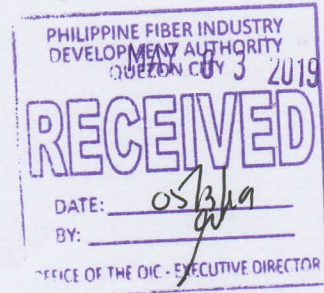




Republic of the Philippines
COMMISSION ON AUDIT
NATIONAL GOVERNMENT SECTOR
Cluster 8 – Agriculture and Environment
Quezon City

PhilFIDA-AFMD
RECEIVED
Date: MAY 09 2019
By: YANNI

Dir. KENNEDY T. COSTALES
Executive Director
Philippine Fiber Industry Development Authority
Quezon Avenue., Quezon City



Dear **Director Costales**:

We are pleased to transmit the Annual Audit Report on the **Philippine Fiber Industry Development Authority (PFIDA)** for the Calendar Year 2018, in compliance with Section 2, Article IX-D of the Philippine Constitution and Section 43 of the Government Audit Code of the Philippines (P.D. 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 Years' 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 93 of the General Provisions of the General Appropriations Act for FY 2018 (R.A. No. 10964) using the attached Agency Action Plan and Status of Implementation (AAPSI) (**Annex A**), 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,

Maribeth F. de Jesus
MARIBETH F. DE JESUS
OIC-Director IV



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

INDEPENDENT AUDITOR'S REPORT

The Executive Director

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

Qualified Opinion

We have audited the financial statements of **Philippine Fiber Industry Development Authority**, which comprise the statement of financial position as at December 31, 2018, 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 as shown in Annexes A to G present fairly, in all material respects, the financial position of the **Philippine Fiber Industry Development Authority** as at December 31, 2018, 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 Philippine Public Sector Accounting Standards (PPSAS).

Basis for Qualified Opinion

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

<i>Accounting Errors/Omissions and Deficiencies</i>	<i>Amount</i>
a. Non-restatement of CY 2017 corresponding figures presented in the CY 2018 FSs	₱20,838,777.45
b. Cash advances recognized as Accounts Payable	35,988,750.00
c. Non-derecognition of disposed unserviceable PPE reported in IIRUP	22,748.05
d. Unrecorded liquidation reports	356,732.60
e. Fund transfers to bank accounts of regional/ satellite offices inappropriately recorded as cash advances	13,213,140.07
f. Semi-expendable ICT Equipment issued not recorded as expense	2,770,649.20
g. Inappropriate recording of lost Office Equipment	4,190.00
h. Refunds of Region VIII Employees recorded under Receivable-Disallowances/ Charges without issued ND	58,221.10

i. Dormant accounts written-off without authority from the COA	1,081.89
j. Unreverted Accounts Payable	1,392,533.13
k. Non-dropping from the books of accounts of unserviceable Property, Plant and Equipment (PPE) and inappropriate classification of Due from Officers and Employees	3,106,279.78
l. Unrecorded Accounts Payable	30,000.00
m. Unrecorded tax remittance	228,924.90
n. Unsupported Accounts Payable	1,177,767.75
o. Non-maintenance of complete SLs and SLCs	54,261,609.28
Total Errors and Deficiencies	<u>₱133,451,405.20</u>

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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 PPSAS, 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 ISSAI 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.


Our audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's professional judgment, including the assessment of the risk of material misstatement of the financial statements whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the agency's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the agency's internal control. Our audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

As part of an audit in accordance with ISSAI, 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/Unit/Corporation'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.

COMMISSION ON AUDIT

By:


ELEANOR G. PANCHO
Supervisor Auditor

April 25, 2019

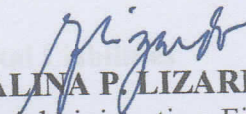


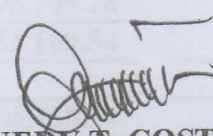
Republic of the Philippines
 Department of Agriculture
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
 3/F DA-PCAF Building, Department of Agriculture, Elliptical Road, Diliman, Quezon City
Administrative, Financial and Management Division Email: fida_a@ymail.com
 Tel Nos. 273.AGRI (2474) / 928-8756 to 65 Loc. 2653(AFMD), 2654(Budget/Accounting Section), 2658(Cashier)
 Website: www.philfida.da.gov.ph

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of Philippine Fiber Industry Development Authority is responsible for all information and representations contained in the accompanying Statement of Financial Position as of December 31, 2018, 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 Philippine 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.


ROSALINA P. LIZARDO
 Chief, Administrative, Financial
 and Management Division


KENNEDY T. COSTALES
 Executive Director III

February 14, 2019
 Date Signed

February 14, 2019
 Date Signed

Department of Agriculture
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL POSITION

All Funds
As of December 31, 2018

	Note	<u>2018</u>	<u>2017</u>
ASSETS			
Current Assets			
Cash and Cash Equivalent	5	₱ 33,399,494.34	₱ 20,582,023.15
Receivables	6	83,433,581.34	71,903,334.79
Inventories	7	8,423,614.85	3,694,171.26
Other Current Assets	8	180,786,112.15	133,239,708.83
Total Current Assets		<u>306,042,802.68</u>	<u>229,419,238.03</u>
Non-Current Assets			
Property, Plant and Equipment	9	251,187,420.49	202,171,522.69
Intangible Assets	10	1,479,386.40	1,479,386.40
Other Non-Current Assets	11	3,106,279.78	3,106,279.78
Total Non-Current Assets		<u>255,773,086.67</u>	<u>206,757,188.87</u>
Total Assets		<u><u>561,815,889.35</u></u>	<u><u>436,176,426.90</u></u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	77,510,711.70	18,153,227.17
Inter-Agency Payables	13	50,434,973.78	40,593,705.60
Trust Liabilities	14	858,846.98	1,060,136.44
Deferred Credits	15	6,951,922.80	6,951,922.80
Other Payables		1,696,705.28	745,000.03
Total Current Liabilities		<u>137,453,160.54</u>	<u>67,503,992.04</u>
Total Liabilities		<u><u>137,453,160.54</u></u>	<u><u>67,503,992.04</u></u>
NET ASSETS/EQUITY			
Accumulated Surplus (Deficit)		<u>424,362,728.81</u>	<u>368,672,434.86</u>
TOTAL LIABILITIES AND NET ASSETS/		<u><u>₱ 561,815,889.35</u></u>	<u><u>₱ 436,176,426.90</u></u>

See Accompanying Notes to Financial Statements

Department of Agriculture
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
All Funds
FOR THE YEAR ENDED DECEMBER 31, 2018

	Note	<u>2018</u>	<u>2017</u>
Revenue			
Service and Business Income	16	P 1,874,144.82	P 1,403,260.89
Other Non-Operating Income	17	<u>417,493.00</u>	<u>231,017.75</u>
Total Revenue		<u>2,291,637.82</u>	<u>1,634,278.64</u>
Less: Current Operating Expenses			
Personnel Services	18	186,690,182.87	178,668,208.17
Maintenance and Other Operating Expenses	19	117,744,839.25	92,633,931.49
Financial Expenses		44,650.00	10,000.00
Non-Cash Expenses	20	<u>14,355,314.71</u>	<u>5,543,568.42</u>
Total Current Operating Expenses		<u>318,834,986.83</u>	<u>276,855,708.08</u>
Deficit from Current Operation		(316,543,349.01)	(275,221,429.44)
Net Financial Assistance/Subsidy	21	<u>444,448,942.41</u>	<u>386,357,033.52</u>
Surplus for the Period		<u>P 127,905,593.40</u>	<u>P 111,135,604.08</u>

See Accompanying Notes to Financial Statements

**Department of Agriculture
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
Statement of Changes in Net Assets/Equity
All Funds**

For the Year Ended December 31, 2018

	<u>Note</u>	<u>2018</u>	<u>2017</u>
Accumulated Surplus (Deficit)			
Balance at January 1	P	368,672,434.86	P 268,745,646.57
Add/(Deduct):			
Other adjustments		<u>(52,186,673.55)</u>	<u>(6,883,716.38)</u>
Restated balance		<u>316,485,761.31</u>	<u>261,861,930.19</u>
 Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Surplus for the period		127,905,593.40	111,135,604.08
Adjustment of net revenue recognized directly in net assets/equity		<u>(20,028,625.90)</u>	<u>(4,325,099.41)</u>
 Balance at December 31, 2018		<u>P 424,362,728.81</u>	<u>P 368,672,434.86</u>
<i>See Accompanying Notes to Financial Statements</i>			
 Cash Flow from Operating Activities			
 Cash Inflows:			
Receipt of Dividend of Cash Allocation (DCA)			
Collection of Income Tax			
Collection of Reserves			
Total Inflows			
Receipt of Inter-Agency Fund Transfer			
Receipt of funds for the implementation of projects from other			
Total Cash Inflows			
 Cash Outflows:			
Cash Purchase of Property, Plant and Equipment (PPE)			
Cash Purchase of Property, Plant and Equipment - Regular			
Cash Purchase of Property, Plant and Equipment (CP)			
Total Cash Outflows			
Net Cash Used in / Provided Operating Activities			
 Cash Flow from Financing Activities			
 Net Cash Used in / Provided Financing Activities			
 Increase (Decrease) in Cash and Cash Equivalents			
Cash and Cash Equivalents, January 1			
Cash and Cash Equivalents, December 31			

See Accompanying Notes to Financial Statements

PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
Statement of Cash Flows
All Funds
For the Year Ended December 31, 2018

	Note	<u>2018</u>	<u>2017</u>
Cash Flow from Operating Activities			
Cash Inflows			
	P	595,767,530.00	P 394,230,302.00
Receipt of Notice of Cash Allocation (NCA)		2,282,020.32	1,630,732.63
Collection of Income/Revenues		17,290.00	93,987.00
Collection of Receivables		588,932.88	503,208.50
Trust Receipts			
Receipt of Inter-Agency Fund Transfer		34,708,721.60	29,907,419.60
Receipt of funds for the implementation of projects from NGAs		1,400,136.53	
Remittance of Collections (Regular/TF) to National Treasury		55,029,726.45	7,704,988.48
Other Receipts		513,343.20	973,500.86
Adjustments		7,173,082.52	
Others		697,480,783.50	435,044,139.07
Total Cash Inflows		<u>697,480,783.50</u>	<u>435,044,139.07</u>
Cash Outflows			
		(51,852,738.33)	(229,470,579.45)
Cash payment of operating expenses		(50,772,200.22)	(24,077,276.43)
Payment of accounts payable		-	(2,170.00)
Payment of financial expenses			
Payment of payables to NGAs (TF -111)		(933,774.95)	(1,314,335.19)
Prepayments		(2,618,654.26)	(118,937.47)
Refund of Deposits		(935,712.25)	(2,749,338.93)
Payment of terminal leave benefits		(13,144,102.92)	(1,367,097.07)
Purchase of inventories			(100,000.00)
Grant of Petty Cash		(10,000,000.00)	
Grant of financial Assistance/Subsidies		(264,181,319.70)	(105,806,601.28)
Grant of Cash Advances			(1,079,652.00)
Release of inter-agency fund transfer (TF-111)		(16,619,450.45)	(8,826,054.57)
Remittance of personnel benefit contributions & mandatory deductions		(35,207,196.07)	-
Other Disbursements			(15,285,506.41)
Deposit to Local Currency, CA (bid docs., fund transfer, perform. bond)		(45,358,948.46)	(8,682,378.97)
Remittance to National Treasury		(164,712,888.24)	(29,342,346.90)
Reversion of unutilized NCA		(28,326,326.46)	(989,060.41)
Adjustments		(684,663,312.31)	(429,211,335.08)
Total Cash Outflows		<u>(684,663,312.31)</u>	<u>(429,211,335.08)</u>
Net Cash (Used in) / Provided Operating Activities		<u>12,817,471.19</u>	<u>5,832,803.99</u>
Cash Flows from Investing Activities			
Cash Outflows			
			(2,223,340.11)
Cash Purchase of Property, Plant and Equipment (111)			(4,506,301.61)
Cash Purchase of Property, Plant and Equipment - Regular			
Cash Purchase of Property, Plant and Equipment (TF)		-	(6,729,641.72)
Total Cash Outflows		-	(6,729,641.72)
Net Used in / Investing Activities		-	-
Cash Flows from Financing Activities			
Net Cash (Used in) / Provided Financing Activities		-	-
Increase (Decrease in Cash and Cash Equivalents)		12,817,471.19	(896,837.73)
Cash and Cash Equivalents, January 1		20,582,023.15	21,478,860.88
Cash and Cash Equivalents, December 31	P	<u>33,399,494.34</u>	P <u>20,582,023.15</u>

See Accompanying Notes to Financial Statements

PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
FIBER INDUSTRY DEVELOPMENT AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
ALL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2018

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
Notes				
RECEIPTS				
Tax Revenue				
Services and Business Income	₱ 1,153,700.00	₱ 1,240,000.00	₱ 1,499,605.00	₱ (259,605.00)
Assistance and Subsidy	546,835.00	593,217,000.00	595,767,530.00	(2,550,530.00)
Shares, Grants and Donations				
Gains				
Other Non-Operating Income				
Other Non-Operating Receipts				
Loan Proceeds				
Refund of Petty Cash and Advances				
Inter-agency Cash Transfer				
Receipt of Insurance Claim Settlement				
Unreleased Checks				
Collection of Receivable				
Trust Receipts				
Others				
Total Receipts	1,700,535.00	594,457,000.00	597,267,135.00	(2,810,135.00)
PAYMENTS				
Personnel Services				
Maintenance and Other Operating Expenses	178,602,000.00	187,811,000.00	185,395,327.99	2,415,672.01
Capital Outlay	211,432,000.00	211,432,000.00	155,206,755.96	56,225,244.04
Financial Expenses	186,489,000.00	186,489,000.00	103,381,228.65	83,107,771.35
Other Disbursements	50,000.00	50,000.00		50,000.00
Loan Repayments				
Remittance to National Treasury				
Reversal of unreleased checks				
Reversion of Lapsed NCA-Regular Fund				
Reversion of NCAs-Terminal Leave/ Retirement Incentive				
Other Adjustment - Outflow				
Total Payments	576,573,000.00	585,782,000.00	443,983,312.60	141,798,687.40
NET RECEIPTS / PAYMENT	₱ (574,872,465.00)	₱ 8,675,000.00	₱ 153,283,822.40	₱ (144,608,822.40)

See Accompanying Notes to Financial Statements

3.1 Basis of accounting

The financial statements are prepared on an accrual basis in accordance with the Philippine Public Sector Accounting Standards (PPSAS).