which it was given has been served
Article 217 of the Revised Penal Code	The failure of a public officer to have duly forthcoming any public funds or property with which he is chargeable, upon demand by any duly authorized officer, shall be prima facie evidence that he has put such missing funds or property to personal use
Section 8.2 of COA Circular No. 2016-005 dated December 19, 2016, as amended by COA Circular No. 2023-008 dated August 17, 2023	The head of the government entity shall file request for authority to write-off dormant receivable accounts, unliquidated cash advances, and fund transfers to the COA Audit Team Leader (ATL) and/or Supervising Auditor (SA).
COA Circular No. 2023-008 dated August 17, 2023	Guidelines on the proper disposition of dormant accounts of the NGAs and its instrumentalities amending COA Circular No. 2016-05

Analysis of the Advances to Officers and Employees and Advances to SDO as of December 31, 2023, showed the following:

Table No. 32: Composition of Advances accounts						
Nature of Cash Advances	Cash Advance		Liquidation		Balance As of 12/31/2023	
	CY	PYs	CY	PYs	CY	PYs
	Amount in (Php)					
Advances to Officers and Employees	2,678,765.68	800,052.59	2,678,675.68	95,635.50	90.00	704,417.09
Advances to SDO	3,351,852.06	-	3,288,053.72	-	63,798.34	-
Total	6,030,617.74	800,052.59	5,966,729.40	95,635.50	63,888.34	704,417.09
Balance As of 12/31/2022	6,830,670.33		6,062,364.90		768,305.43	
% to Total	100%		98.94%	11.95%	1.06%	88.05%

CY – Current Year; PYs – Prior Years

During the year, cash advances for official local and foreign travels totaled to ₱2,678,765.68, where 99.99 percent, or ₱2,678,675.68, was liquidated. Additionally, advances for special purpose/time bound undertakings amounted to ₱3,351,852.06, where 98.95 percent, or ₱3,288,053.72, was liquidated. Thus, the remaining balances for official local and foreign travels, and special purpose/time bound undertakings

are ₱90.00 and ₱63,798.34, respectively, with the latter was refunded on January 10-12, 2024.

On the other hand, of the prior years' balance of ₱800,052.59, only 11.95 percent or ₱95,635.50 was liquidated, leaving an unliquidated balance of ₱704,417.09 or 88.05 percent.

The balances pertaining to cash advances amounting to ₱768,305.43 as of December 31, 2023, and their corresponding percentages to total and age are as follows:

Table No. 33: Unliquidated advances and percentage to total					
Account	Total Balances	Less than 1 year	1 to 5 years	over 5 to less than 10 years	over 10 to 33 years
Amount (in PhP)					
Advances to Special Disbursing Officers	704,507.09	90.00	(950.00)	(12,608.20)	717,975.29
Advances to Officers & Employees	63,798.34	63,798.34	-	-	-
Total	768,305.43	63,888.34	(950.00)	(12,608.20)	717,975.29
% to Total		8.40%	(.20%)	(1.7%)	93.50%

This unliquidated balance pertains to dormant accounts, spanning from CYs 1986 to 2013, which were not requested for write-off, contrary to Section 8.2 of COA Circular No. 2016-005. The probability of settlement thereof is no longer feasible since demand letters sent by the Management were either returned to sender or without reply, as reported by the Accountant.

The Accountant attributed the non-liquidation of CA to insufficient monitoring, primarily due to lack of personnel and non-enforcement of the prescribed period in the liquidation of cash advances which resulted in the accumulation of long outstanding balances.

Additionally, the failure to file the requests for authority to write-off of dormant accounts was due to insufficient supporting documents.

Negative balance of ₱42,685.24

Paragraph 48 of IPSAS 1 provides that *Assets and liabilities, and revenue and expenses, shall not be offset unless required or permitted by an IPSAS.*

The Schedule of the Advances to Officers and Employees includes negative amounts totaling ₱42,685.24, consequently, this resulted in a reduction of the supposed balance of ₱747,192.33. According to the Accounting personnel, these negative balances were granted as early as 2008 and caused by erroneous posting of liquidations.

This is a reiteration of the previous year's audit observation.

We recommended, and Management agreed, to require the Accountant to:

- a. validate the existence of dormant prior years' unliquidated cash advances and consider filing a request for authority to write-off dormant accounts duly supported with relevant documents following the guidelines set forth in COA Circular No. 2016-005 as amended by COA Circular No. 2023-008;
- b. create a composite team to analyze and locate the necessary documents for the preparation of a request for write off in compliance with the abovementioned Circular; and
- c. verify the negative balances and identify the erroneous entries, and prepare adjusting entries to reflect the correct balances of the Advances to Officers and Employees and Advances to Special Disbursing Officer.

Idle cash/non-remittance of collections

13. Performance bonds posted by various suppliers amounting to ₱174,069.06 remained unremitted to the National Treasury, contrary to Section 7 of the General Provisions (GP) of FY 2023 General Appropriations Act (GAA).

Section 7 of the GP of the GAA of FY 2023 states that:

Performance bonds and deposits filed or posted by private persons or entities with departments, bureaus, offices, and instrumentalities of the National Government, including Constitutional Offices enjoying fiscal autonomy and State Universities and Colleges (SUCs) shall be deposited with the National Treasury and recorded as trust receipts in accordance with E.O. No. 338, as implemented by COA-DBM-DOF J.C. 1-97, and such other guidelines issued thereon.

Further, EO No. 338 series of 1996⁹ requires that all government offices and agencies, unless otherwise specifically provided by law, to immediately transfer all public monies deposited with depository banks and other institutions to the Bureau of Treasury, regardless of income source.

Moreover, the Department of Finance, Department of Budget and Management and Commission on Audit (DOF-DBM-COA) Permanent Committee Resolution No. 4-2012 dated September 11, 2012¹⁰ provides the rules and regulations implementing EO No. 431 dated May 30, 2005¹¹ directing the reversion of all unnecessary special and trust funds to the General Fund and for other purposes.

⁹ Cash Balances Deposited to National Treasury

¹⁰ Rules and Regulations implementing Executive Order No. 431 dated May 30, 2005

¹¹ Reverting All Dormant Accounts, Unnecessary Special and Trust Funds to the General Fund and For Other Purposes

As of year-end, the performance bonds posted by various suppliers amounting to ₱134,569.06 remained unremitted to the National Treasury, as follows:

Table No. 34: Unremitted performance bonds		
Payor	Amount in (PhP)	Remarks
Dr. Augusto Sumalde	6,000.00	Balance from Post Trial Balance as of Dec. 31, 2017 as indicated in the Subsidiary Ledger
Dr. Avelino Raymundo	7,000.00	
Eugenio Castro	1,500.00	
Macare Medicals, Inc.	27,500.00	
Marcus Phoenix Media Production	23,500.00	
Novotel (Hotel) Corp.	40,425.00	
SI Technologies, Inc	9,647.06	
Sub-total	115,572.06	
Next Innovation Inc	14,997.00	Recorded in the books since September 2022
Gilbert Aboc Trading	4,000.00	
Total	134,569.06	

The Accounting personnel explained that they are still in the process of validating the balances. He further stressed that the cash receipts of the performance bonds were not remitted to the National Treasury because it takes time to request for the release of NCA from the DBM, for the return of the bonds to the suppliers. The total amount was deposited under Cash in Bank, LCCA Account No. 0232-1125-30.

As shown in Table No. 34, the performance bonds of ₱115,572.06 have been dormant since CY 2017 with no claims made since then; hence, it is imperative that these funds be remitted to the National Treasury. This action aligns with Section 3.3 of Permanent Committee JC No. 4-2012, stating that collections authorized by law for deposit in a government depository bank, but inactive for over five years, are deemed dormant and should be remitted or reverted to the National Treasury.

Also, in the case of unremitted cash receipts from performance bonds to the BTR, the delays in obtaining NCAs from the DBM for bond returns to suppliers are addressed in Section 5.2 of COA-DBM-DOF Joint Circular No. 1-97. In the said section, the DBM shall within three days upon receipt of the complete documentation requirements as mentioned in item 5.1.1 of the same Joint Circular, immediately prepare NCAs corresponding to the amount deposited.

The non-remittance of the said performance bonds to the National Treasury is contrary to Section 7 of the GP of the GAA for FY 2022. This particular non-compliance undermines the objective of EO No. 431, which aims to bolster the national government's dwindling funds, alleviating fiscal pressures and facilitating the execution of programs and projects outlined in the 10-point agenda.

Non-compliance with remittance obligations for trust funds and dormant accounts to the BTR carries sanctions under EO No. 338, EO No. 431, and Permanent Committees JC No. 4-2012 that any violation hereof shall be sternly dealt in accordance with the law.

This is a reiteration of prior year's observation.

We reiterated our previous recommendation, and Management agreed, to immediately remit all the performance bonds posted by various suppliers to the National Treasury pursuant to Section 7 of the General Provisions of GAA 2023 to avoid imposition of sanctions as provided under EO 338, EO 431 and Permanent Committee JC No. 4-2012.

Dormant accounts not requested for write-off

- 14. Dormant receivable accounts, unliquidated cash advances, and fund transfers amounting to ₱98,722,469.05 aged over 10 years were not requested for write-off, contrary to COA Circular No. 2023-008 dated August 17, 2023.**

COA Circular No. 2023-008 dated August 17, 2023, provides the Guidelines on the Proper Disposition of Dormant Accounts of National Government Agencies (NGAs) and Instrumentalities, Local Government Units (LGUs) and Government Corporations (GCs), Amending COA Circular No. 2016-005 dated December 19, 2016.

Examination of the receivable accounts of the PhilFIDA as of December 31, 2023, revealed the inclusion of long outstanding receivables aged 10 years and above in a total amount of ₱98,722,469.05 or 84.57 percent of the account balances, as follows:

Table No. 35: Outstanding receivable accounts aged 10 years and above				
Accounts	Balance as of December 31, 2023			
	Less than 1 yr.	> 1 yr. to < 10 yrs.	10 years and above	Total
	Amount in (PhP)			
Accounts Receivable	-	-	86,737,397.75	86,737,397.75
Notes Receivables	-	-	6,967,148.64	6,967,148.64
Loans Receivables	-	-	360,836.64	360,836.64
Due from NGAs	-	17,941,496.20	3,554,851.44	21,496,347.64
Due from GOCCs	-	-	24,448.26	24,448.26
Due from Officers and Employees	5,412.38	64,274.92	70,523.12	140,210.42
Other Receivables	540.07	-	302,846.11	303,386.18
Advances to Officers and Employees	90.00		704,417.09	704,507.09
Total	6,042.45	18,005,771.12	98,722,469.05	116,734,282.62

The details of the dormant receivable accounts aged 10 years and above amounting to ₱98,722,469.05 are presented below:

Table No. 36: Dormant receivable aged 10 years and above			
Particulars	Year Granted	Amount in (PhP)	Remarks
Accounts Receivable	1973-2006	86,737,397.75	Uncollected service fees of Fiber Industry Development Authority (FIDA) from various stakeholders
Notes Receivables	No info	6,967,148.64	Accounts of Imperial Textile Mills and Atlas Development Corporation
Loans Receivables	1998-2000	360,836.64	Uncollected production loans granted to different participating cooperatives under the Pilot Assistance to Cotton Farmers Project (PACFP) and the development of Model Farms for Cotton Industry enhancement Project (DMFCIE))
Due from NGAs	1985-2012	3,554,851.44	Fund transfer to IAs and PS-DBM
Due from GOCCs	1991	24,448.26	National Irrigation Administration
Due from Officers and Employees	2004-2013	70,523.12	Receivables from resigned/deceased/ retired employees of FIDA whose whereabouts are unknown
Other Receivables	1986-1988	302,846.11	Receivables from resigned employees of CODA and FIDA whose whereabouts are unknown
Official local and foreign travels	1986-2008	704,417.09	
Total		98,722,469.05	

Despite the repeated observation in previous audit reports, the Management failed to request authority to write-off the said dormant accounts, contrary to COA Circular No. 2023-008.

The Management informed the Audit Team that they have difficulty in complying with the requirements for requesting authority to write-off dormant accounts due to lack/absence of supporting records/documents. They were precluded from sending demand letters because the addresses of the recipients of the loan proceeds and employees no longer connected with PhilFIDA are unknown.

The existence of dormant accounts for 10 years or more is an indication of management's inadequate monitoring of the settlement of the accounts in the past. Thus, the collection of those accounts is already remote, however, no request for write-off has been filed, contrary to COA Circular No. 2023-008.

This is a reiteration of prior year's audit observation.

We recommended, and Management agreed, to request for authority to write-off the dormant accounts in accordance with the guidelines and procedures under COA Circular No. 2016-005, as amended by COA Circular No. 2023-008.

We further recommended, and Management agreed, to create a task force to be responsible for facilitating the preparation of the documentary requirements in support to the request for authority to write-off dormant accounts.

Non-disposal of unserviceable property

15. Unserviceable property with book value of ₱15,767,366.68 remained undisposed, contrary to Section 79 of Presidential Decree (PD) No. 1445, thus, exposing said properties to further deterioration, damage and decreasing their economic value.

Section 79 of PD No. 1445 stipulates that:

Unserviceable or unneeded government property must be inspected by the agency head or authorized representative, along with the auditor. If deemed valueless, it may be destroyed in their presence. If valuable, it can be sold at public auction supervised by a committee or at private sale, with prices approved by the Commission if the auction fails.

Section A, Part I of the National Budget Circular (NBC) No. 425 dated January 28, 1992 or The Manual on Disposal of Government Property provides that:

[The] disposal proceedings on the unserviceable property should be immediately initiated to avoid further deterioration of the property and consequent depreciation on its value.

The Report on the Physical Count of Property, Plant and Equipment (RPCPPE) as of December 31, 2023 showed various unserviceable PPE with total book value of ₱15,767,366.68, as follows:

Table No. 37: Unserviceable PPE per RPCPPE as of Dec. 31, 2023	
PPE Account	Amount in (PhP)
Buildings	250,000.00
Machinery	207,985.00
Office Equipment	816,166.67
Information and Communication Technology Equipment	1,476,741.06
Agricultural and Forestry Equipment	170,347.00
Communication Equipment	186,937.15
Technical and Scientific Equipment	11,848,550.67
Motor Vehicles	581,256.38
Furniture and Fixtures	131,966.50
Other Property Plant and Equipment	97,416.25
Total PPE	15,767,366.68

The unserviceable properties remained undisposed as they were only accounted for in the RPCPPE as of December 31, 2023, following the completion of the physical inventory for CY 2023.

The property personnel informed the Audit Team that the Inventory and Inspection Report of Unserviceable Property (IIRUP) will be prepared for the various unserviceable PPE and will be disposed through public bidding in CY 2024.

It is indispensable for the Property Officer, in coordination with the Inventory and Disposal Committee, to initiate disposal proceeding of unserviceable properties in order to free up spaces for other purposes and to prevent further deterioration, preserving their realizable market value, in compliance with Section A, Part I of the NBC No. 425

We recommended, and Management agreed, to require the Property Officer and Disposal Committee to:

- a. ensure comprehensive reporting of all unserviceable properties in the IIRUP;**
- b. determine the appropriate mode of disposal in accordance with DBM NBC No. 425; and**
- c. initiate immediate disposal proceedings for unserviceable properties to free up spaces for other purposes and to prevent further deterioration in compliance with Section 79 of PD No. 1445.**

GAD Budget, Utilization and Accomplishments

- 16. The agency allocated ₱26,802,970.50, or six percent of the total appropriation of ₱415,472,000.00, for Gender and Development (GAD) related activities, in accordance with Section 35 of the GP of FY 2023 GAA. However, the submitted GAD Plan and Budget, as well as the Accomplishment Report for CY 2023, lacked PCW endorsement, contrary to Item 10.2, of the PCW, DBM, NEDA Joint Circular-2022-01. Furthermore, the accuracy of the reported fund utilization of ₱38,303,054.62 in the Accomplishment Report cannot be verified due to the absence of financial details and related documents.**

Section 35 of the GP of FY 2023 GAA provides that:

All agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate and implement the applicable provisions under R.A. No. 9710 or the Magna Carta of Women, Convention on the Elimination of All Forms of Discrimination Against Women, the Beijing Platform for Action, the Philippine Plan for Gender-Responsive Development (1995-2025) and the Philippine Development Plan.

The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets. For this purpose, activities currently being undertaken by agencies which relate to GAD or those that contribute to poverty alleviation, economic

empowerment especially of marginalized women, protection, promotion, and fulfilment of women's human rights, and practice of gender-responsive governance are considered sufficient compliance with said requirement. Utilization of GAD budget shall be evaluated based on the GAD performance indicators identified by said agencies.

Further, Section 10.2, of PCW-DBM-NEDA, Joint Circular-2022-01¹² states that:

Agencies shall submit signed copies of their endorsed GPB and GAD AR with PCW final remarks to their respective COA Audit Team five (working days) upon receipt. An advance copy of the GAD ARs shall be provided to the COA Audit Team on or before the 10th of January of the ensuing year, or until further contrary circular is issued, for post-audit purposes.

The agency allocated ₱26,802,970.50 or six percent of the total appropriation of ₱415,472,000.00 for GAD related activities, in compliance with Section 35 of the GP of the FY 2023 GAA.

However, the Audit Team was not provided with the PCW-endorsed GAD Plan and Budget (GPB) for CY 2023, contrary to Item 10.2, of PCW-DBM-NEDA, Joint Circular-2022-01.

Inquiry disclosed that the agency submitted the GPB to PCW on November 11, 2022. However, on April 3, 2023, the PCW returned the GPB, citing insufficient information to address gender issues, and granted the agency a 15-day period within which to submit the revised GPB.

On April 24, 2023, which is beyond the 15-day grace period, the agency requested PCW to reopen PhilFIDA's Gender Mainstreaming Monitoring System (GMMS) to edit the submitted GPB. The PCW acknowledged the email and granted PhilFIDA access to GMMS from April 26, 2023 until June 8, 2023.

Upon verification by the Audit Team with PCW, it was acknowledged that there had been an oversight on their part due to the change of the assigned reviewer. PCW assured that they would maintain communication with the agency's focal person to facilitate the revision and updating of the agency's GPB.

In addition, the advance copy of the Accomplishment Report (AR), due for submission to COA on or before January 10, 2024, was instead submitted on January 23, 2024, in violation of Item 10.2 of PCW-DBM-NEDA Joint Circular-2022-01. Further, inquiry with the personnel in-charge disclosed that the AR was allegedly presented to the PCW for submission however, it was already beyond the prescribed period, hence, the same was not accepted by PCW.

¹² Revised Guidelines for the Preparation of Annual Gender and Development Plans and Budgets and Accomplishment Reports to Implement the Magna Carta of Women

The focal person attributed the delay to the ongoing review of related documents and the recent resignation of the personnel in charge. As a result, an evaluation of the GAD budget utilization, focusing on GAD performance indicators and compliance with existing regulations, could not be carried out.

The AR indicates a fund utilization of ₱38,303,054.62, which is 143 percent of the GAD attribution of ₱26,802,970.50. However, this report lacks essential details regarding actual results, outcomes, and supporting financial documents. Consequently, the Audit Team cannot determine the cause of the increased disbursement compared to the budget. Clarification is awaited from staff members regarding this matter.

Without the approved and PCW-endorsed GPB, as well as the financial details of the AR, it was impossible to evaluate the outputs/accomplishments of planned activities. Consequently, there can be no determination if the GAD activities and expenses aligned with the priority agenda for women's empowerment and gender equality that can be made.

This is a reiteration of prior year's observation.

We recommended, and Management agreed to:

- a. henceforth, follow up the status of the submitted GPB and GAD AR to PCW through phone calls and other communication channels to ensure prompt provision of additional information in case of any amendments;**
- b. henceforth, submit signed copies of PCW endorsed GPB and GAD accomplishment report, in accordance with Section 10.2 of PCW-DBM-NEDA, Joint Circular-2022-01 for audit purposes; and**
- c. ensure that the GAD accomplishment report is properly supported with financial details to facilitate evaluation and verification of the accuracy of the actual utilization.**

Formulation and implementation of programs/activities for SCPD and Youth Development Plan

- 17. The agency failed to submit accomplishment reports on programs and projects related to Senior Citizens and Persons with Disability violating Section 36, GP of the FY 2023 GAA. Additionally, they failed to allocate funds nor prepare plans, programs and activities related to Youth; thus, depriving the youth of the benefits that can be derived therefrom.**

Sections 36 and 37 of the GP of FY 2023 GAA provide the following:

Section 36. Programs and Projects Related to Senior Citizens and Persons with Disability. Pursuant to existing laws, all agencies of the government shall formulate plans, program and projects intended to address the concerns of senior citizens and persons with disability, insofar as it relates to their mandated functions, and integrate the same in their regular activities.

Section 37. Projects Related to the Youth. All agencies of the government are encouraged to provide allocations for youth development projects and activities within the framework of the Philippine Youth Development Plan.

Section 40 of RA No. 7277, the Magna Carta for Persons with Disabilities and its Implementing Rules and Regulations states that *national agencies and local government units may enter into joint ventures with organizations or associations of persons with disabilities to explore livelihood opportunities and other undertakings that shall enhance the health, physical fitness and the economic and social well-being of persons with disabilities.*

The agency has submitted plans and programs for Senior Citizen (SC) and Persons with Disability (PWD) on January 30, 2023 with the total allocation of ₱1,894,460.07, in compliance with the abovementioned provisions. The details of activities are as follows:

Table No. 38: SC/PWD budget and utilization		
General Description	Estimated Budget Amount in (PhP)	Amount Utilized
Client-Focused		
Conduct of Economic Operator’s Consultation Forum	91,549.30	Data is unavailable due to unsubmitted Accomplishment Report
Conduct of Stakeholders Forum	13,000.00	
Distribution of Planning Materials	197,151.52	
Cotton Development Project	580,918.41	
LGU-Led Planning Materials Production and Distribution for Technology Transfer	959,327.55	
Organization-Focused		
Activities in support to the Women’s Month Celebration	15,245.49	Data is unavailable due to unsubmitted Accomplishment Report
Participation to the Observance of the 18-day Observance to End Violence against Women and Children	16,245.49	
Orientation and refresher to the Top Mgt. on Gender and Development	1,361.11	
Orientation on GAD for all employees	8,122.74	
Capacity building of FUTD personnel for the R&D program	11,538.26	
Total	1,894,460.07	

However, the accomplishment reports (AR) related to the above subjects were not submitted to the Audit Team; thus, precluded the Audit Team from assessing whether the activities have benefited the SC/PWD community and achieved the program's intended objectives.

Upon inquiry, Management explained that related documents are still for review and the personnel in charge has recently resigned, which is why the AR is not yet submitted.

Management must prioritize the review of accomplishment reports and associated documents for timely submission to COA, for audit purposes. Furthermore, it is imperative to designate personnel to manage document preparation and processing in the event of staff resignations, thereby ensuring the continuity of work assignments.

Youth Development Program

Moreover, the agency failed to allocate budget for the implementation of the plans, programs, and projects related to youth development, contrary to Section 37 of the GP of the FY 2023 GAA.

Interview with the focal person from Planning Division disclosed that the same was due to lack of familiarity with the pertinent provisions in the GAA relative to youth development.

The non-preparation of work and financial plans for the Youth violates the above-mentioned regulation and deprived them of the benefits that can be derived therefrom.

We recommended, and Management agreed, to require the focal person to henceforth:

- a. review the AR and submit the same to COA for review and evaluation;**
- b. prepare development plan, and allocate funds intended for youth development projects and activities in compliance with the pertinent provision of the current year's GAA, and submit the same to the Audit Team; and**
- c. collaborate with the DA in the identification of programs related to youth development, and acquaint themselves with department's policies thereon.**

Compliance with GSIS Law

- 18. The GSIS personal share and loan payments of employees amounting to ₱28,567,727.75 were deducted properly and remitted without delay, in accordance**

with RA No. 8291, the GSIS Act of 1997. Likewise, the employer's share amounting to ₱14,442,400.47 was remitted without delay.

Compliance with PhilHealth Law

19. The agency deducted and remitted intact the PhilHealth personal contributions of employees for the year amounting to ₱2,300,935.48 in accordance with RA No. 7875, as amended by RA No. 9241 (National Health Insurance Act of 1995). Likewise, the government's share of ₱2,278,474.90 was remitted without delay.

Compliance with Pag-IBIG Law

20. The agency deducted and remitted intact the Pag-IBIG personal contributions and loan amortizations of employees for the year amounting to ₱3,520,730.57 in accordance with RA No. 9679 (Home Development Mutual Fund Law of 2009). Likewise, the government's share of ₱336,300.00 was remitted without delay.

Compliance with Tax Law

21. The taxes on gross compensation income from officials and employees and government purchases and contract of services from suppliers/contractors amounting to ₱8,712,258.19 and ₱4,018,080.12, respectively, were properly withheld and remitted without delay, in accordance with Revenue Regulation No. 11-2018¹³ dated January 31, 2018.

Hiring of and payments to job orders, contractual and consultants

22. The agency hired 179 individuals covered with Contract of Service (COS) or Job Order (JO) as of December 31, 2023 on a semestral basis, in accordance with CSC COA DBM Joint Circular No. 1¹⁴ dated June 15, 2017, as updated by CSC COA DBM Joint Circular No. 2, s 2020¹⁵, dated October 20, 2020, to augment the regular plantilla employees of 287, due to lack of manpower. Their salaries were charged against Maintenance and Other Operating Expenses (MOOE) in the total amount of ₱31,140,539.90, as authorized under DBM Circular Letter (CL) No. 2013-5¹⁶ dated July 22, 2013. The agency also paid premium of up to 20 percent of basic wage/salary

¹³ Implementing pertinent provisions of Republic Act No. 9504, "An Act amending Sections 22, 24, 34, 35, 51 and 79 of RA No. 8424, as amended, otherwise known as the "National Internal Revenue Code" relative to the withholding of income tax on compensation and other concerns

¹⁴ Rules and Regulations Governing Contract of Service and Job Order Workers in the Government

¹⁵ Updated Rules and Regulations Governing Contract of Service (COS) and Job Order (JO) Workers in the Government

¹⁶ Guidelines On The Filling Of Positions And The Hiring Of Personnel For Agencies Whose Rationalization Plan (RP) Is Yet To Be Approved By The Department Of Budget And Management (DBM), Those Whose Plan Was Withdrawn, Returned Without Action Or Not Submitted Within The Deadline, And Those With Approved Plan

for CY 2023, in compliance with item 9.0 of COA DBM Joint Circular No. 2, s. 2020.

Receipt and utilization of Climate Change Expenditure Tagging

23. The agency has no programs, projects and activities, which can be tagged for climate mitigation and adaptation initiatives in CY 2023.

Receipt and utilization and implementation of FAPs and ODA Funded Projects

24. The agency did not receive and disburse funds for the implementation of Foreign-Assisted Projects (FAPs) and Official Development Assistance (ODA) Funded Projects for FY 2023.

Receipt and utilization of Disaster Related Fund/NTF-ELCAC

25. The agency did not receive and disburse Disaster Risk Reduction Management (DRRM) Fund and/or Quick Response Fund (QRF) and National Task Force - End Local Communist Armed Conflict (NTF-ELCAC) Fund for FY 2023.

Receipt and utilization of MARAWI Fund

26. The agency did not receive MARAWI fund for FY 2023.

Audit suspensions, disallowances and charges

27. The total audit suspensions, disallowances and charges found in the audit of various transactions as of December 31, 2023 based on the NS/ND/Notice of Charge (NC)/NSSDC issued by this Commission, is summarized as follows:

Table No. 39: NS and ND balances as of Dec. 31, 2023				
	Beginning Balance (As of 12/31/2022)	Issued this period January 1 to December 31, 2023		Ending Balance (As of 12/31/2023)
		NS/ND/NC	NSSDC	
	Amount in (PhP)			
NS	127,785,778.84	192,948,082.63	245,342,067.26	75,391,794.21
ND	26,115,670.39	9,954.40	548,882.10	25,576,788.29
NC	-	-	-	-
Total	153,901,449.23	192,958,037.03	245,890,949.36	100,968,536.90

The details of the unsettled suspension are shown below:

Table No. 40: Unsettled suspension				
NS/ND/NC No.	Date	Particulars/Nature	Amount (in PhP)	Status
NS# 2023-002-101 (23)	05/05/2023	Non-submission of LR's together with its supporting documents for	23,629,254.87	NSSDC No. 24-001 dated Jan. 17, 2024 was

Table No. 40: Unsettled suspension				
NS/ND/NC No.	Date	Particulars/Nature	Amount (in PhP)	Status
		the period of January to March 2023		issued for the full settlement of ₱23,629,254.87.
NS# 2023-003-101 (23)	09/19/2023	Non-submission of LRs together with its supporting documents for the period of April to June 2023	51,762,539.34	NSSDC No. 24-002 dated Jan. 17, 2024 was issued for the partial settlement in the amount of ₱1,548,159.62 (April 2023 LRs)
Total			75,391,794.21	

During the year, a notice of disallowance in the amount of ₱9,954.40 was issued and settlement of ₱548,882.10 or 2.10 percent has been made on the prior years' disallowances of ₱26,115,670.39, leaving a total unsettled disallowances of ₱25,576,788.29.

C. Compliance Audit

Compliance with Sections 1 to 3, Chapter II of the DA-PhilFIDA AC No. 12, s. 2020 on the processing and approval of application of licenses related to the grading and baling of Abaca

- 28. The Management has fully complied with the operational guidelines in the processing and approval of application of licenses related to the grading and baling of Abaca pursuant to Sections 1 to 3, Chapter II of the DA-PhilFIDA AC No. 12, s. 2020.**

The PhilFIDA is mandated to promote the growth and development of the natural fiber industry through research and development; production support, extension support, education and training services, fiber utilization and technology and standards implementation, and trade regulations.

The DA – PhilFIDA Administrative Circular (AC) No. 12, Series of 2020 was issued to serve as a comprehensive guide for all stakeholders involved in the Licensing, Baling, Tagging, Marking, Inspection, Certification, and Shipment of Philippine Commercial Fibers. The following sections of Chapter II of the DA-PhilFIDA AC No. 12 provide the requirements in the filing of application for licensed grading and baling establishment:

Section 1. Person Required to Secure License - person or entity engaged in the Grading and baling of Philippine commercial fiber intended for domestic and export market is required to register and secure a license from the Authority.

Section 2. Application for Original License - An applicant shall secure an application form prescribed by the Authority. He/She shall file the same at its Regional or Provincial Office having jurisdiction of the *place* of operation. GBEs, trader exporters, local traders and processors with two or more branches operating in different areas, shall secure a license for each branch. In case of a buying station of a mother company, each shall secure a separate license and certification from concerned mother company that such station is its authorized buyer.

Section 3. Requirements for the Issuance of Licenses – Upon filing of the duly accomplished application form, the applicant must comply with the following:

I. Documentary Requirements:

a. Corporation

- i. SEC Registration Certificate*
- ii. Company profile with complete list of officers*
- iii. Mayor's Permit or Business permit*
- iv. Certificate of Training on the Philippine National Standard (For Abaca Fiber Business Only)*

b. Partnership

- i. SEC Registration Certificate*
- ii. Company profile with complete list of officers*
- iii. Mayor's Permit or Business permit*
- iv. Certificate of Training on the Philippine National Standard (For Abaca Fiber Business Only)*

c. Sole Proprietorship

- i. Certificate of Registration by the Bureau of Trade Regulation and Consumer Protection of the Department of Trade and Industry (DTI) (optional for traders trading less than 25,000 kilos per year)*
- ii. Mayor's Permit or Business Permit*
- iii. Certificate of Training on the Philippine National Standard (For Abaca Fiber Business Only)*

d. Cooperative

- i. Certificate of Registration by the Cooperative Development Authority (CDA)*
- ii. Mayor's Permit or Business Permit*
- iii. Certificate of Training on the Philippine National Standard (For Abaca Fiber Business Only)*

e. Fiber Classifier

- i. Certificate of good moral character by the Barangay Captain of the barangay where he resides*
- ii. Should pass the practical examination on fiber classification and grading given by the Authority*

II. Equipment, Facilities and Other Requirements:

Each establishment must have in its warehouse the following equipment, facilities and other requirements.

- a. Grading Baling Establishments (GBEs)*
 - i. One (1) metric weighing devise with certificate of periodic calibration by the Municipality and/or City Treasurer's office, LGU, DOST and other authorize calibrating entities;*
 - ii. At least one (1) baling press;*
 - iii. Minimum floor area of 850 square meters for classification work and storage;*
 - iv. Warehouse with segregating partition with other commodities; and*
 - v. At least one (1) licensed classifier.*

The issuance of licenses serves as a pivotal mechanism to uphold adherence to the established rules and regulations within the fiber trading industry. Consequently, any violations or non-compliance with these guidelines inevitably lead to the cancellation or suspension of the license.

This stringent approach is imperative to reinforce the principle that only credible and licensed stakeholders should actively participate in the fiber trading business, fostering a framework of integrity and accountability within the industry.

Audit of relevant documents pertaining to two initial applications and 20 renewals showed full compliance with the requirements provided under DA-PhilFIDA AC No. 12, Series of 2020.

Thus, a high degree of compliance by the Licensee on the PhilFIDA's operational guidelines on the grading and baling of Abaca and other related activities can be expected.

D. Program Evaluation

Establishment of Regional Satellite Weaving and Processing Centers

- 29. The Management was not able to fully obligate the total allotment of ₱20,000,000.00, intended for the establishment of regional satellite weaving and processing centers, with a low percentage of fund utilization of 43.10 percent or ₱8,618,262.72 due to: (a) delayed project implementation caused, among others, by the late conduct of bidding, and delayed signing of Memoranda of Agreement with the local government unit counterpart; and (b) non-utilization of funds for monitoring and evaluation activities. Moreover, absence of the accomplishment report viz a viz the work and financial plan, preclude the evaluation and**

assessment of the overall performance of the agency based on the planned targets as well as the efficient use of financial resources.

The PhilFIDA is implementing a community-based project entitled, “*Establishment of Regional Satellite Weaving and Processing Centers (RSWPCs) for Cotton, Abaca, Bariw and other fibers and provision of equipment for the continual operation of the Cotton Processing Center (CPP) in Patnongon, Antique*”, with a total budget of ₱20,000,000.00. The three RSWPCs will be established in government-owned lots located in Banaue, Ifugao; Sibagat, Agusan del Sur; and Libertad, Antique. These RSWPCs will be provided by PhilFIDA with complete facilities/tools and trainings will be conducted for the cooperative-members to improve their capability and acquire income-generating opportunities as entrepreneurs. This project will be implemented in CY 2023.

The establishment of weaving and processing centers in the Philippines that would utilize fibers produced by farmers can be beneficial for the local economy and agricultural sector. Such centers would contribute to the development of the textile industry, create job opportunities, and support the growth of sustainable agricultural practices. Moreover, it aims to improve/uplift the living conditions of handloom weavers as target beneficiaries in the identified communities.

For CY 2023, the PhilFIDA has received a total allotment of ₱20,000,000.00 under the locally-funded project for the establishment of the three RSWPCs and procurement of equipment for the continual operation of the CPP in Patnongon, Antique. Of the ₱20,000,000.00 total allotment, the amount of ₱12,000,000.00 or 60 percent is for the maintenance and operating expenses and ₱8,000,000.00 or 40 percent is for capital outlay. The Work and Financial Plan (WFP) showed the following performance indicators, targets and budget allocation of the locally-funded project:

Table No. 41: Targets and Budget per WFP of the Locally-funded project						
Project	Performance Indicator	Activities	Physical Target	MOE Allocation	CO Allocation	Total Allocation
			Amount (in PhP)			
Establishment of Dyeing Center for Cotton	No. of weaving and processing center constructed	Construction of WPC	1		2,050,000.00	2,050,000.00
Ifugao Lab Dye Weavers Association	Furniture	Procurement of furniture	-		150,000.00	150,000.00
Banawe, Ifugao	No. of capacity building on processing and utilization	Conduct of capacity building	3	1,318,000.00		1,318,000.00
	No. of equipment procured	Procurement of equipment	6	500,000.00		500,000.00
	No. of project monitoring	Conduct of monitoring	1	1,682,000.00		1,682,000.00

Table No. 41: Targets and Budget per WFP of the Locally-funded project						
Project	Performance Indicator	Activities	Physical Target	MOE Allocation	CO Allocation	Total Allocation
			Amount (in PhP)			
	and evaluation	and evaluation of the project				
Sub-total				3,500,000.00	2,200,000.00	5,700,000.00
Establishment of Regional Satellite Weaving and Processing Center for Bariw and Other Fibers	No. of weaving and processing center constructed	Construction of WPC	1		1,500,000.00	1,500,000.00
	Furniture	Procurement of furniture			150,000.00	150,000.00
Libertad Women's Balikpapan, MPC	No. of capacity building on processing and utilization	Conduct of capacity building	3	1,318,000.00		1,318,000.00
Libertad, Antique	No. of equipment procured	Procurement of equipment	6	500,000.00		500,000.00
	No. of project monitoring and evaluation	Conduct of monitoring and evaluation of the project	1	1,682,000.00		1,682,000.00
Sub-total				3,500,000.00	1,650,000.00	5,150,000.00
Establishment of Regional Satellite Weaving and Processing Center	No. of weaving and processing center constructed	Construction of WPC	1		1,500,000.00	1,500,000.00
	Furniture	Procurement of furniture			150,000.00	150,000.00
Sinai Free Farmers Agrarian Reform Coop	No. of capacity building on processing and utilization	Conduct of capacity building	3	1,318,000.00		1,318,000.00
Sibagat, Agusan del Sur	No. of equipment procured	Procurement of equipment	6	500,000.00		500,000.00
	No. of project monitoring and evaluation	Conduct of monitoring and evaluation of the project	1	1,682,000.00		1,682,000.00
Sub-total				3,500,000.00	1,650,000.00	5,150,000.00
Assistance to Cotton	No. of Cotton Ring-Doubler for Cotton	Procurement of equipment	1	550,000.00	2,500,000.00	3,050,000.00

Table No. 41: Targets and Budget per WFP of the Locally-funded project						
Project	Performance Indicator	Activities	Physical Target	MOE Allocation	CO Allocation	Total Allocation
			Amount (in PhP)			
Processing Center Patnongon, Antique	Processing Center procured and installed					
	No. of trial operation of the newly installed equipment	Conduct trial operation of the newly installed equipment	1	575,000.00		575,000.00
	No. of project monitoring and evaluation	Conduct of monitoring and evaluation of the project	1	375,000.00		375,000.00
Sub-total				1,500,000.00	2,500,000.00	4,000,000.00
Total				12,000,000.00	8,000,000.00	20,000,000.00

We requested for expenses incurred for each activity per WFP, however, the requested information has not been submitted as of this report.

Low percentage of fund utilization

The Financial Accountability Report (FAR) No. 1 showed a low percentage of fund utilization wherein ₱8,618,262.72 or 43.10 percent was obligated, while ₱4,092,138.37 was disbursed or 47.50 percent out of the total obligation, as shown in Table No. 42.

Table No. 42: Fund utilization of the locally-funded project					
Appropriation/ Allotment	Obligation	Unobligated Balance	Disbursement	Utilization Rate	Disbursement Rate
Amount in (PhP)					
20,000,000.00	8,618,262.72	11,381,737.28	4,092,138.37	43.10	47.50

The low obligation rate of 43.10 percent and the disbursement rate of 47.50 percent showed that the Management was not able to fully obligate the total allotment of ₱20,000,000.00 due to, among others, (a) late conduct of bidding on the construction of the weaving and processing plant because of the delay in the signing of Memorandum of Agreement (MOA) between PhilFIDA and the Local Government Units (LGUs); and (b) non-utilization of funds for monitoring activities and evaluation since the construction was not yet completed and failure to accomplish the targeted activities.

Absence of accomplishment reports vis a vis the WFP

The Agency did not submit an accomplishment report based on the WFP on the *Establishment of Regional Satellite Weaving and Processing Centers (RSWPCs) for Cotton, Abaca, Bariw and other fibers and provision of equipment for the continual operation of the Cotton Processing Center (CPP) in Patnongon, Antique*. However, the agency has provided the Audit Team with the Agency Performance Review (APR) which showed the following accomplishment on the said project:

Table No. 43: Locally-funded project accomplishment report			
Project	Target per WFP	Accomplishment per APR	Remarks
Establishment of Dyeing Center for Cotton in Banawe, Ifugao	Construction of one weaving and processing center	None	Construction started in January 2024
	Furniture		
	Conduct of three capacity building on processing and utilization	Conducted two trainings namely: 1. Designs on Upright Loom last December 4-7, 2023 2. Upgrading Training on Designs on Upright Loom on December 11-15, 2023	
	Procurement of 6 equipment	The procurement of materials was already completed.	
	Conduct of project monitoring and evaluation		
Establishment of Regional Satellite Weaving and Processing Center for Bariw and Other Fibers in Libertad, Antique	Construction of one weaving and processing center	None	PhilFIDA has completed the procurement process for the construction of weaving and processing center and awarded the project to the lowest bidder, D'XMEN Construction. Construction started on January 15, 2024.
	Furniture		
	Conduct of three capacity building on processing and utilizations	Conducted one training: Bag and placemat making using bariw and other fiber on December 12-14, 2023	
	Procurement of 6 equipment		
	Conduct of project		

Table No. 43: Locally-funded project accomplishment report			
Project	Target per WFP	Accomplishment per APR	Remarks
	monitoring and evaluation		
Establishment of Regional Satellite Weaving and Processing Center for Abaca in Sibagat, Agusan del Sur	Construction of one weaving and processing center	Procurement of equipment and construction of processing center was already completed.	
	Furniture		
	Conduct of three capacity building on processing and utilizations	Conducted two training on Organizational Development and Business Management Trainings on December 4-5, 2023 and December 11-12, 2023.	
	Procurement of 6 equipment		
	Conduct of project monitoring and evaluation		

As presented in Table No. 43, the APR is incomplete and does not show the accomplishments based on the planned targets and budget in the WFP. It was noted in the procurement of materials and equipment that there was no specific details on the quantity and description of the items purchased. Likewise, financial accomplishment as against the budget was not also indicated.

In the absence of the accomplishment report as against the WFP, the evaluation and assessment on the overall performance of the agency on the subject project based on the planned targets could not be made. Likewise, financial accomplishment could not be validated to gauge the agency's overall performance to promote efficient use of financial resources for the locally funded projects.

Delayed and Non-Completion of Projects

Review of documents relative to the construction of the three RSWPCs showed the following:

Table No. 44: Details on the construction of Weaving and Processing Plant			
Particulars	Establishment of Weaving and Processing Plant		
	Banawe, Ifugao	Libertad, Antique	Sibagat, Agusan del Sur
Contractor	Vinz Construction	D'X-men Builders Corporation	C & R Construction & Supply
Date of Bidding	Oct. 23, 2023	Nov. 20, 2023	Oct. 9, 2023
Duration	Within 60 days from receipt of Notice to Proceed	Within 60 days from receipt of Notice to Proceed	Within 60 days from receipt of Notice to Proceed

Table No. 44: Details on the construction of Weaving and Processing Plant			
Particulars	Establishment of Weaving and Processing Plant		
	Banawe, Ifugao	Libertad, Antique	Sibagat, Agusan del Sur
Original Completion date	February 22, 2024	February 27, 2024	February 29, 2024
New Completion Date	April 27, 2024	April 22, 2024	April 21, 2024
Status of Implementation	Construction started in January 2024	Construction started in January 2024	Construction started in January 2024

As mentioned above, the delay in the signing of the MOA between PhilFIDA and LGU caused the delay in the conduct of public bidding of the said procurement. Moreover, the lack of specific plans and timelines contributed to the delay and non-completion of the project on-time. In addition, it was further delayed because of the request of the three contractors for contract time extension, citing the following reasons:

Table No. 45: Reason for the extension of contract time		
Project	Name of Contractor	Reason/s
Establishment of Dyeing Center for Cotton in Banawe, Ifugao	Vinz Construction	60-day extension from the original completion date. The delay was due to late clearing and preparation of the project site which are the counterpart of the Local Government Unit of Banaue. The equipment to be used for the clearing operation was delivered only last January 27, 2024.
Establishment of Regional Satellite Weaving and Processing Center for Bariw and Other Fibers in Libertad, Antique	D'X-men Builders Corporation	60-day extension from the original completion date. The delay was due to the project site relocation and weather condition.
Establishment of Regional Satellite Weaving and Processing Center for Bariw and Other Fibers in Libertad, Antique	C & R Construction & Supply	60-day extension from the original completion date. The delay was due to frequent rain in the area.

As at year-end, the construction of the three RSWPCs has not yet started. In view of the foregoing information, the optimum benefits expected for the intended beneficiaries within the planned timelines were not achieved.

We recommended, and Management, agreed to:

- a. properly plan any projects to be undertaken to prevent delay in implementation;**

- b. ensure the implementation of planned activities in the WFP to maximize the utilization of funds intended for the purpose;**
- c. fast-track the construction of the RSWPCs to provide optimum benefits to the intended beneficiaries; and**
- d. prepare and submit accomplishment report vis a vis the work and financial plan for proper evaluation and assessment of the agency's overall performance in terms of physical and financial accomplishments.**

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 48 audit recommendations in the previous year, 22 were implemented and 26 were not implemented as of December 31, 2023 and 18 were reiterated with modification in Part II of this report.

Results of validation on the actions taken by Management are shown below:

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>1. Accounting errors/ omissions amounting to ₱131,098,736.28 and accounting deficiencies with an aggregate amount of ₱939,491,950.79, affected the accuracy of the accounts involved.</p> <p>a) Unrecorded liquidation reports in prior years – ₱2,096,077.64</p> <p>b) Unrecorded Property, Plant and Equipment (PPE) and Construction in Progress (CIP) caused by erroneous debit to Accounts Payable upon payment without first setting up payables upon delivery ₱17,765,101.79</p> <p>c) Non-reclassification of CIP - Building and Other Structures account to its appropriate PPE accounts - ₱54,423,193.52</p>	<p>CY 2022 AAR p. 42-51</p>		

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>d) Erroneous recording of deliveries from Procurement Service-Department of Budget and Management (PS-DBM) - ₱13,916.00</p> <p>e) Non-setting up of payables to recognize obligation for services delivered which reduced/understated the account - ₱300,000.00</p> <p>f) Non-reversion of Accounts Payable aged two years and more without valid claims - ₱32,329,243.82</p> <p>g) Unrecorded issuance of Semi-Expendable Agricultural and Forestry Equipment/ Misclassification of account - ₱24,171,203.60</p> <p>We recommended, and Management agreed, to require the Chief Accountant to:</p> <p>a) effect the necessary adjusting entries on the errors/ omissions;</p> <ul style="list-style-type: none"> unrecorded liquidation of expended fund 		<p>Instructed the Chief Accountant to effect necessary adjustments on the errors / omissions as recommended.</p>	<p>Not Implemented</p> <p>No proof of compliance submitted.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>transfers amounting to ₱185,915.46</p> <ul style="list-style-type: none"> various PPEs which remained unbooked amounting to ₱17,765,101.79 due to non-set-up of corresponding payables; completed projects under the CIP – Building and Other Structures account not reclassified to its appropriate PPE accounts costing ₱54,423,193.52; erroneous recording of deliveries from PS-DBM of 		<p>Adjustments on the erroneous recording of Accounts Payable amounting to ₱17,765,101.79 were taken up under Journal Entry Voucher (JEV) Nos. 2023-02-197 dated Feb. 22, 2023; 2023-02-423, 433, 434, 435, 437, 439 all dated Feb. 28, 2023; 2023-02-274, 276, 288 & 289 all dated Feb. 27, 2023.</p> <p>Reclassification of the completed projects under CIP account amounting to ₱54,423,193.52 were taken up under JEV Nos. 2023-03-457 to 03-460 dated Mar. 10, 2023; and 2023-07-2146 dated Jul. 26, 2023.</p> <p>Out of the ₱13,916.00 erroneous</p>	<p>Reiterated in Observation No. 7.b of this report.</p> <p>Implemented</p> <p>The Audit Team validated JEV Nos. 2023-02-197 dated Feb. 22, 2023; 2023-02-423, 433, 434, 435, 437, 439 all dated Feb. 28, 2023; 2023-02-274, 276, 288 & 289 all dated Feb. 27, 2023, and found in order.</p> <p>Implemented</p> <p>The Audit Team validated JEV Nos. 2023-03-457 to 03-460 dated Mar. 10, 2023; and 2023-07-2146 dated Jul. 26, 2023, and found in order.</p> <p>Not Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>₱13,916.00;</p> <ul style="list-style-type: none"> negative balances of accounts payable amounting to ₱300,000.00; reversion of the Accounts Payable aged more than two years amounting to ₱32,329,243.82; and misclassification and derecognition of Semi Expendable Agricultural and Forestry Equipment pertaining to the issuance of Modified Abaca Stripping Knife (MASK) amounting 		<p>recording of deliveries from PS-DBM, the amount of ₱5,200.00 was taken up under JEV No. 2023-03-464 dated March 13, 2023.</p> <p>JEV No. 2023-07-2069 dated July 20, 2023 was drawn for its adjustment.</p> <p>Reversion of the Accounts Payable aged more than two years amounting to ₱32,329,243.82 was taken up in the books under JEV No. 2023-07-2176 dated July 27, 2023.</p> <p>Reclassification was taken up under JEV No. 2023-07-2152 dated July 26, 2023. Also, distribution of the items to farmer beneficiaries will be accounted for. Journal entries to</p>	<p>The Audit Team validated JEV No. 2023-03-464 dated March 13, 2023, and found in order.</p> <p>Implemented</p> <p>The Audit Team validated JEV No. 2023-07-2069 dated July 20, 2023, and found in order.</p> <p>Implemented</p> <p>The Audit Team validated JEV No. 2023-07-2176 dated July 27, 2023, and found in order.</p> <p>Implemented</p> <p>The Audit Team validated JEV No. 2023-07-2152 dated July 26, 2023, and found in order.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
to ₱24,171,203.60.		record the distribution will be taken up in the books.	
<p>2. Accounting Deficiencies were noted in the recording of Cash, Inventories, PPE and other accounts that have been affected the balance of the accounts in the financial statements (FS) as discussed below:</p> <p><i>a.) Unreconciled Book and Bank Balances of Cash in Bank-LCCA account</i></p> <p>The correctness of the reported balance of Cash in Bank-Local Currency, Current Account (CIB-LCCA) for Trust Fund of ₱52,573,261.84 as of year-end could not be ascertained due to unreconciled difference of ₱40,878,865.89 with the bank balance amounting to ₱11,694,396.00 net of outstanding check of ₱743,764.09 and absence of detailed errors/reconciling items with its supporting documents; thus, remained unadjusted.</p> <p>We recommended, and Management agreed, to direct the Chief Accountant to analyze the discrepancies</p>	CY 2022 AAR p. 51-64	Instructed the Chief Accountant to comply with the audit recommendation.	<p>Not Implemented</p> <p>Book and Bank balances of CIB-</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>between the book and bank balances of the CIB-LCCA for Trust Fund and make the necessary adjustments, supported with complete documentation.</p> <p><i>b) Unreconciled Book and PS-DBM balances</i></p> <p>Advances to PS-DBM for common-use office supplies, equipment, application software, and airline ticket requirements amounting to ₱7,026,770.29 are unreliable due to unreconciled difference of ₱6,613,014.84 between the balances per books and PS-DBM records caused by non- recording of deliveries in prior years.</p> <p>We recommended, and Management agreed, to direct the Chief Accountant and Property Officer to coordinate with the PS-DBM to reconcile the difference amounting to ₱6,613,014.84 and request copies of Delivery Receipts from PS-DBM to serve as basis and supporting documents in recording the prior years' deliveries.</p>		<p>Analysis and reconciliation of book and bank balances of CIB-LCCA are being conducted during CY 2023.</p> <p>The Chief Accountant and the Property Officer have initially made an arrangement with the PS-DBM to reconcile the difference. The latter has provided PhilFIDA with their records as basis for the reconciliation. This will be followed through on or before the end of CY 2023.</p>	<p>LCCA remained unreconciled as of to date.</p> <p>Not Implemented</p> <p>Balances remained unreconciled as of to date.</p> <p>Reiterated in Observation No. 8 of this report.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p><i>c) Unliquidated fund transfers aged 2 years to 50 years</i></p> <p>We recommended, and Management agreed, to direct the Chief Accountant to:</p> <p>a) coordinate with concerned implementing agencies for the status of fund transfers and demand submission of liquidation documents of expended fund transfers and completed projects and the refund/proof of refund of the unexpended balance to serve as basis in recording liquidations;</p> <p>b) refrain from releasing additional funds unless fund utilization and accomplishment reports of the previous fund transfers are submitted in accordance with COA Circular No. 94-013; and</p> <p>c) request for authority to write-off dormant unliquidated fund transfer following the guidelines in COA Circular No. 2016-005.</p>		<p>The Chief Accountant, through the assistance of the concerned division, will work on this.</p> <p>The recommendation will be strictly complied with.</p> <p>Request for write-off of dormant accounts will be made once thorough review and evaluation of</p>	<p>Not Implemented</p> <p>No proof of compliance was submitted to the Audit Team.</p> <p>Reiterated in Observation No. 7.a of this report.</p> <p>Not Implemented</p> <p>No proof of compliance was submitted to the Audit Team.</p> <p>Reiterated in Observation No. 7.a of this report.</p> <p>Not Implemented</p> <p>No request for write-off was submitted to the Audit Team</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p><i>d) Unreliable Office Supplies Inventory account</i></p> <p>The accuracy of the year-end balance of Inventory accounts of ₱41,367,699.38 could not be ascertained due to (a) non-conduct of complete physical count of Accountable Forms, Plates and Stickers Inventory and all the semi-expendable inventories, totaling ₱40,778,737.24; (b) discrepancy of ₱17,457.08 between the balances per books and inventory report of the Office Supplies Inventory account, the only account with physical count; and (c) non preparation/maintenance of Stock Cards (SCs) for all inventory. Likewise, Regular purchases of inventories amounting to ₱566,961.25 were directly charged as outright expense, contrary to existing rules and regulations.</p> <p>We recommended, and Management agreed, to require the:</p>		<p>accounts are conducted.</p>	<p>Reiterated in Observation No. 14 of this report.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>a) Inventory Team to conduct physical count of all inventories on a semestral basis and prepare the Report on the Physical Count of Inventories (RPCI) to serve as basis in checking the recorded inventory accounts;</p> <p>b) Chief Accountant and Property Officer to coordinate and reconcile the noted difference on the recorded office supplies inventory, and prepare the necessary adjusting entries;</p> <p>c) Property Officer to prepare and maintain an updated SCs for each type of inventories where all receipts and issuances shall be recorded promptly to facilitate reconciliation; and</p> <p>d) Chief Accountant to ensure that regular</p>		The Inventory Team conducted the physical count and submitted the RCPI to COA.	<p>Implemented</p> <p>The Audit Team verified the submitted RPCI as of December 31, 2023.</p>
		The Accounting Section is now working closely with the Property Section to monitor the receipts and issuances of inventory items and ensures that transactions are duly recorded. Differences in amounts are likewise noted and adjusted.	<p>Implemented</p> <p>On-going monitoring of receipt and issuances.</p>
		The Property Section has already updated their Stock Card in compliance with the recommendation.	<p>Not Implemented</p> <p>No proof of compliance submitted to the Audit Team.</p> <p>Reiterated in Observation No. 6.d of this report.</p>
		An accounting staff has been	<p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>within the prescribed period; and</p> <p>c) ensure that all obligations certified to Accounts Payable are duly supported with sufficient documents and with valid claims.</p> <p>g) <i>Unreliable various expense/ asset accounts due to unsupported JEVs caused by non-submission of Liquidation Reports.</i></p> <p>We recommended, and Management agreed, to require the Chief Accountant to submit to the Audit Team the LRs already recorded in the books; otherwise, Notice of Suspension shall be issued by the Audit Team.</p>		<p>of Due and Demandable Obligations to the Audit Team on February 21, 2024.</p> <p>The Chief Accountant and his staff are working in coordination with the Budget Section and concerned division/end-user to ensure validity and completeness of supporting documents for Accounts Payable.</p> <p>The Chief Accountant, along with his staff are expeditiously working to submit the Liquidation Reports (LR) on the set deadline to avoid the issuance of Notice of Suspension. Also, the staff is using</p>	<p>The Audit Team validated the submitted ADDO report on February 21, 2024.</p> <p>Implemented</p> <p>The Audit Team validated that the recorded obligations are duly supported with sufficient documents and with valid claims.</p> <p>Implemented</p> <p>Liquidation Reports were already submitted to the Audit Team.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
		the latest platform (Google Sheet) to closely monitor the submission of LRs by the regional offices on time. A virtual meeting for the purpose is likewise conducted whenever necessary.	
<p>3. Various accounting reports were not submitted within the required period; thus, affecting the timely verification and communication of audit results to Management, which could have served as an aid in management decisions and inputs in enhancing financial accountability. Likewise, Bank Reconciliation Statements (BRS) were submitted late or were not submitted at all by concerned officials, the number of delays ranges from 2-289 days, precluded the Audit Team to conduct timely verification on the correctness of the cash balance.</p> <p>We recommended, and Management agreed, to:</p>	CY 2022 AAR p. 64-68		

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>a) direct the Heads of Regional Offices to submit to the Chief Accountant the LRs with all the supporting documents on a monthly basis for funds transferred for personal services, operating expenses and project funds as soon as the purpose has been accomplished for the preparation of JEV and recording purposes;</p> <p>b) require the Chief Accountant, the Property Officer, the Cashier and concerned accountable officers in the ROs to observe the prescribed timelines on the submission of all accounting and property reports;</p> <p>c) require the Chief Accountant to submit within the prescribed period the BRS with all the supporting documents; and</p>		<p>Memorandum No. 102 dated April 12, 2023 was issued to reiterate Memorandum No. 001 dated January 3, 2023 regarding the deadline of submission of LRs.</p> <p>Regular follow ups through phone and other media platforms, and memoranda are employed to monitor submission.</p> <p>Regular follow ups through phone and other media platforms, and memoranda are employed to monitor submission.</p>	<p>Implemented</p> <p>The policy/ regulations on the deadline of submission of liquidation reports are being implemented.</p> <p>Not Implemented</p> <p>The policy/ regulations on the deadline of submission of property and accounting reports are not being implemented.</p> <p>Reiterated in Observation No. 10 of this report.</p> <p>Not Implemented</p> <p>The policy/ regulations on the deadline of submission of BRS are not being implemented.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>d) direct the Heads of the ROs IV, VII, VIII and XI to require their designated staff to prepare and submit immediately the BRS to the Audit Team.</p>		<p>Memorandum No. 257 dated September 23, 2022 was issued for the immediate submission of BRS.</p>	<p>Reiterated in Observation No. 10 of this report.</p> <p>Not Implemented</p> <p>The policy/regulations on the immediate submission of BRS are being implemented. However, RO XI has not submitted the BRS for the months of November and December 2023.</p> <p>Reiterated in Observation No. 10 of this report.</p>
<p>4. Collections of performance bonds posted by various suppliers amounting to ₱174,069.06 remained unremitted to the National Treasury contrary to law and regulations.</p> <p>We reiterated our previous recommendation, and Management agreed, to cause the immediate remittance of all the performance bonds posted by various suppliers with the National Treasury</p>	<p>CY 2022 AAR p. 68-69</p>	<p>Immediate remittance will be done as soon as the accounting staff assigned to analyze and reconcile the account is</p>	<p>Not Implemented</p> <p>No proof of compliance submitted to the Audit Team.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
pursuant to Section 7 of the GP of GAA 2022.		finished to ascertain the correctness and accuracy of the amounts to be remitted.	Reiterated in Observation No. 13 of this report
<p>5. Cash advances for official local and foreign travels and special purpose/time- bound undertakings in prior years amounting to ₱704,417.09 or 73.47 percent of prior year's balance of ₱958,809.49 remained unliquidated, thus, exposes government funds to possible misuse. Moreover, advances to officers and employees included negative balances amounting to ₱36,367.60 which understated the supposed balance of ₱836,420.19.</p> <p>We recommended, and Management agreed, to:</p> <p>a) send demand letters to concerned accountable officers who are still active in the service to submit liquidation reports and/or refund the unused cash advances; and</p>	CY 2022 AAR p. 69-71	Demand letters will be sent to comply with the audit recommendation.	<p>Not Implemented</p> <p>No copies of demand letters were forwarded to the Audit Team.</p> <p>Reiterated in Observation No. 12 of this report</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>b) require the Chief Accountant to review the accounts with negative balances and prepare adjusting journal entries to effect the adjustments duly supported with necessary documentations.</p>		<p>Negative balances were due to erroneous entry and misposting in the subsidiary ledgers. Reconciliation is ongoing, and some adjustments were already taken up in the books.</p>	<p>Not Implemented</p> <p>No updates as of report date.</p> <p>Reiterated in Observation No. 12 of this report</p>
<p>6. Funds transferred to PhilFIDA Regional Offices for personal services, regular operating expenses and project implementation totaling ₱79,642,108.77 remained unaccounted as of year-end thus, exposing substantial amount of public funds to risk of possible loss and misuse. Thus, related disbursements/expenses were not recorded in the books of accounts.</p> <p>We recommended, and Management agreed, to:</p> <p>a) evaluate the present set-up and consider adopting the payment of payroll thru centralized payroll system and close the bank account maintained for the purpose;</p>	<p>CY 2022 AAR p. 71-74</p>	<p>Evaluation will be made for adopting the payroll through the centralized system.</p>	<p>Not Implemented</p> <p>No proof of compliance was submitted to the Audit Team.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>b) issue directive to the RO SDOs to immediately submit to the CO the LRs/Fund Utilization Reports of all unliquidated FT together with the supporting documents; otherwise enforce the non-liquidation/non-replenishment policy, until such time that the requirement is complied with; and</p> <p>c) instruct the Chief Accountant to:</p> <p>i. refrain from processing the additional FT without first submission of LRs on the previous one and to monitor periodically the submission of LRs;</p> <p>ii. issue demand letter to all retired AOs to settle</p>		<p>Memorandum No. 323 dated December 22, 2022 was issued for the immediate submission of liquidation report. In addition, Memorandum No. 102 dated April 12, 2023 was issued to reiterate Memorandum No. 001 dated January 3, 2023 regarding the deadline of submission of Liquidation Reports.</p> <p>The Accounting Section is committed to complying with the guidelines regarding fund transfers.</p> <p>Demand letters will be sent to</p>	<p>Implemented</p> <p>The policy and regulations on the immediate submission of liquidation reports were being implemented.</p> <p>Not Implemented</p> <p>The Audit Team validated the accounting records and found that additional fund transfers are still being processed before the submission of LRs from the previous fund transfer.</p> <p>Not Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>their accountability; and</p> <p>iii. evaluate/analyze the negative balances and prepare necessary adjusting entries with proper documentation.</p>		<p>retired accountable officers regarding their unliquidated balances.</p> <p>Reconciliation is ongoing and some adjustments were already taken up in the books.</p>	<p>No proof of compliance was submitted to the Audit Team.</p> <p>Not Implemented</p> <p>No proof of compliance was submitted to the Audit Team.</p>
<p>7. Dormant receivable accounts amounting to ₱98,732,585.83 aged 10 to 29 years, collection of which could not be ascertained, yet Management failed to take action to cleanse the books of accounts, despite previous years' observation and recommendation, thus, affected the fairness of the presentation of the accounts in the financial statement.</p> <p>We recommended, and Management agreed, to require the Chief Accountant to validate and evaluate the existence of receivables, unliquidated cash advances and fund transfer aged 10 years or more and, if warranted, request authority to write-off dormant accounts in accordance with the</p>	<p>CY 2022 AAR p. 74-76</p>	<p>Under the Accounts Receivables, demand letters were already sent to some debtors with available addresses.</p> <p>For Loans Receivable – Others account, authority to write</p>	<p>Not Implemented</p> <p>No proof of compliance was submitted to the Audit Team.</p> <p>Reiterated in Observation No. 14 of this report.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
procedures under COA Circular No. 2016-005		off was filed on June 26, 2023. Other accounts will be requested for write-off after all efforts are exhausted to locate their addresses.	
<p>8. Unserviceable property with book value of ₱2,792,458.98 remained not disposed of, contrary to Section 79 of Presidential Decree (PD) No. 1445, thus, exposing them to further deterioration and decreasing their realizable value.</p> <p>We recommended, and Management agreed, to require the Chief of General Services Section and BAC Disposal Committee to immediately dispose of the unserviceable PPE, pursuant to Section 79 of P.D. No. 1445.</p>	CY 2022 AAR p. 76-77	Unserviceable property amounting to ₱2,792,458.98 was already disposed of as per attached IIRUP dated February 25, 2023.	<p>Implemented</p> <p>The IIRUP submitted to the Audit Team on February 25, 2023 was validated and found in order.</p>
<p>9. Of the agency's appropriation/allotment for CY 2022 of ₱387,783,611.03, the agency registered a high utilization rate of 99.75 percent or ₱386,817,909.26 while ₱336,000,342.23 or 86.86 percent only was disbursed until December</p>	CY 2022 AAR p. 77-79		

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>31, 2022. While the agency's total cash allocation of ₱437,598,895.00 received during the year was 96.78 percent utilized, the balance of ₱14,102,610.10 was reverted to the National Treasury. Also, of the agency's total appropriation/allotment, 55 percent or ₱211,265,488.58 was appropriated for Fiber Development Program, of which fund utilization/obligation amounted to ₱210,395,581.25 or 99.60 percent while the disbursement rate was posted at 80.30 percent or ₱168,856,546.87.</p> <p>We recommended, and Management agreed, to ensure full utilization of cash allocated for the implementation of various activities in accordance with the programs/projects or purposes for which the fund were allocated.</p>		<p>Management observed effective programming of funds and early procurement activities to address this recurring problem thru constant monitoring of the progress and status of the agency's programs, projects, and activities. This will be strongly emphasized in the</p>	<p>Not Implemented</p> <p>For CY 2023, of the total cash allocation of ₱426,712,728.00, the amount of ₱383,936,770.14 or 89.98 percent was utilized while the balance of ₱42,775,957.86 was reverted to the National Treasury due to delayed processing of payments.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
		coming Management Conference for the immediate action of responsible officials and operating units.	Reiterated in Observation No. 11 of this report.
<p>10. The implementing guidelines of the Modified Abaca Stripping Knife (MASKs), proof of receipt or acknowledgement forms by the farmer beneficiaries, and status/ accomplishment report on the distribution of MASKs, amounting to ₱24,171,203.60, were not submitted; thus, evaluation of the result of the Fabrication and Distribution of MASKs could not be made.</p> <p>a) Non-submission of implementing guidelines of MASKs</p> <p>b) Non-submission of proof of receipt of the MASKs or acknowledgement forms</p> <p>c) Non-submission of status/ accomplishment report</p> <p>d) Failure to notify COA of the deliveries within twenty-four (24) hours</p>	CY 2022 AAR p. 79-82		

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>from acceptance as required under COA Circular No. 96-010 dated August 15, 1996 and non-submission of the inspection report by the audit team.</p> <p>We recommended, and Management agreed, to require the official/s concerned to submit the following:</p> <p>a) implementing guidelines of MASKs;</p> <p>b) proof of receipt of the MASKs or acknowledgement forms by the farmer-beneficiaries with their complete name, address and signature; and</p> <p>c) status/accomplishment report for evaluation purposes if the intended benefits were attained.</p>		<p>Submitted a copy of the implementing guidelines for MASK from the Technical Assistance Division.</p> <p>Submitted a copy of acknowledgement forms by the farmer-beneficiaries from Technical Assistance Division.</p> <p>Submitted the status or accomplishment report from the Technical Assistance Division.</p>	<p>Implemented</p> <p>A copy of the implementing guidelines for MASKs has been submitted to the Audit Team.</p> <p>Implemented</p> <p>A copy of the receipt for the MASKs received by the farmer beneficiaries has been submitted to the Audit Team.</p> <p>Not Implemented</p> <p>No proof of compliance was submitted to the Audit Team.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
			Reiterated in Observation No. 4 of this report.
<p>11. The Series-type Combined Abaca Spindle-Deco Fiber Extraction Machine costing ₱2,500,000.00, delivered on July 25, 2022, remained idle until this report, and the installation, testing and training of operators were not done, due to the non-completion of the ATBSP Processing Center where the machine is supposed to be installed; thus, the purpose of the project was not achieved.</p> <p>We recommended, and Management agreed, to:</p> <p>a) judiciously plan any project before implementation to preclude unnecessary delay in its performance and wastage of government resource; and</p> <p>b) store properly the idle machinery to ensure that it will still be fully operationalized upon installation and to prevent deterioration thereof.</p>	<p>CY 2022 AAR p. 82-84</p>	<p>Management ensures that the projects are monitored and implemented according to the scheduled timeline.</p> <p>Management ensures that idle machinery is properly stored prior to installation.</p>	<p>Not Implemented</p> <p>No proof of compliance was submitted to the Audit Team.</p> <p>Not Implemented</p> <p>The ATBSP Processing Center was not yet completed and no proof was submitted to the</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
			Audit Team that the idle machinery has been properly stored.
<p>12. The agency allocated ₱26,981,624.00 or seven percent of the total appropriation of ₱370,151,000.00 for GAD related activities, in compliance with Section 34 of the General Provisions, GAA for FY 2022. However, the submitted GAD Plan and Budget and Accomplishment Report for CY 2022 were not PCW-endorsed contrary to Item 10.2, page 10 of PCW, DBM, NEDA Joint Circular-2022-01.</p> <p>Moreover, the veracity of the fund utilization of ₱28,625,494.56 reported in the Accomplishment Report could not be validated due to absence of financial details and related documents.</p> <p>We recommended, and Management agreed, to:</p> <p>a) require the GAD focal person to strictly adhere to Item V of COA Circular No. 2014-001 dated March 18, 2014 on the timely submission of the PCW-endorsed GPB</p>	CY 2022 AAR p. 85-87	Submitted the required documents from the Planning Division.	<p>Not Implemented</p> <p>As of report date, no copy of the PCW endorsed GPB and AR were submitted.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>and Accomplishment Report; and</p> <p>b) prepare and submit a complete/detailed GAD accomplishment report duly supported with financial details for evaluation and verification of the correctness of the actual utilization.</p>		<p>Submitted the required documents from the Planning Division.</p>	<p>Reiterated in Observation No. 16 of this report.</p> <p>Not Implemented</p> <p>As of report date, no complete detailed GAD AR with duly supported financial details was submitted.</p> <p>Reiterated in Observation No. 16 of this report.</p>
<p>13. Formulation and implementation of programs/activities for SCPD</p> <p>The agency did not submit plans, programs and projects and accomplishment reports intended to address the concerns of Senior Citizens (SCs) and Persons with Disability (PWD) contrary to Sec. 35 of the GP of the GAA for FY 2022.</p> <p>We recommended, and Management agreed, to require the focal person to prepare and submit the plans, programs and projects and accomplishment reports</p>	<p>CY 2022 AAR p. 87</p>	<p>Submitted the required documents from the Planning Division.</p>	<p>Not Implemented</p> <p>As of report date, no plans and programs</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>intended to address the concerns of SC and PWD and strictly follow the provisions of GAA relative thereto.</p>			<p>submitted intended to address the concerns of Senior Citizen (SCs) and Persons with Disability (PWD).</p> <p>Reiterated in Observation No. 17 of this report.</p>
<p>21. Audit suspensions, disallowances and charges</p> <p>During the year, there was no notice of disallowance issued and settlement of ₱2,427,560.74 or 8.5 percent has been made on the prior years' disallowances of ₱28,543,231.13, leaving a total unsettled disallowances of ₱26,115,670.39.</p> <p>Non-submission of liquidation reports and its supporting documents for the period June to October, 2022 amounting to ₱127,785,778.84.</p> <p>We recommended, and Management agreed, to:</p> <p>a) enforce the settlement of the audit suspension and disallowance in</p>	<p>CY 2022 AAR p. 89-90</p>	<p>Settlement of audit disallowances/charges is being</p>	<p>Implemented</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
<p>accordance with Section 7 of the 2009 RRSA;</p> <p>b) in case the persons liable opt to settle the disallowance through installments, request for authority from the COA, pursuant to COA Resolution No. 2017-021 dated November 3, 2017; and</p>		<p>enforced and implemented through payroll deductions as well as deductions from terminal leave benefits of retired employees except for disallowances which are currently under appeal with the COA Central Office.</p> <p>Management already complied with the audit recommendation on the settlement of disallowance through installments.</p>	<p>Settlement through payroll deductions is currently being implemented.</p> <p>Implemented</p> <p>Rules for the settlement of disallowance through installments are currently being implemented.</p> <p>The Audit Team received Memorandum dated August 8, 2023, granting the request to settle the liability under ND No. 19-007-101-(17-18) in installment payments in accordance with COA Resolution No. 2017-021, dated November 3, 2017.</p>

Observations and Recommendations	Reference	Action Taken by Management	Status of Implementation and Auditor's Validation
c) comply with laws, rules and regulations to avoid audit suspension and disallowance.		<p>Management already complied with the laws, rules and regulations to avoid audit suspensions and disallowances.</p> <p>Liquidation Reports for the months of June to October were already submitted COA under issued NSSDC No. 23-005 dated July 18, 2023.</p>	<p>Implemented</p> <p>NSSDCs were issued during the year amounting to ₱14,498,109.15.</p>

Annex A

PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
3/F DA-PCAF Building, Elliptical Road, Diliman, Quezon City

AGENCY ACTION PLAN and STATUS of IMPLEMENTATION
Of the Audit Observations and Recommendations
For the Calendar Year 2023
As of _____

Ref.	Audit Observations	Audit Recommendations	Agency Action Plan				Status of Implementation	Reason for Partial/Non-Implementation action, if possible	Action Taken/ Action to be Taken
			Action Plan	Person/Dept. Responsible	Target Implementation Date				
					From	To			

Name and Position of Agency Officer

Date

Note: Status of Implementation may either be (a) Fully Implemented or (b) Not Implemented

MATRIX OF ACCOUNTING ERRORS AND DEFICIENCIES

A. Accounting Errors

Observation No.	Particulars	Amount (in PhP)	Accounts Affected	(Over) / Understatement Amount (in PhP)		
				Assets	Liabilities	Net Assets/ Equity
1	a. Unrecorded income of the escrow account	87,770.94	Cash-Treasury/Agency Deposit, Regular	87,770.94		
			Accumulated Surplus/ (Deficit)			87,770.94
1, 9, 12	b. Negative balances due to erroneous recording of liquidation reports	3,951,873.67	Cash in Bank – Local Currency, Savings Account	320,811.81		
			Advances to Officers and Employees	42,685.24		
			Due to National Government Agencies (NGAs)		3,588,376.62	
			Accumulated Surplus/ (Deficit)			(3,224,879.57)
2	c. Unrecorded Property, Plant and Equipment (PPE)	2,702,270.52	Water Supply Systems	724,352.52		
			Other Equipment	1,977,918.00		
			Accumulated Surplus/ (Deficit)			2,702,270.52
2	d. Double recording of adjustment	6,554,510.24	Construction in Progress (CIP) – Buildings and Other Structures	(6,554,510.24)		
			Advances to Contractors	983,176.54		
			Other Payables		(655,451.02)	
			Accumulated Surplus/ (Deficit)			(4,915,882.68)
2	e. Misclassification affecting various assets, liabilities, and equity accounts	25,062,176.75	Buildings	25,062,176.75		
			Due to NGAs		3,988,642.96	
			Other Structures	(9,678,249.01)		
			Other PPE	(9,989,169.68)		
			CIP – Building and Other Structures	(895,153.59)		
			Accounts Payables		99,461.51	
			Accumulated Surplus/ (Deficit)			411,500.00

Observation No.	Particulars	Amount (in PhP)	Accounts Affected	(Over) / Understatement Amount (in PhP)		
				Assets	Liabilities	Net Assets/ Equity
5		256,791.23	Various Semi-Expendable Inventory accounts	167,175.00		
			Accumulated Surplus/ (Deficit)			256,791.23
						(89,616.23)
3	f. Non-provision of Allowance for Impairment of the dormant receivable accounts	182,491.15	Due from NGAs, net of Allowance for Impairment	(177,742.58)		
			Due from Government-Owned and Controlled Corporations, net of Allowance for Impairment	(1,222.41)		
			Due from Officers and Employees, net of Allowance for Impairment	(3,526.16)		
			Accumulated Surplus/ (Deficit)			(182,491.15)
4	g. Non-derecognition of supplies and materials distributed to beneficiaries	22,340,624.00	Other Supplies and Materials for Distribution	(22,340,624.00)		
			Accumulated Surplus/ (Deficit)			(22,340,624.00)
Total /Net Misstatements		61,138,508.50		(20,274,130.87)	7,021,030.07	(27,295,160.94)

B. Accounting Deficiencies

Observation No.	Deficiencies	Accounts Affected	Amount (in PhP)
2	a. Variance between books and Report on the Physical Count of PPE	Various PPE accounts	490,743,704.27
6	b. Variance between books and Report on the Physical Count of Inventories and Semi-Expendable Property	Various Inventory accounts	22,627,469.28
7	c. Discrepancy between books and confirmed balances from Implementing Agencies	Due from NGAs	2,169,510.52
8	d. Discrepancy between books and confirmed balances from Procurement Service-Department of Budget and Management	Due from NGAs	6,607,814.84
9	e. Discrepancy between books and confirmed balances from Source Agencies	Due to NGAs	30,302,876.94
Total			552,451,375.85