



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, 2017, 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, the accompanying financial statements present fairly, in all material respects, the financial position of the **Philippine Fiber Industry Development Authority** as at December 31, 2017, 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 (PPSASs).

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:

Accounting Errors/Omissions

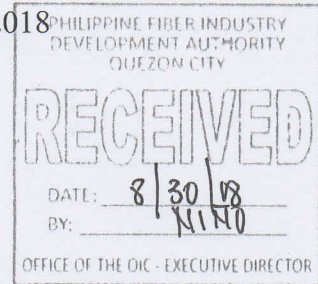
a. Various necessary information/data not disclosed in the Notes to Financial Statements (FS)	₱	523,169,351.49
b. Non-restatement of CY 2016 corresponding figures presented in the CY 2017 FS		135,720,455.16
c. Over recording/erroneous posting of liquidations and refunds		9,079,347.63
d. Recording of Accounts Payable with no services rendered/ projects completed		8,564,500.00
e. Unserviceable Property, Plant and Equipment (PPE) recorded in the Other Assets and impairment loss not recognized		3,106,279.78
f. Inappropriate recording of remittance of loan payments to Land Bank of the Philippines to Due to GSIS account		88,650.04
Total	₱	<u>679,728,584.10</u>



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

August 29, 2018

Mr. KENNEDY T. COSTALES
Executive Director
Philippine Fiber Industry Development Authority
DA Compound, Elliptical Road, Diliman
Quezon City



Dear **Director Costales**:

We are pleased to transmit the Annual Audit Report on the **Philippine Fiber Industry Development Authority (PhilFIDA)** for the Calendar Year 2017, prepared by Ms. Mary Joy P. De Jesus, Audit Team Leader and Ms. Eleanor G. Pancho, Supervising Auditor, 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).

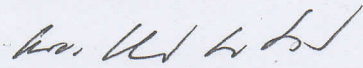
The audit was conducted in accordance with International Standards of Supreme Audit Institutions to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable 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 88 of the General Provisions of the General Appropriations Act for FY 2017 (R.A. No. 10924) 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,


MA. MILEGUAS M. LEYNO
Director IV

Accounting Deficiencies

- a. Non-maintenance of complete schedules, Subsidiary
Ledgers, Stock Ledger Cards and Plant and Equipment ₱ 435,706,279.26
Ledger Cards

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further 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 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. 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 and fair presentation of the financial statements in accordance with PPSASs, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's 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.

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.

COMMISSION ON AUDIT

By:

Eleanor G. Pancho
ELEANOR G. PANCHO
Supervisor Auditor

August 29, 2018

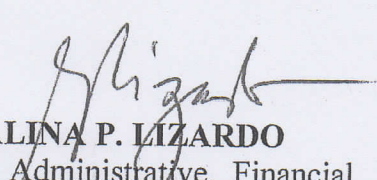


Republic of the Philippines
Department of Agriculture
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
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Website: www.phifida.da.gov.ph

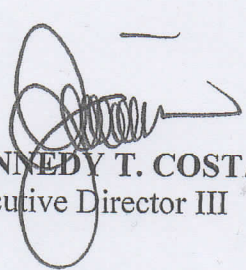
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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, 2017, 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

July 09, 2018
Date Signed


KENNEDY T. COSTALES
Executive Director III

July 09, 2018
Date Signed

**DEPARTMENT OF AGRICULTURE
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
STATEMENT OF FINANCIAL POSITION
ALL FUNDS
As of December 31, 2017**

ASSETS	<u>Note</u>	<u>2017</u>	<u>2016</u>
Current Assets			
Cash and Cash Equivalent	5	₱ 20,582,023.15	₱ 21,478,860.88
Receivables	6	71,903,334.79	76,104,354.60
Inventories	7	3,694,171.26	1,853,779.89
Other Current Assets	10	133,239,708.83	41,683,193.54
Total Current Assets		<u>229,419,238.03</u>	<u>141,120,188.91</u>
Non-Current Assets			
Property, Plant and Equipment	8	202,171,522.69	174,288,195.27
Intangible Assets	9	1,479,360.40	1,479,386.40
Other Non-Current Assets	11	3,106,279.78	3,106,279.78
Total Non-Current Assets		<u>206,757,188.87</u>	<u>178,873,861.45</u>
Total Assets		<u>436,176,426.90</u>	<u>319,994,050.36</u>
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	18,153,227.17	8,711,342.87
Inter-Agency Payables	13	40,593,705.60	33,889,222.18
Intra-Agency Payables		-	(400.00)
Trust Liabilities	14	1,060,136.44	1,072,392.91
Deferred Credits	15	6,951,922.80	6,951,922.80
Other Payables	16	745,000.03	623,923.03
Total Current Liabilities		<u>67,503,992.04</u>	<u>51,248,403.79</u>
Total Liabilities		<u>67,503,992.04</u>	<u>51,248,403.79</u>
Total Assets less Total Liabilities		<u>368,672,434.86</u>	<u>268,745,646.57</u>
NET ASSETS/EQUITY			
Accumulated Surplus (Deficit)		₱ <u>368,672,434.86</u>	<u>268,745,646.57</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, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Revenue			
Service and Business Income	17	₱ 1,403,260.89	₱ 1,572,174.13
Other Non-Operating Income	18	<u>231,017.75</u>	<u>486,214.62</u>
Total Revenue		<u>1,634,278.64</u>	<u>2,058,388.75</u>
Less: Current Operating Expenses			
Personnel Services	19	178,668,208.17	154,853,631.21
Maintenance and Other Operating Expenses	20	92,633,931.49	87,053,255.60
Financial Expenses	21	10,000.00	-
Non-Cash Expenses	22	<u>5,543,568.42</u>	<u>5,791,047.23</u>
Total Current Operating Expenses		<u>276,855,708.08</u>	<u>247,697,934.04</u>
Deficit from Current Operation		(275,221,429.44)	(245,639,545.29)
Net Financial Assistance/Subsidy	23	<u>386,357,033.52</u>	<u>295,339,678.23</u>
Surplus for the period		<u>₱ 111,135,604.08</u>	<u>₱ 49,700,132.94</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, 2017

		Accumulated Surplus (Deficit)	
	<u>Note</u>	<u>2017</u>	<u>2016</u>
Balance at January 1	₱	268,745,646.57	₱ 237,189,997.14
Add/(Deduct):			
Other adjustments		(6,883,716.38)	(14,418,513.91)
Restated balance		<u>261,861,930.19</u>	<u>222,771,483.23</u>
Add/(Deduct):			
Changes in Net Assets/Equity for the Calendar Year			
Surplus for the period		111,135,604.08	49,700,132.94
Adjustment of net revenue recognized directly in net assets/equity		<u>(4,325,099.41)</u>	<u>(3,725,969.60)</u>
Balance at December 31, 2017	₱	<u><u>368,672,434.86</u></u>	<u><u>268,745,646.57</u></u>

See Accompanying Notes to Financial Statements

**DEPARTMENT OF AGRICULTURE
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
ALL FUNDS
For the Year Ended December 31, 2017**

	<u>Note</u>	<u>2017</u>	<u>2016</u>
Cash Flow from Operating Activities			
Cash Inflows			
Receipt of Notice of Cash Allocation (NCA)	23	₱ 394,230,302.00	₱ 279,375,621.00
Collection of Income/Revenues		1,630,732.63	2,124,194.12
Collection of Receivables		93,987.00	36,264.70
Trust Receipts		503,208.50	375,822.27
Receipt of funds for the implementation of projects from NGAs		29,907,419.60	20,056,203.00
Other Receipts		7,704,988.48	7,318,554.36
Adjustments		973,500.86	989,060.41
Total Cash Inflows		435,044,139.07	310,275,719.86
Cash Outflows			
Cash payment of operating expenses		(229,470,579.45)	(67,419,034.70)
Payment of accounts payable		(24,077,276.43)	(27,799,892.51)
Payment of financial expenses		(2,170.00)	
Payment of payables to NGAs (TF -101)			(714,307.79)
Prepayments		(1,314,335.19)	(314,059.58)
Refund of Deposits		(118,937.47)	(83,775.00)
Payment of terminal leave benefits		(2,749,338.93)	(4,125,818.96)
Purchase of inventories		(1,367,097.07)	(5,681,786.33)
Grant of Petty Cash		(100,000.00)	(670,609.57)
Grant of Cash Advances		(105,806,601.28)	(159,618,053.17)
Release of inter-agency fund transfer (TF-101)		(1,079,652.00)	(755,652.00)
Remittance of personnel benefit contributions & mandatory deductions		(8,826,054.57)	(23,238,602.58)
Other Disbursements		-	(152,881.72)
Deposit to Local Currency, CA (bid docs., fund transfer, perform. bond)		(15,285,506.41)	7,394,086.96
Remittance to National Treasury		(8,682,378.97)	(12,884,624.59)
Reversion of unutilized NCA	23	(29,342,346.90)	(905,967.76)
Refund of Cash Advances		-	(1,185,520.42)
Adjustments		(989,060.41)	(17,424,052.55)
Total Cash Outflows		(429,211,335.08)	(315,580,552.27)
Net Cash (Used in) / Provided Operating Activities		5,832,803.99	(5,304,832.41)
Cash Flows from Investing Activities			
Cash Outflows			
Cash Purchase of Property, Plant and Equipment (101)		(2,223,340.11)	(1,700,000.00)
Cash Purchase of Property, Plant and Equipment - Regular		(4,506,301.61)	(3,733,695.01)
Cash Purchase of Property, Plant and Equipment (TF)			(321,169.58)
Total Cash Outflows		(6,729,641.72)	(5,754,864.59)
Net Used in / Investing Activities		(6,729,641.72)	(5,754,864.59)
Decrease in Cash and Cash Equivalents		(896,837.73)	(11,059,697.00)
Cash and Cash Equivalents, January 1		21,478,860.88	32,538,557.88
Cash and Cash Equivalents, December 31		₱ 20,582,023.15	₱ 21,478,860.88

See Accompanying Notes to Financial Statements

Department of Agriculture
PHILIPPINE FIBER INDUSTRY DEVELOPMENT AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
ALL FUNDS
For the Year Ended December 31, 2017

Particulars	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
<u>Note</u>				
RECEIPTS				
Tax Revenue	₱ -	₱ -	₱ -	₱ -
Services and Business Income	17 1,220,000.00	1,162,200.00	1,401,504.00	(239,304.00)
Assistance and Subsidy	23 371,853,000.00	388,116,892.00	394,230,302.00	(6,113,410.00)
Shares, Grants and Donations	-	-	-	-
Gains	-	-	-	-
Other Non-Operating Income	-	-	-	-
Other Non-Operating Receipts	-	-	-	-
Refund of Petty Cash and Advances	-	-	-	-
Inter-agency Cash Transfer	-	-	-	-
Unreleased Checks	-	-	-	-
Collection of Receivable	-	-	-	-
Others	-	-	-	-
TOTAL RECEIPTS	373,073,000.00	389,279,092.00	395,631,806.00	(6,352,714.00)
PAYMENTS				
Personnel Services	162,650,000.00	179,794,031.00	167,122,439.40	12,671,591.60
Maintenance and Other Operating Expenses	191,768,396.42	184,068,396.42	172,294,252.84	11,774,143.58
Capital Outlay	38,834,895.82	46,534,895.82	8,358,736.00	38,176,159.82
Financial Expenses	10,000.00	10,000.00	1,570.00	8,430.00
Other Disbursements	-	-	-	-
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	393,263,292.24	410,407,323.24	347,776,998.24	62,630,325.00
NET RECEIPTS / PAYMENT	₱ (20,190,292.24)	₱ (21,128,231.24)	₱ 47,854,807.76	₱ (68,983,039.00)

See Accompanying Notes to Financial Statements