

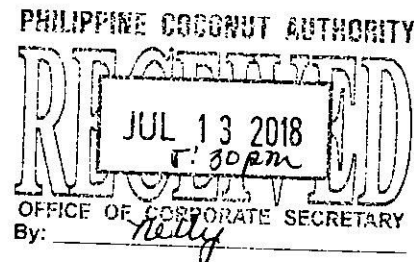


Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

July 13, 2018

THE GOVERNING BOARD
Philippine Coconut Authority
Elliptical Road, Diliman
Quezon City



Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our Report on the results of the audit of the accounts and transactions of the **Philippine Coconut Authority (PCA)**, for the year ended December 31, 2017.

The report consists of the Independent Auditor's Report, the Audited Financial Statements, the Observations and Recommendations, the Status of Implementation of Prior Years' Audit Recommendations, and Annexes.

We rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following:

1. The reliability of the Property, Plant and Equipment (PPE) account with carrying balance of P704.108 million as at year-end could not be ascertained due to: (a) absence of subsidiary ledgers (SLs) for PPE with carrying amount of P158.344 million; (b) non-reconciliation of the discrepancy of P11.980 million between the General Ledger (GL) balance and the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); and (c) non-conduct of inventory of PPE with carrying amount of P29.000 million.
2. The Due from Government Owned and Controlled Corporations (GOCCs) - Philippine International Trading Corporation (PITC) account of P290.992 million as at December 31, 2017 was overstated by P102.563 million in view of the non-recording of delivered fertilizers in CY 2016, since the PITC, the procurement agent of PCA, did not submit the corresponding Liquidation Reports (LRs) as basis in recording thereof in the PCA books.

3. The reciprocal accounts Intra-agency Receivables and Intra-agency Payables were not completely eliminated at year-end due to inadequate reconciliation that resulted in the remaining balance of P64.824 million under the Intra-agency Receivables account; thereby misstating the total Receivables and other affected accounts. The difference was attributed mainly in the recording of Advice of Sub-allotment (ASA) by the ROs without actual cash transfers from the Central Office (CO), which is not in accordance with Philippine Public Sector Accounting Standard (PPSAS) 1 and COA Circular No. 2015-10.

4. The Financial Liabilities - Accounts Payable (AP) account of CO and RO No. V aggregating P360.296 million, which represented 47.75 per cent of the total AP account balance of P754.481 million at year-end, was overstated by P102.491 million due to the inclusion of liabilities that did not meet the recognition criteria under PPSAS 19 such as: (a) liabilities in the amount of P84.822 million for benefits of officers and employees that have no legal basis to be granted; (b) cancelled payment in the amount of P1.450 million as the supplier was already paid was erroneously reverted back to payable; (c) undocumented payables without pending claims totalling P12.832 million; and (d) long-outstanding payables for two to four years in the amount of P3.387 million without valid claims and supporting documents and could have been reverted/closed to Accumulated Surplus account as provided in COA Circular No. 99-004.

For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management:

1.1 Direct the Accounting Division of CO and Accounting Section of RO No. VIII with coordination of the Property Division/Section to prepare and maintain complete Property, Plant and Equipment Ledger Cards (PPELCs)/SLs to support the PPE GL balances under various Funds.

1.2 Require the:

a. Accounting Division and Property Division of the CO to exert effort to reconcile the discrepancy of P11.980 million between accounting records and the RPCPPE;

b. Regional Manager of RO No. VII to cause the conduct of complete physical count of PPE, preparation of the RPCPPE, and reconciliation of the said Report with the Property and Accounting records; and

c. Accounting Division of the CO and all Accounting Sections of the ROs/Centers to, henceforth, strictly observe the PPSAS and Government Accounting Manual (GAM) on the proper accounting of PPE.

2.1 Direct the Accounting Division to:

a. Demand from the Implementing Agencies (IAs) the submission of the LRs for the expended portion of the fund transfers and/or return of the unutilized fund transfers; and

- b. Make persistent demands from PITC for the full liquidation of the fund transfers and the submission of lacking documents to support the utilization of funds for the procurement of fertilizers.

3.1 Direct the:

- a. Internal Audit Division (IAD) to immediately revise the existing guidelines in recording fund transfers from CO to ROs/Centers for the implementation of projects funded under the General Appropriations Act (GAA), to be uniformly applied by the Accounting Division of CO and Accounting Section of ROs;
- b. Accounting Division of CO and Accounting Section of ROs to:
 - b.1. Exhaust all efforts to analyze, review and reconcile the Intra-agency Receivables and Payable accounts to completely eliminate the balance in the financial statements;
 - b.2. Stop the practice of recording ASA without actual fund transfer; and
 - b.3. Record cash transfers from the CO for the implementation of projects funded under the GAA as Subsidy from CO instead of Due to CO.

4.1 Direct the Accounting Division of CO and Accounting Unit of RO No. V to:

- a. Ensure that accruals and payables pertained to valid claims, supported with complete documents and compliant with the recognition criteria provided under PPSAS 19; and
- b. Prepare the necessary adjusting journal entries to close/revert back to Accumulated Surplus account the long outstanding payables without supporting documents and valid legal basis and, have been outstanding for two years or more and against which no actual claims have been filed or which are not covered by perfected contracts.

The other significant audit observations and recommendations that need immediate action are as follows:

5. The Approved Budget for the Contract (ABC) of two perfected contracts for the supply, handling, transport and delivery of 1,428 kilos Yellow Hybrid Corn Seeds and 3,000 kilos Glutinous Corn Seeds in the total amount of P1.660 million was not determined using the prescribed procedures in the Government Procurement Policy Board (GPPB) – Generic Procurement Manual (GPM), Volume II. Consequently the ABC was disadvantageous to the government as it was 64.69 per cent higher than the estimated prevailing prices of the corn seeds, with an estimated overprice of P1.073 million.

5.1. We recommended that Management require the Officer-In-Charge (OIC)-Regional Manager (RM), RO Nos. I-IV-B to:

- a. Ensure compliance with the GPM and the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 in computing the ABC by

conducting market surveys, among others, to obtain the most advantageous price for the government and avoid adverse audit action on the procurements of the RO;

b. Henceforth, consider coordinating with other government agencies procuring similar goods/planting materials, such as, the Department of Agriculture (DA), Department of Agrarian Reform (DAR) and Bureau of Plant Industry (BPI) in the conduct of market surveys;

c. Consider procuring seeds/planting materials directly from Accredited Seed Growers of the BPI to maximize, with consideration to economy, the utilization of allocated budget; and

d. Instruct the concerned RO Nos. I-IV-B personnel to submit copies of perfected contracts and purchase orders with complete supporting documents within the period prescribed under COA Circular No. 2009-001 dated February 12, 2009.

5.2. We further recommended that Management conduct investigation to determine persons responsible for the overpricing of corn seeds and file appropriate charges, if warranted.

6. The evaluation of Agency's performance is deficient in the absence of a specific unit to perform monitoring and evaluation of resources as spelled out in PCA's Quality Management Systems Manual, and to communicate the results to top Management for decision making. Consequently, progress monitoring reports and their supporting financial reports, such as, Budget and Financial Accountability Reports (BFARs) and Budget Execution Documents (BEDs) required by the Department of Budget and Management (DBM) and, evaluation and monitoring reports required under various projects' guidelines were not prepared; physical accomplishment reports were not reviewed and evaluated; and success indicators were not measured.

6.1. We recommended that Management:

a. Consider creating a Unit to perform monitoring and evaluation of resources and the Agency's overall performance or tap the IAD to perform such functions as prescribed under Philippine Government Internal Audit Manual (PGIAM);

b. Require the Budget Division, Corporate Planning Services and Operations Department to regularly prepare, on the manner prescribed, the consolidated BEDs and BFARs and submit these reports to concerned offices as required under DBM Circular Letter No. 2016-9 dated October 27, 2016 and COA-DBM Joint Circular No. 2014-1 dated July 2, 2014; and

c. Instruct the ROs/Centers to regularly submit the monitoring and evaluation reports to the CO for review and as inputs in planning and decision making.

7. Efficiency and economy in the implementation of the Accelerated Coconut Planting and Replanting Project (ACPRP) in the total amount of P14.865 million in RO Nos. IV-A, I-IVB, VIII, IX and XIII were not assured in view of various deficiencies, such as, among others: (a) incomplete and delayed delivery of 377,000 coconut seedlings amounting to P9.987 million under ACPRP - Indigenous People's Outreach Program (IPOP);

(b) payment of incentives totalling P4.000 million to farmers-participants who did not meet the pre-condition requirement of the Participatory Coconut Planting Project (PCPP); (c) doubtful validity of payment of cash incentives in the total amount of P498,062 and distribution of coconut seedling in the amount of P54,730; and (d) distribution of 9,507 seedlings without soil assessment that resulted in mortality of the seedlings costing P254,046.

7.1. We recommended that Management require the concerned ROs to:

- a. Cause the immediate delivery of the remaining seedlings from the supplier and impose liquidated damages thereon due to delay in the delivery;
- b. Ensure that Provincial Agriculturist/PDCMs strictly comply with the project's guidelines in the evaluation of the eligibility of the farmer-participants to receive cash incentives and coconut seedlings; and
- c. Require the Coconut Development Officers (CDOs) to explain the deficiencies noted in the: (i) payments of cash incentives and (ii) distribution of coconut seedlings with doubtful validity and without conduct of soil suitability assessment. Hold them accountable, if warranted.

The other audit observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 7, 2018 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented and partially implemented audit recommendations embodied in Part III of the Report.


In our transmittal letter of even date, we request the Administrator of PCA to implement the recommendations contained in the report and to inform this Commission of the actions taken thereon within 60 days from receipt of the Report.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


CORA D. MARQUEZ
Director III
Officer-in-Charge

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
The Presidential Management Staff, Office of the President
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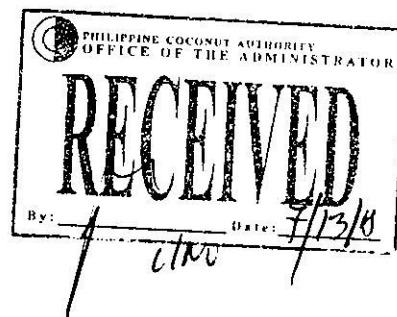
Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City, Philippines

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

July 13, 2018

MR. ROMULO J. DELA ROSA

Administrator
Philippine Coconut Authority
Elliptical Road, Diliman
Quezon City



Dear Mr. Dela Rosa:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our Report on the results of the audit of the accounts and transactions of the **Philippine Coconut Authority (PCA)**, for the year ended December 31, 2017.

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2. The Due from Government Owned and Controlled Corporations (GOCCs) - Philippine International Trading Corporation (PITC) account of P290.992 million as at December 31, 2017 was overstated by P102.563 million in view of the non-recording of delivered fertilizers in CY 2016, since the PITC, the procurement agent of PCA, did not submit the corresponding Liquidation Reports (LRs) as basis in recording thereof in the PCA books.

3. The reciprocal accounts Intra-agency Receivables and Intra-agency Payables were not completely eliminated at year-end due to inadequate reconciliation that resulted in the remaining balance of P64.824 million under the Intra-agency Receivables account; thereby misstating the total Receivables and other affected accounts. The difference was attributed mainly in the recording of Advice of Sub-allotment (ASA) by the ROs without actual cash transfers from the Central Office (CO), which is not in accordance with Philippine Public Sector Accounting Standard (PPSAS) 1 and COA Circular No. 2015-10.

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For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management:

1.1 Direct the Accounting Division of CO and Accounting Section of RO No. VIII with coordination of the Property Division/Section to prepare and maintain complete Property, Plant and Equipment Ledger Cards (PPELCs)/SLs to support the PPE GL balances under various Funds.

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a. Accounting Division and Property Division of the CO to exert effort to reconcile the discrepancy of P11.980 million between accounting records and the RPCPPE;

b. Regional Manager of RO No. VII to cause the conduct of complete physical count of PPE, preparation of the RPCPPE, and reconciliation of the said Report with the Property and Accounting records; and

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- b. Accounting Division of CO and Accounting Section of ROs to:
 - b.1. Exhaust all efforts to analyze, review and reconcile the Intra-agency Receivables and Payable accounts to completely eliminate the balance in the financial statements;
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conducting market surveys, among others, to obtain the most advantageous price for the government and avoid adverse audit action on the procurements of the RO;

b. Henceforth, consider coordinating with other government agencies procuring similar goods/planting materials, such as, the Department of Agriculture (DA), Department of Agrarian Reform (DAR) and Bureau of Plant Industry (BPI) in the conduct of market surveys;

c. Consider procuring seeds/planting materials directly from Accredited Seed Growers of the BPI to maximize, with consideration to economy, the utilization of allocated budget; and

d. Instruct the concerned RO Nos. I-IV-B personnel to submit copies of perfected contracts and purchase orders with complete supporting documents within the period prescribed under COA Circular No. 2009-001 dated February 12, 2009.

5.2. We further recommended that Management conduct investigation to determine persons responsible for the overpricing of corn seeds and file appropriate charges, if warranted.

6. The evaluation of Agency's performance is deficient in the absence of a specific unit to perform monitoring and evaluation of resources as spelled out in PCA's Quality Management Systems Manual, and to communicate the results to top Management for decision making. Consequently, progress monitoring reports and their supporting financial reports, such as, Budget and Financial Accountability Reports (BFARs) and Budget Execution Documents (BEDs) required by the Department of Budget and Management (DBM) and, evaluation and monitoring reports required under various projects' guidelines were not prepared; physical accomplishment reports were not reviewed and evaluated; and success indicators were not measured.

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- c. Require the Coconut Development Officers (CDOs) to explain the deficiencies noted in the: (i) payments of cash incentives and (ii) distribution of coconut seedlings with doubtful validity and without conduct of soil suitability assessment. Hold them accountable, if warranted.

The other audit observations together with the recommended courses of action which were discussed by the Audit Team with concerned Management officials and staff during the exit conference conducted on June 7, 2018 are discussed in detail in Part II of the Report. We also invite your attention to the prior years' unimplemented and partially implemented audit recommendations embodied in Part III of the Report.


We respectfully request that the recommendations contained in Part II of the Report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and returning the same to us within 60 days from the date of receipt hereof.

We acknowledge the support and cooperation that Management extended to the Audit Team, thus facilitating the completion of the report.

Very truly yours,

COMMISSION ON AUDIT

By:


CORA D. MARQUEZ
Director III
Officer-in-Charge

Copy furnished:

The President of the Republic of the Philippines
The Vice President
The Speaker of the House of Representatives
The Chairperson – Senate Finance Committee
The Chairperson – Appropriations Committee
The Secretary of the Department of Budget and Management
The Governance Commission for Government-Owned or Controlled Corporations
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Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

ANNUAL AUDIT REPORT

on the

**PHILIPPINE COCONUT AUTHORITY
(PCA)**

For the Year Ended December 31, 2017

EXECUTIVE SUMMARY

INTRODUCTION

The Philippine Coconut Authority (PCA) was created on June 30, 1973 by virtue of Presidential Decree (PD) No. 232 as amended by PD No. 1468, otherwise known as the Revised Coconut Industry Code. Its primary objective is to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and ensure that the coconut farmers become direct participants in, and beneficiaries thereof.

By virtue of Executive Order (EO) No. 165 issued on May 15, 2014, former President Benigno S. Aquino III reassigned the PCA and two other government-owned and/or controlled corporations (GOCCs) under the Department of Agriculture (DA) back to the Office of the President. The former head of the Senate's Committee on Agriculture, Francis N. Pangilinan, was appointed by President Aquino as the first Secretary of the Office of the Presidential Assistant for Food Security and Agricultural Modernization (OPAFSAM) and was given the oversight responsibilities over the three GOCCs. On June 30, 2016, pursuant to EO No. 01, the PCA is among the 12 agencies placed under the supervision of the Office of the Cabinet Secretary. The declaration of supervision of the Agency was enacted to develop and evaluate poverty reduction programs.

The corporate powers and functions of the Authority are vested in and exercised by the Board of Directors chaired by the Cabinet Secretary with six members, all from the private sector. The day-to-day affairs and operations of the Authority are being managed by the Administrator in accordance with the policies established by the Board.

The PCA adopts the regionalization scheme except for Regions I, II, III and IV-B which are under the Regional Office (RO) in Quezon City and Region IV-A under the RO in Lucena City. It has 12 ROs, 60 Provincial Offices (PrOs), three Research Centers as well as Training and Seed Production Centers headed by a Regional Manager, Provincial Coconut Development Manager (PCDM) and Center Manager, respectively.

FINANCIAL HIGHLIGHTS (In Million Pesos)

I. Statement of Financial Position

	2017	2016 (As restated)	Increase/ (Decrease)
Total assets	3,048.364	3,444.302	(395.938)
Total liabilities	938.785	812.227	126.558
Net assets/equity	2,109.579	2,632.075	(522.496)

II. Statement of Financial Performance

	2017	2016 (As restated)	Increase/ (Decrease)
Total revenue	310.961	430.078	(119.117)
Current operating expenses	2,230.543	2,230.830	(0.287)
Deficit from current operation	(1,919.582)	(1,800.752)	(118.830)
Subsidy from national government	1,339.117	1,250.875	88.242
Other non-operating income	56.386	61.678	(5.292)
Deficit	(524.079)	(488.199)	(35.880)

III. Comparison of CY 2016 Budget and Actual Amounts

	Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final and Actual
	Original	Final		
Services and business income	403.000	403.000	421.547	(18.547)
Subsidy from national government	1,438.772	1,438.772	1,339.117	99.655
Reprogrammed subsidy from prior years	2,842.492	2,842.492	2,842.492	-
Gain on sale of biological assets	-	-	0.025	(0.025)
Other non-operating income	168.500	168.500	56.385	112.115
Total receipts	4,852.764	4,852.764	4,659.566	193.198
Personnel services	509.879	509.879	377.188	132.691
Maintenance and other operating expenses	2,955.994	2,955.994	1,791.305	1,164.689
Capital outlay	1,046.497	1,046.497	123.215	923.282
Financial expenses	-	-	0.002	(0.002)
Total payments	4,512.370	4,512.370	2,291.710	2,220.660
Net payments	340.394	340.394	2,367.856	2,027.462

SCOPE OF AUDIT

Our audit covered the operations of PCA for Calendar Year (CY) 2017. The audit involved performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. Our audit was also made to assess the propriety of financial transactions in compliance with laws, rules and regulations and to identify improvement opportunities.

AUDITOR'S OPINION

We rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following:

1. The reliability of the Property, Plant and Equipment (PPE) account with carrying balance of P704.108 million as at year-end could not be ascertained due to: (a) absence of subsidiary ledgers (SLs) for PPE with carrying amount of P158.344 million; (b) non-reconciliation of the discrepancy of P11.980 million between the General Ledger (GL) balance and the Report on the Physical Count of Property Plant and Equipment (RPCPPE); and (c) non-conduct of inventory of PPE with carrying amount of P29.000 million.
2. The Due from Government Owned and Controlled Corporations (GOCCs) - Philippine International Trading Corporation (PITC) account of P290.992 million as at December 31, 2017 was overstated by P102.563 million in view of the non-recording of delivered fertilizers in CY 2016, since the PITC, the procurement agent of PCA, did not submit the corresponding Liquidation Reports (LRs) as basis in recording thereof in the PCA books.
3. The reciprocal accounts Intra-agency Receivables and Intra-agency Payables were not completely eliminated at year-end due to inadequate reconciliation that resulted in the remaining balance of P64.824 million under the Intra-agency Receivables account;

thereby misstating the total Receivables and other affected accounts. The difference was attributed mainly in the recording of Advice of Sub-allotment (ASA) by the ROs without actual cash transfers from the Central Office (CO), which is not in accordance with Philippine Public Sector Accounting Standard (PPSAS) 1 and COA Circular No. 2015-10.

4. The Financial Liabilities - Accounts Payable (AP) account of CO and RO No. V aggregating P360.296 million, which represented 47.75 per cent of the total AP account balance of P754.481 million at year-end, was overstated by P102.491 million due to the inclusion of liabilities that did not meet the recognition criteria under PPSAS 19 such as: (a) liabilities in the amount of P84.822 million for benefits of officers and employees that have no legal basis to be granted; (b) cancelled payment in the amount of P1.450 million as the supplier was already paid was erroneously reverted back to payable; (c) undocumented payables without pending claims totalling P12.832 million; and (d) long-outstanding payables for two to four years in the amount of P3.387 million without valid claims and supporting documents and could have been reverted/closed to Accumulated Surplus account as provided in COA Circular No. 99-004.

SIGNIFICANT AUDIT OBSERVATIONS AND RECOMMENDATIONS

For the above-mentioned observations which caused the issuance of a qualified opinion, we recommended that Management:

1.1 Direct the Accounting Division of CO and Accounting Section of RO No. VIII with coordination of the Property Division/Section to prepare and maintain complete Property, Plant and Equipment Ledger Cards (PPELCs)/SLs to support the PPE GL balances under various Funds.

1.2 Require the:

a. Accounting Division and Property Division of the CO to exert effort to reconcile the discrepancy of P11.980 million between accounting records and the RPCPPE;

b. Regional Manager of RO No. VII to cause the conduct of complete physical count of PPE, preparation of the RPCPPE, and reconciliation of the said Report with the Property and Accounting records; and

c. Accounting Division of the CO and all Accounting Sections of the ROs/Centers to, henceforth, strictly observe the PPSAS and Government Accounting Manual (GAM) on the proper accounting of PPE.

2.1 Direct the Accounting Division to:

a. Demand from the Implementing Agencies (IAs) the submission of the LRs for the expended portion of the fund transfers and/or return of the unutilized fund transfers; and

- b. Make persistent demands from PITC for the full liquidation of the fund transfers and the submission of lacking documents to support the utilization of funds for the procurement of fertilizers.

3.1 Direct the:

- a. Internal Audit Division (IAD) to immediately revise the existing guidelines in recording fund transfers from CO to ROs/Centers for the implementation of projects funded under the General Appropriations Act (GAA), to be uniformly applied by the Accounting Division of CO and Accounting Section of ROs;
- b. Accounting Division of CO and Accounting Section of ROs to:
 - b.1. Exhaust all efforts to analyze, review and reconcile the Intra-agency Receivables and Payable accounts to completely eliminate the balance in the financial statements;
 - b.2. Stop the practice of recording ASA without actual fund transfer; and
 - b.3. Record cash transfers from the CO for the implementation of projects funded under the GAA as Subsidy from CO instead of Due to CO.

4.1 Direct the Accounting Division of CO and Accounting Unit of RO No. V to:

- a. Ensure that accruals and payables pertained to valid claims, supported with complete documents and compliant with the recognition criteria provided under PPSAS 19; and
- b. Prepare the necessary adjusting journal entries to close/revert back to Accumulated Surplus account the long outstanding payables without supporting documents and valid legal basis and, have been outstanding for two years or more and against which no actual claims have been filed or which are not covered by perfected contracts.

The other significant audit observations and recommendations that need immediate action are as follows:

5. The Approved Budget for the Contract (ABC) of two perfected contracts for the supply, handling, transport and delivery of 1,428 kilos Yellow Hybrid Corn Seeds and 3,000 kilos Glutinous Corn Seeds in the total amount of P1.660 million was not determined using the prescribed procedures in the Government Procurement Policy Board (GPPB) – Generic Procurement Manual (GPM), Volume II. Consequently the ABC was disadvantageous to the government as it was 64.69 per cent higher than the estimated prevailing prices of the corn seeds, with an estimated overprice of P1.073 million.

5.1. We recommended that Management require the Officer-In-Charge (OIC)-Regional Manager (RM), RO Nos. I-IV-B to:

- a. Ensure compliance with the GPM and the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 in computing the ABC by

conducting market surveys, among others, to obtain the most advantageous price for the government and avoid adverse audit action on the procurements of the RO;

b. Henceforth, consider coordinating with other government agencies procuring similar goods/planting materials, such as, the DA, Department of Agrarian Reform (DAR) and Bureau of Plant Industry (BPI) in the conduct of market surveys;

c. Consider procuring seeds/planting materials directly from Accredited Seed Growers of the BPI to maximize, with consideration to economy, the utilization of allocated budget; and

d. Instruct the concerned RO Nos. I-IV-B personnel to submit copies of perfected contracts and purchase orders with complete supporting documents within the period prescribed under COA Circular No. 2009-001 dated February 12, 2009.

5.2. We further recommended that Management conduct investigation to determine persons responsible for the overpricing of corn seeds and file appropriate charges, if warranted.

6. The evaluation of Agency's performance is deficient in the absence of a specific unit to perform monitoring and evaluation of resources as spelled out in PCA's Quality Management Systems Manual, and to communicate the results to top Management for decision making. Consequently, progress monitoring reports and their supporting financial reports, such as, Budget and Financial Accountability Reports (BFARs) and Budget Execution Documents (BEDs) required by the Department of Budget and Management (DBM) and, evaluation and monitoring reports required under various projects' guidelines were not prepared; physical accomplishment reports were not reviewed and evaluated; and success indicators were not measured.

6.1. We recommended that Management:

a. Consider creating a Unit to perform monitoring and evaluation of resources and the Agency's overall performance or tap the IAD to perform such functions as prescribed under Philippine Government Internal Audit Manual (PGIAM);

b. Require the Budget Division, Corporate Planning Services and Operations Department to regularly prepare, on the manner prescribed, the consolidated BEDs and BFARs and submit these reports to concerned offices as required under DBM Circular Letter No. 2016-9 dated October 27, 2016 and COA-DBM Joint Circular No. 2014-1 dated July 2, 2014; and

c. Instruct the ROs/Centers to regularly submit the monitoring and evaluation reports to the CO for review and as inputs in planning and decision making.

7. Efficiency and economy in the implementation of the Accelerated Coconut Planting and Replanting Project (ACPRP) in the total amount of P14.865 million in RO Nos. IV-A, I-IVB, VIII, IX and XIII were not assured in view of various deficiencies, such as, among others: (a) incomplete and delayed delivery of 377,000 coconut seedlings amounting to P9.987 million under ACPRP - Indigenous People's Outreach Program (IPOP); (b) payment of incentives totalling P4.000 million to farmers-participants who did not

meet the pre-condition requirement of the Participatory Coconut Planting Project (PCPP); (c) doubtful validity of payment of cash incentives in the total amount of P498,062 and distribution of coconut seedling in the amount of P54,730; and (d) distribution of 9,507 seedlings without soil assessment that resulted in mortality of the seedlings costing P254,046.

7.1. We recommended that Management require the concerned ROs to:

- a. Cause the immediate delivery of the remaining seedlings from the supplier and impose liquidated damages thereon due to delay in the delivery;
- b. Ensure that Provincial Agriculturist/PDCMs strictly comply with the project's guidelines in the evaluation of the eligibility of the farmer-participants to receive cash incentives and coconut seedlings; and
- c. Require the Coconut Development Officers (CDOs) to explain the deficiencies noted in the: (i) payments of cash incentives and (ii) distribution of coconut seedlings with doubtful validity and without conduct of soil suitability assessment. Hold them accountable, if warranted.

SUMMARY OF UNSETTLED AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS AS AT DECEMBER 31, 2017

As of December 31, 2017, unsettled audit disallowances and suspensions amounted to P71.539 million and P5.199 million, respectively; while no unsettled charges at year-end. The details and status of the unsettled disallowances and suspensions are presented in Annex B, Part IV of this Report.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 142 audit recommendations embodied in the previous years' Annual Audit Reports, 54 were fully implemented, 54 were partially implemented and 34 were not implemented. Details are presented in Part III of this Report.

TABLE OF CONTENTS

	Page
PART I - AUDITED FINANCIAL STATEMENTS	
Independent Auditor's Report	1
Statement of Management's Responsibility for Financial Statements	4
Statement of Financial Position	5
Statement of Financial Performance	6
Statement of Changes in Net Assets/Equity	7
Statement of Cash Flows	8
Statement of Comparison of Budget and Actual Amounts	9
Notes to Financial Statements	10
PART II - OBSERVATIONS AND RECOMMENDATIONS	53
PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS	116
PART IV - ANNEXES	
A – Results of Confirmation from Source Agencies of Fund Transfers	155
B – Details and Status of Unsettled Audit Disallowances and Suspensions	158



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Coconut Authority
Elliptical Road, Diliman
Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Philippine Coconut Authority (PCA)**, which comprise the statement of financial position as at December 31, 2017, and the statement of financial performance, statement of changes in net assets/equity, statement of cash flows and statement of comparison of budget and actual amounts for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **PCA** as at December 31, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Public Sector Accounting Standards (PPSASs).

Basis for Qualified Opinion

The Receivables account includes Inter-agency Receivables - Due from Government Owned and Controlled Corporations of P290.992 million which was overstated by P102.563 million in view of the non-recording of delivered fertilizers in calendar year 2016 by the suppliers of the Philippine International Trading Corporation, the procurement agent of the PCA, and the Intra-agency Receivables which was overstated by P64.824 million due to non-elimination of reciprocal accounts Intra-agency Receivables and Intra-agency Payables at year-end. Moreover, the Financial Liabilities - Accounts Payable account aggregating P360.296 million was overstated by P102.491 million due to the inclusion of liabilities that did not meet the recognition criteria under PPSAS 19.

Meanwhile, the reliability of the Property, Plant and Equipment (PPE) account with carrying balance of P704.108 million as at year-end could not be ascertained due to the absence of subsidiary ledgers for PPE with carrying amount of P158.344 million; non-reconciliation of the discrepancy of P11.980 million between the General Ledger balance and the Report on the Physical Count of Property Plant and Equipment; and non-conduct of inventory of PPE with carrying amount of P29.000 million.

We were not able to perform alternative audit procedures to determine if adjustments to the PPE account are necessary due to inadequate accounting and property records.

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 PCA in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, 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 opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

In preparing the financial statements, management is responsible for assessing the PCA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PCA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PCA's financial reporting process.

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.

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 Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- 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 findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on Supplementary Information Required under
BIR Revenue Regulation 15-2010***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2017 required by the Bureau of Internal Revenue as disclosed in Note 34 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT



MARIA LINDA C. DECENA
OIC-Supervising Auditor
Audit Group C-PCA/SRA/PHILSUCOR
Cluster 5 - Agricultural and Natural Resources
Corporate Government Sector

July 11, 2018

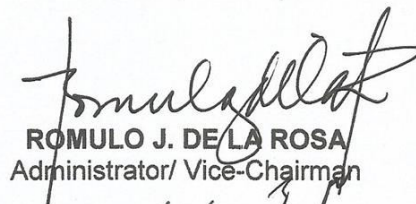


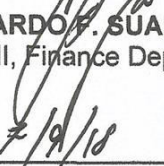
STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS


The Management of the Philippine Coconut Authority (PCA) is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and others users.

The Commission on Audit has audited the financial statements of PCA in accordance with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of presentation upon completion of such audit, in its report to the Board of Directors.


ROMULO J. DE LA ROSA
Administrator/ Vice-Chairman
7/10/18
Date Signed


EDUARDO F. SUAREZ
Manager II, Finance Department
7/9/18
Date Signed


GLENN B. SANTOS
Deputy Administrator
Administrative and Finance Branch
7/10/18
Date Signed

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF FINANCIAL POSITION

As at December 31, 2017
(In Philippine Peso)

	Note	2017	2016 (Restated)	1 January 2016 (Restated)
ASSETS				
Current assets				
Cash and cash equivalents	8	909,071,782	1,304,327,029	1,817,092,655
Receivables - net	9	620,445,589	719,318,744	660,114,095
Inventories	10	68,409,976	52,555,580	166,699,943
Other current assets	11	10,150,445	6,059,342	42,915,736
		1,608,077,792	2,082,260,695	2,686,822,429
Non-current assets				
Receivables - net	9	3,394,349	3,774,305	2,713,074
Investments	12	88,515	88,515	88,515
Investment properties - net	13	10,689,709	10,883,477	11,077,245
Property, plant and equipment - net	14	704,107,918	624,915,390	583,638,950
Biological assets	15	2,536,028	2,539,558	2,575,772
Other non-current assets	16	719,470,007	719,840,095	719,656,467
		1,440,286,526	1,362,041,340	1,319,750,023
TOTAL ASSETS		3,048,364,318	3,444,302,035	4,006,572,452
LIABILITIES				
Current liabilities				
Financial liabilities	17	765,197,420	617,929,635	647,840,154
Inter-agency payables	18	88,212,937	95,496,934	79,798,527
Trust liabilities	19	10,930,858	14,765,523	7,840,705
Other payables	20	52,901,828	61,716,090	55,915,204
		917,243,043	789,908,182	791,394,590
Non-current liability				
Deferred credits/unearned income	21	21,542,596	22,318,593	102,552,602
		21,542,596	22,318,593	102,552,602
TOTAL LIABILITIES		938,785,639	812,226,775	893,947,192
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		2,109,578,679	2,632,075,260	3,112,625,260
NET ASSETS/EQUITY				
Government equity	32	1,183,973,074	1,182,390,523	1,174,499,648
Accumulated surplus	32	905,750,605	1,429,829,737	1,918,028,612
Revaluation surplus	32	19,855,000	19,855,000	20,097,000
TOTAL NET ASSETS/EQUITY		2,109,578,679	2,632,075,260	3,112,625,260

The notes on pages 10 to 52 form part of these Financial Statements

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended December 31, 2017
(In Philippine Peso)

	Note	2017	2016 (Restated)
REVENUE			
Service and business income	22	310,935,642	430,078,293
Gains	23	25,000	-
		310,960,642	430,078,293
CURRENT OPERATING EXPENSES			
Personnel services	24	377,187,566	376,111,562
Maintenance and other operating expenses	25	1,791,305,098	1,788,640,016
Financial expenses	26	1,663	300
Non-cash expenses	27	62,048,100	66,078,282
		2,230,542,427	2,230,830,160
DEFICIT FROM CURRENT OPERATIONS		1,919,581,785	1,800,751,867
Net financial assistance/subsidy	28	1,339,117,000	1,250,875,000
Other non-operating income	29.1	56,385,646	61,677,985
Gains	29.2	7	7
DEFICIT FOR THE PERIOD		524,079,132	488,198,875

The notes on pages 10 to 52 form part of these Financial Statements

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the Year Ended December 31, 2017
(In Philippine Peso)

	Government equity Note 32	Accumulated surplus/(deficit) Note 32	Revaluation surplus Note 32	Total
BALANCE AT JANUARY 1, 2016	1,174,500,704	3,611,261,002	20,097,000	4,805,858,706
ADJUSTMENTS:				
Add/(Deduct):				
Changes in accounting policy	-	-485,426	-	(485,426)
Prior period errors:				
Additional impairment of receivables with legal constraint	-	(522,274,087)	-	(522,274,087)
Subsidy income recognized but not yet received	-	(1,250,875,000)	-	(1,250,875,000)
Other prior period adjustments	(1,056)	80,402,123	-	80,401,067
RESTATED BALANCE AT JANUARY 1, 2016	1,174,499,648	1,918,028,612	20,097,000	3,112,625,260
CHANGES IN NET ASSETS/EQUITY FOR CY 2016				
Add/(Deduct):				
Surplus/(deficit) for the period	-	(488,198,875)	-	(488,198,875)
Decrease in appraisal capital	-	-	(242,000)	(242,000)
Additional investment from utilization of fund transfer	6,300,634	-	-	6,300,634
Donations	1,562,763	-	-	1,562,763
Disallowance and other payments	27,478	-	-	27,478
RESTATED BALANCE AT DECEMBER 31, 2016	1,182,390,523	1,429,829,737	19,855,000	2,632,075,260
CHANGES IN NET ASSETS/EQUITY FOR CY 2017				
Add/(Deduct):				
Surplus/(deficit) for the period	-	(524,079,132)	-	(524,079,132)
Additional investment from utilization of fund transfer	1,641,156	-	-	1,641,156
Donations	(2,688)	-	-	(2,688)
Disallowance and other payments	(55,917)	-	-	(55,917)
BALANCE AT DECEMBER 31, 2017	1,183,973,074	905,750,605	19,855,000	2,109,578,679

The notes on pages 10 to 52 form part of these Financial Statements

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(In Philippine Peso)

	Note	2017	2016 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of notice of cash allocation		1,324,117,000	1,250,875,000
Collection of income/revenues		330,052,357	352,229,538
Receipt of assistance/subsidy		534,476,981	567,201,463
Collection of receivables		42,869,735	127,092,028
Trust receipts		46,899,870	73,839,791
Other receipts		37,344,411	35,633,344
		2,315,760,354	2,406,871,164
Cash outflows			
Payment of expenses		1,399,623,843	1,578,643,889
Purchase of inventories		74,957,424	32,573,992
Purchase of consumable biological assets		13,225,450	82,528,285
Grant of cash advances		58,843,148	75,122,702
Prepayments		176,070	1,220,977
Refund of deposits		1,925,599	221,969
Payment of accounts payable		196,998,626	330,629,089
Remittance of personnel benefit contributions and mandatory deductions		180,139,493	154,089,299
Release of inter-agency fund transfers		145,570,230	1,476,419
Release of intra-agency fund transfers		547,941,644	598,674,656
Other disbursement		28,166,510	20,966,788
		2,647,568,037	2,876,148,065
Net cash used in operating activities		(331,807,683)	(469,276,901)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from sale/disposal of property, plant and equipment		-	87,374
Sale of investments		275,440	-
Receipt of interest earned		3,157,684	1,782,879
		3,433,124	1,870,253
Cash outflows			
Purchase/construction of property, plant and equipment		66,880,688	45,358,978
		66,880,688	45,358,978
Net cash used in investing activities		(63,447,564)	(43,488,725)
DECREASE IN CASH AND CASH EQUIVALENTS		(395,255,247)	(512,765,626)
CASH AND CASH EQUIVALENTS, JANUARY 1		1,304,327,029	1,817,092,655
CASH AND CASH EQUIVALENTS, DECEMBER 31	8	909,071,782	1,304,327,029

The notes on pages 10 to 52 form part of these Financial Statements

PHILIPPINE COCONUT AUTHORITY
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2017
(In Philippine Peso)

		Budgeted Amounts		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Note	Original	Final		
RECEIPTS					
Services and business income		403,000,000	403,000,000	421,546,789	(18,546,789)
Assistance and subsidy		1,438,772,000	1,438,772,000	1,339,117,000	99,655,000
Reprogrammed subsidy from prior years		2,842,492,000	2,842,492,000	2,842,492,000	-
Gains on sale of biological assets		-	-	25,000	(25,000)
Other non-operating income		168,500,000	168,500,000	56,385,646	112,114,354
Other non-operating receipts:					
Gain on foreign exchange		-	-	7	(7)
		4,852,764,000	4,852,764,000	4,659,566,442	193,197,558
PAYMENTS					
Personnel services		509,879,000	509,879,000	377,187,566	132,691,434
Maintenance and other operating expenses		2,955,994,000	2,955,994,000	1,791,305,098	1,164,688,902
Capital outlay		1,046,497,000	1,046,497,000	123,215,452	923,281,548
Financial expenses		-	-	1,663	(1,663)
		4,512,370,000	4,512,370,000	2,291,709,779	2,220,660,221
NET PAYMENTS		340,394,000	340,394,000	2,367,856,663	(2,027,462,663)

The notes on pages 10 to 52 form part of these Financial Statements

PHILIPPINE COCONUT AUTHORITY
NOTES TO FINANCIAL STATEMENTS
(All amounts in Philippine Peso unless otherwise stated)

1. GENERAL INFORMATION

The Philippine Coconut Authority (PCA) was created on June 30, 1973 by virtue of Presidential Decree (PD) No. 232, as amended by PD No. 1468, otherwise known as the Revised Coconut Industry Code.

Mandate

It is hereby directed to be the policy of the State to promote the rapid integrated development and growth of the coconut and other palm oil industry in all its aspects and to ensure that the coconut farmers become direct participants in, and beneficiaries of, such development and growth.

It establishes the legal basis for PCA's sole stewardship and responsibility over the coconut and other palm oil industries for the benefit of the coconut and oil palm farmers.

Functions

- *Formulate and promote a strategic and comprehensive development program for the coconut and other palm oil industry in all its aspects;*
- *Implement and sustain a nationwide coconut planting and replanting, fertilization and rehabilitation, and other farm productivity programs;*
- *Conduct research and extension works on farm productivity and process development for product quality and diversification;*
- *Establish quality standards for coconut and palm products and by-products; develop and expand the domestic and foreign markets; and*
- *Enhance the capacities and ensure the socio-economic welfare of coconut and palm farmers and farm workers.*

Vision

A developed and globally competitive coconut and other palm oil industry that contributes to food security, improved income, and enhanced participation of all stakeholders by calendar year (CY) 2020.

Mission

The PCA shall ensure the development and implementation of high value programs for the coconut and other palm oil industry carried out in transparent, responsible, and accountable manner and with utmost degree of professionalism and effectiveness.

The PCA adopts the regionalization scheme except for Regions I, II, III and IV-B which are under the Regional Office (RO) in Quezon City and, Region IV-A under the RO in Lucena City. It has 12 ROs headed by a Regional Manager, 60 provincial offices headed by a Provincial Coconut Development Manager, and three research centers as well as training and seed production centers headed by a Center Manager.

The PCA's registered office is located in Elliptical Road, Diliman, Quezon City, Philippines.

The Financial Statements of PCA were authorized for issue on July 10, 2018 as shown in the Statement of Management's Responsibility for Financial Statements.

2. BASIS FOR THE PREPARATION AND PRESENTATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the Philippine Public Sector Accounting Standards (PPSASs) prescribed for adoption by the Commission on Audit (COA) in COA Resolution No. 2014-003 dated January 24, 2014.

These are PCA's first financial statements prepared in accordance with PPSASs and PPSAS 33 *First-time Adoption of Accrual Basis PPSAS* has been applied. The date of adoption of PPSASs is January 1, 2016. The accounting policies have been consistently applied throughout the year presented.

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

The financial statements are presented in Philippine Peso, which is also the country's functional currency.

Amounts are rounded off to the nearest thousand, unless otherwise stated.

The financial statements are presented in comparative figures with the immediately preceding year.

3. ADOPTION OF PHILIPPINE PUBLIC SECTOR ACCOUNTING STANDARDS (PPSASs)

COA Resolution No. 2014-003 dated January 24, 2014 prescribed the adoption of 25 PPSASs effective January 1, 2014 by non-government business enterprises (Non-GBEs), as amended by COA Resolution No. 2015-040 dated December 1, 2015, on the effectivity of the adoption of the PPSASs from May 22, 2015 to January 1, 2016. These PPSASs were based on the International Public Sector Accounting Standards (IPSASs) which were published in the 2012 Handbook of International Public Sector Accounting Pronouncements (HIPSAP) of the International Public Sector Accounting Standards Board. COA Resolution No. 2017-006 dated April 26, 2017 prescribed the adoption of additional six PPSASs and updates on the PPSASs prescribed in COA Resolution No. 2014-003 in accordance with the 2016 Edition of the HIPSAP.

3.1 Currently effective Standards that are relevant and adopted

Below is a list of PPSASs issued as at December 31, 2017 that are adopted for the first time by the PCA in preparing the financial statements for the year ended December 31, 2017, the comparative information presented in these financial statements for the year ended December 31, 2016 and in the preparation of an opening PPSAS statement of financial position at January 1, 2016 (the PCA's date of transition).

- PPSAS 1, *Presentation of Financial Statements (effective for periods beginning January 1, 2014)*

This Standard sets overall considerations for the presentation of financial statements, guidance for their structure, and minimum requirements for the content of financial statements prepared under the accrual basis of accounting.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 2, *Cash Flows Statements (effective for periods beginning January 1, 2014)*

This Standard requires the provision of information about the historical changes in cash and cash equivalents of an entity by means of a cash flow statement that classifies cash flows during the period from operating, investing, and financing activities.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 3, *Accounting Policies, Changes in Accounting Estimates and Errors (effective for periods beginning January 1, 2014)*

This Standard prescribes the criteria for selecting and changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates, and correction of errors.

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for Property, Plant and Equipment (PPE) was applied. A total of P11.071 million was reclassified and booked as adjustment in the prior financial statement prepared using Generally Accepted Accounting Principles.

Also, impairment of receivables in the aggregate amount of P522.274 million had been recognized to adjust their carrying amount.

- PPSAS 5, *Borrowing Costs (effective for periods beginning January 1, 2014)*

This Standard prescribes the accounting treatment for borrowing costs. This Standard generally requires the immediate expensing of borrowing costs. However, the Standard permits, as an allowed alternative treatment, the

capitalization of borrowing costs that are directly attributable to the acquisition, construction, or production of a qualifying asset. The PCA does not have borrowing costs as at the reporting period.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 9, *Revenue from Exchange Transaction (effective for periods beginning January 1, 2014)*

This Standard prescribes the standards for identification, measurement and disclosure of revenues of public sector entities derived from exchange transactions. An exchange is one in which the entity receives asset or services, or has liabilities extinguished, and directly gives approximately equal value to the other party in exchange. These transactions are rendering of services, sale of good and use by other entity assets yielding interest, royalties, and dividends.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 12, *Inventories (effective for periods beginning January 1, 2014)*

This Standard sets out the accounting treatment for inventories. A primary issue in accounting for inventories is the amount of cost to be recognized. This Standard provides guidance on the determination of cost and its subsequent recognition as an expense, including any write-down to net realizable value. It also provides guidance on the cost formulas that are used to assign costs to inventories.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 13, *Leases (effective for periods beginning January 1, 2014)*

This Standard prescribes, for lessees and lessor, the appropriate policies and disclosures to apply in relation to finance and operating leases. It also prescribes specific identifications of transactions which are considered as lease agreement and those which are not. Also, it presents the two specific classifications of lease agreement and how they are presented in the financial statements.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 14, *Events After the Reporting Date (effective for periods beginning January 1, 2014)*

This Standard prescribes the circumstances in which adjustments for events after the reporting period are required. It also prescribes the disclosure requirements regarding the date of authorization for issue and information received after the reporting period.

It requires that an entity should not prepare its financial statements on going concern basis if events after the reporting date indicate that going concern assumption is not appropriate.

- PPSAS 16, *Investment Property* (effective for periods beginning January 1, 2014)

This Standard prescribes the accounting treatment for investment property and related disclosure requirements. Investment Property shall be measured initially at cost except when it is acquired through a non-exchange transaction such as donation, or when it pertains to a property interest held under an operating lease. After initial recognition, the entity shall choose either fair value or cost model and shall apply that valuation policy to all its Investment Property. At any case, the fair value shall be determined either for measurement (if the entity uses the fair value model) or disclosure (if it uses the cost model).

The PCA reclassified from Property, Plant and Equipment to Investment Property the carrying amount aggregating P10.690 million of buildings and/or part thereof used for the purpose of earning rental income from third parties under operating lease.

- PPSAS 17, *Property, Plant and Equipment* (effective for periods beginning January 1, 2014)

This Standard prescribes the standards on the recognition, measurement at recognition, measurement after recognition, depreciation, impairment, derecognition and disclosure requirements dealing with transactions and events affecting Property, Plant and Equipment of the Philippine public sector. The principal issues in accounting for Property, Plant, and Equipment are: (a) the recognition of the assets, (b) the determination of their carrying amounts, and (c) the depreciation charges and impairment losses to be recognized in relation to them.

In accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for Property, Plant and Equipment was applied. A total of P11.071 million was reclassified and booked as adjustment in the prior financial statement prepared using generally accepted accounting principles.

Also, the carrying amount of P10.690 million of buildings and/or part thereof used for the purpose of earning rental income from third parties under operating lease had been reclassified from Property, Plant and Equipment to Investment Property.

- PPSAS 19, *Provisions, Contingent Liabilities and Contingent Assets* (effective for periods beginning January 1, 2014)

This Standard defines provisions, contingent liabilities and contingent assets, and identifies the circumstances in which provision should be recognized, how they should be measured, and the disclosures that should be made about them. It also requires that certain information be disclosed about contingent liabilities and contingent assets in the notes to the financial statements to enable users to understand the nature, timing and amount.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 20, *Related Party Disclosures (effective for periods beginning January 1, 2014)*

This Standard sets out the requirement of the disclosure of the existence of related party relationships where control exists, and the disclosure of information about transactions between the entity and its related parties in certain circumstances. This information is required for accountability purposes, and to facilitate a better understanding of the financial position and performance of the reporting entity. The principal issues in disclosing information about related parties are (a) identifying which parties control or significantly influence the reporting entity, and (b) determining what information should be disclosed about transactions with those parties.

The PCA's related party disclosures pertain to the remuneration and other benefits received by the Key Management Personnel. No transactions between the PCA and its related parties have occurred.

- PPSAS 23, *Revenue from Non-Exchange Transactions (Taxes and Transfers) (effective for periods beginning January 1, 2014)*

This Standard prescribes requirements for the financial reporting of revenue arising from non-exchange transactions, other than non-exchange transactions that give rise to an entity combination. This Standard deals with issues that need to be considered in recognizing and measuring revenue from non-exchange transactions, including the identification of contributions from owners.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 24, *Presentation of Budget Information in Financial Statements (effective for periods beginning January 1, 2014)*

This Standard prescribes a comparison of budget amounts and the actual amounts arising from execution of the budget to be included in the financial statements of entities. This Standard also requires disclosure of an explanation of the reasons for material differences between the budget and actual amounts. The main issue in the implementation of this Standard is how the comparison of budget and actual amounts shall be presented in the financial statements.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 27, *Agriculture (effective for periods beginning January 1, 2014)*

This Standard prescribes the accounting treatment and disclosures related to agricultural activity. Agricultural activity is the management by an entity of the biological transformation of living animals or plants (biological assets) for sale, or

for distribution at no charge or for a nominal charge or for conversion into agricultural produce or into biological assets.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 28, *Financial Instruments: Presentation* (effective for periods beginning January 1, 2014)

This Standard establishes principles for presenting financial instruments as liabilities or net assets/equity and for offsetting financial assets and financial liabilities. It applies to the classification of financial instruments, from the perspective of the issuer, into financial assets, financial liabilities and equity instruments; the classification of related interest, dividends or similar distribution, losses and gains; and circumstances in which financial assets and financial liabilities should be offset.

This Standard complements the principles for recognizing and measuring financial assets and financial liabilities in PPSAS 29, *Financial Instruments: Recognition and Measurement*, and for disclosing information about them in PPSAS 30, *Financial Instruments: Disclosures*.

- PPSAS 29, *Financial Instruments: Recognition and Measurements* (effective for periods beginning January 1, 2014)

This Standard prescribes the accounting principles for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. It complements the principles for presenting information about financial instruments in PPSAS 28, *Financial Instruments: Presentation* and for disclosing information about them in PPSAS 30, *Financial Instruments: Disclosures*.

It also prescribes principles for hedge accounting. Hedge accounting aims to reduce the volatility of an entity's financial performance by offsetting gains and losses on certain instruments. An entity may elect to apply hedge accounting, but only if prescribed conditions are met.

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 30, *Financial Instruments: Disclosures* (effective for periods beginning January 1, 2014)

This Standard requires entities to provide disclosures in their financial statements that enable users to evaluate: (a) the significance of financial instruments for entity's financial position and financial performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the end of the reporting period, and how the entity manages those risks.

The principles in this Standard complement the principles for presenting and recognizing and measuring financial assets and financial liabilities in PPSAS 28, *“Financial Instruments: Presentation”* and PPSAS 29, *“Financial Instruments: Recognition and Measurement.”*

There is no material difference in recognition and measurement with the previous standard upon application of this PPSAS.

- PPSAS 33, *First-time Adoption of Accrual Basis PPSASs (effective for periods beginning January 1, 2017)*

This Standard provides guidance to a first-time adopter that prepares and presents financial statements following the adoption of accrual basis PPSASs, in order to present high quality information:

- (a) That provides transparent reporting about a first-time adopter’s transition to accrual basis PPSAS;
- (b) That provides a suitable starting point for accounting in accordance with accrual basis PPSASs irrespective of the basis of accounting the first-time adopter has used prior to the date of adoption; and
- (c) Where the benefits are expected to exceed the costs.

The PCA did not adopt any of the transitional exemptions in PPSAS 33 that may impact fair presentation of the financial statements.

3.2 Currently effective Standards that are not relevant and not adopted

The following Standards are mandatorily effective for annual periods beginning on or after January 1, 2017, but are not relevant to the PCA’s financial statements:

- PPSAS 4, *The Effects of Changes in Foreign Exchange Rates*
- PPSAS 6, *Consolidated and Separate Financial Statements*
- PPSAS 8, *Interest in Joint Ventures*
- PPSAS 21, *Impairment of Non-Cash-Generating Assets*
- PPSAS 26, *Impairment of Cash-Generating Assets*
- PPSAS 31, *Intangible Assets*
- PPSAS 32, *Service Concession Arrangements: Grantor*
- PPSAS 34, *Separate Financial Statements*
- PPSAS 35, *Consolidated Financial Statements*
- PPSAS 36, *Investments in Associates and Joint Ventures*
- PPSAS 37, *Joint Ventures*
- PPSAS 38, *Disclosure of Interests in Other Entities*

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1. Basis of Accounting

The Authority's financial statements are prepared on an accrual basis in accordance with the PPSAS.

4.2. Combination of Financial Statements

Financial statements are combination of the 12 ROs, three research centers, one training center, one coconut production center and that of the Central Office (CO) in accordance with PCA's One Fund Accounting System Manual.

All significant intra-fund items and transactions are eliminated in the consolidation.

The combined financial statements reflect the assets, liabilities, revenues and expenses of the Authority's CO and ROs/Centers.

4.3. Adjustments, Restatements and Corrections of Prior Periods Error

Adjustments for changes in accounting policies and restatements to correct errors in prior years are made retrospectively to the extent practicable, using the Accumulated Surplus (Deficit) account. The effects of changes in accounting estimates and correction of errors affecting the current year's accounts are reflected using the current year's accounts.

4.4. Financial Instruments

a. Financial assets

Initial recognition and measurement

Financial assets within the scope of PPSAS 29, *Financial Instruments: Recognition and Measurements* are classified as financial assets at fair value through surplus or deficit, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. The Authority 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 Agency commits to purchase or sell the asset.

The Agency's financial assets include: cash and cash equivalents; and trade and other trade receivables.

Impairment of financial assets

The Agency 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 PPSAS 29 are classified as financial liabilities at fair value through surplus or deficit or loans and borrowings, as appropriate. The entity 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 Authority’s financial liabilities include trade payables, trust liabilities and other payables.

c. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the consolidated statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the assets and settle the liabilities simultaneously.

4.5. Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

4.6. Receivables

Receivables are recognized initially at transaction price. They are subsequently measured at amortized cost less provision for impairment. A provision for impairment of

trade receivables is established when there is objective evidence that the Agency will not be able to collect all amounts due according to the original terms of the receivables.

Trade receivables are financial assets with fixed or determinable payment that are not quoted in an active market. They arise when the Agency provides money, goods, or services directly to a debtor/customer with no intention of trading receivables. Receivables are carried at cost or amortized cost in the statement of financial position. Receivables are included in current assets if maturity is within 12 months of the financial reporting date. Otherwise, these are classified as non-current assets.

Recoverability of specific receivables is evaluated based on the best available facts and circumstances, the length of the Agency's relationship with its debtors, the debtors' payment behaviour and known market factors. These specific reserves are re-evaluated and adjusted as additional information received affects the amount estimated to be uncollectible.

Allowance for impairment-accounts receivable

Allowance for impairment of accounts receivable was provided in the books specifically on PCA fees in accordance with Corporate Order No. 04, series of 2016.

The policy of providing allowance includes the aging of receivables method of estimating uncollectible accounts. By this method, the accounts are classified according to age from one day to over 10 years and provisions for the allowance for impairment-accounts receivable shall be as follows:

1-60 days	1 per cent
61-180 days	2 per cent
181 days-1 year	3 per cent
More than 1 year to 10 years	5 per cent
Over 10 years	100 per cent
Accounts with legal constraints	100 per cent

Any of the following conditions must be present before the accounts shall be considered as uncollectible and qualified for write-off from the books, duly approved by COA:

- a. No response from the debtor after issuance of at least three demand letters with an interval of three months during the following year;
- b. The debtor has been declared bankrupt, insolvent and had ceased operation;
- c. The debtor had died and had left no assessable property/estate; and
- d. The debtor could no longer be located despite reasonable efforts.

4.7. Inventories

Inventory is measured at cost upon initial recognition. To the extent that inventory is 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. The cost of inventories comprises all costs of purchase, cost of conversion and other costs incurred in bringing

the inventories to their present location and condition. Subsequently, inventories are valued using weighted average method.

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

4.8. Investment Property

Investment Property is measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing Investment Property at the time that cost is incurred if the recognition criteria are met and excludes the cost of day-to-day maintenance of an Investment Property.

Investment Property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, Investment Property is measured using the cost model and is depreciated over its estimated useful life.

Investment Properties are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the surplus or deficit in the period of derecognition.

Transfers are made to or from Investment Property only when there is a change in use.

The Agency uses the following criteria to distinguish Investment Property from owner-occupied property and from property held for sale in the ordinary course of operations (inventory):

A property (land or a building – or part of a building – or both) shall be recorded and classified as Investment Property if it is held to earn rentals or for capital appreciation, or both rather than for:

- Use in the production or supply of goods or services, or for administrative purposes; or
- Sale in the ordinary course of operations.

4.9. Property, Plant and Equipment

a. 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;
- The cost or fair value of the item can be measured reliably; and
- The cost is at least P15,000.00.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at 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.

c. Measurement after recognition

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

When significant parts of PPE are required to be replaced at intervals, the Agency 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 PPE as a replacement if the recognition criteria are satisfied.

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

d. 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 expense unless it is included in the cost of another asset.

i. 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.

For simplicity and to avoid proportionate computation, depreciation starts in the month succeeding the month of acquisition.

ii. Depreciation method

The straight-line method of depreciation is adopted unless another method is more appropriate for Entity's operation.

iii. Estimated useful life

The Agency uses the life span of PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience, as follows:

Buildings	20 years
Heavy equipment	10 years
Motor vehicles	7 years
Furniture and fixtures	10 years
Office equipment	5 years

iv. Residual value

The Agency uses a residual value equivalent to at least five per cent of the cost of PPE.

e. 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 amount or recoverable service amount.

f. Derecognition

The PCA derecognizes items of PPE 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 derecognition 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.

4.10. Biological Assets

Biological Assets are measured at fair value less costs to sell. The fair value of livestock is determined based on market prices of biological assets of similar age, breed and

genetic merit. Agricultural produce are initially measured at its fair value less cost to sell at the time of produce. The fair value of agricultural produce are based on market prices in the local area.

4.11. Leases

The PCA as a lessor.

Operating Lease

Leases in which the Agency does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for PPE are applied to similar assets leased by the entity.

4.12. Changes in Accounting Policies and Estimates

The Agency recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The Agency recognizes the effects of changes in accounting estimates prospectively through surplus or deficit.

The Agency corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

4.13. Revenue

Revenue is measured at the fair value of the consideration received or receivable.

Rendering of Services

The Agency recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

Sale of Goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the Agency.

Interest Income

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

Rental Income

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and included in revenue.

4.14. Budget Information

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

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) is prepared since the budget and the financial statements are not prepared on comparable basis. The SCBAA is presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

These budget figures are those approved by the governing body both at the beginning and during the year following a period of consultation with the public.

4.15. Related Parties

The Agency regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the Agency, or vice versa.

Members of key management are regarded as related parties and comprise of the Chairman, Members of the Governing Board, and the Principal Officers.

4.16. Employee Benefits

The employees of Agency are members of the Government Service Insurance System (GSIS), which provides life and retirement insurance coverage.

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

4.17. Measurement Uncertainty

The preparation of combined financial statements in conformity with PPSASs requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the combined financial statements and the reported amounts of the revenues and expenses during the period.

Estimates are based on the best information available at the time of preparation of the combined financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these combined financial statements. Actual results could differ from these estimates.

5. PRIOR PERIOD ADJUSTMENTS

The Agency has determined and restated the following accounts with the net effect in the financial statements, as summarized below:

Account Name	Account Code	Debit	Credit
LBP C/A#702-1001-86 (Fund 503)	01 02 020 01	128,407	-
LBP HYSA#0707-8050-54	01 02 030 07	229,031	-
LBP HYSA#0707-8050-62	01 02 030 08	229,031	-
LBP HYSA#0707-8050-70	01 02 030 09	229,031	-
Accounts receivable	03 01 010	-	4,073
Allowance for doubtful accounts	03 01 011	30,103	-
Due from national treasury	03 03 010 03	-	1,250,875,000
Due from regional offices	03 04 070	1,341,275	-
Due from other funds- general fund 151	03 04 050 03	1,272,395	-
Office equipment	06 05 020	-	25,712
Accumulated depreciation-office equipment	06 05 021	9,295	-
IT equipment and software	06 05 030	-	154,453
Accumulated depreciation-IT equipment and software	06 05 031	154,130	-
Communication equipment	06 05 070	-	2,850
Accumulated depreciation-communication equipment	06 05 071	599	-
Medical, dental and laboratory equipment	06 05 110	-	16,394
Accumulated depreciation-medical, dental and laboratory equipment	06 05 111	2,937	-
Furniture and fixtures	06 07 010	-	414,786
Accumulated depreciation-furniture and fixtures	06 07 011	100,986	-
Trade and business	01 01 010 01	-	13,976
Unliquidated obligations - personal services	01 01 010 02	76,312,100	-
Unliquidated obligations - MOOE	01 01 010 03	251,109	-
DA-BAR (Coco Diesel Project)	02 01 050 41	13,258	-
DOST-IX Project	02 01 050 99	980,000	-
Value-Added tax payable	02 01 120	156,789	-
Corporate fund 503	03 01 050 06	-	892,101
Allowance/retention for contractual	99 99 990 52	563	-
Accumulated surplus/(deficit)	01 01 010	1,170,958,306	-
		1,252,399,345	1,252,399,345

5.1 Due to Change in Accounting Policy

In accordance with PPSAS 17, *Property, Plant and Equipment* and COA Circular No. 2017-004, *“Tangible items below the capitalization threshold of P15,000 shall be accounted in accordance with the policies prescribed under paragraph 5.4 of COA Circular No. 2016-006 on Conversion from the Philippine Government Chart of Accounts under the New Government Accounting System per COA Circular No. 2004-008, as amended, to the RCA for [Government Corporations] GCs under COA Circular No. 2015-010, new, revised and deleted accounts, and relevant accounting policies and guidelines in the implementation thereof. These tangible items shall be recognized as expenses upon issue to end-user. The carrying amount as PPE already issued to end-user as of January 1, 2016 shall be recognized as an adjustment to the opening balance of “Accumulated Surplus/(Deficit)” for CY 2016.”*

In view thereof, a total of P485,426 were reclassified and booked as an adjustment in the CY 2016 financial statements.

5.2 Due to Prior Period Error

Prior period errors are omissions from, and misstatement in, an entity's financial statements for one or more period arising from a failure to use, or misuse of, reliable information that was available and could reasonably be expected to have been obtained and taken into account in preparing those statements.

As a result, a total of P1,250,875,000 were booked as an adjustment due to the recognition of subsidy income but not yet received and P80,402,123 were booked as an adjustment due to other prior period errors.

6. EXPLANATION OF TRANSITION TO PPSASs

As stated in Note 2, these are the Agency's first financial statements prepared in accordance with PPSASs.

The accounting policies set out in Note 4 have been applied in preparing the financial statements for the year ended December 31, 2017, the comparative information presented in these financial statements for the year ended December 31, 2016 and in the preparation of an opening PPSASs statement of financial position as at January 1, 2016 (PCA's date of transition).

In preparing its opening statement of financial position, the Agency has adjusted amounts reported previously in financial statements prepared in accordance with previous Generally Accepted Accounting Principles (GAAP). An explanation of how the transition from previous GAAP to PPSAS has affected the Agency's financial statements is set out in the following tables:

Reconciliation of Net Assets/Equity

As at January 1, 2016

	Effect of transition to PPSASs			Restated Balances	
	Previous GAAP (As Restated)	Reclassification	Difference in recognition and measurement		
ASSETS					ASSETS
Current assets					Current assets
Cash	1,817,092,655	-	-	1,817,092,655	Cash and cash equivalents
Receivables-net	1,185,101,256	(495,223,617)	(29,763,544)	660,114,095	Receivables-net
Inventories	169,250,715	(2,550,772)	-	166,699,943	Inventories
Other current assets	42,915,736	-	-	42,915,736	Other current assets
	3,214,360,362	(497,774,389)	(29,763,544)	2,686,822,429	
Non-current assets					Non-current assets
	-	495,223,617	(492,510,543)	2,713,074	Receivables-net
Investments	88,515	-	-	88,515	Investments
	-	11,077,245	-	11,077,245	Investment property
PPE-net	605,786,849	(11,077,245)	(11,070,654)	583,638,950	PPE-net
	-	2,575,772	-	2,575,772	Biological assets
Other assets	719,681,467	(25,000)	-	719,656,467	Other assets
	1,325,556,831	497,774,389	(503,581,197)	1,319,750,023	
TOTAL ASSETS	4,539,917,193	-	(533,344,741)	4,006,572,452	TOTAL ASSETS
LIABILITIES					LIABILITIES
Current liabilities					Current liabilities
Payable accounts	647,840,154	-	-	647,840,154	Financial liabilities
Inter-agency payables	79,798,527	-	-	79,798,527	Inter-agency payables
	-	7,840,705	-	7,840,705	Trust liabilities
Other payables	63,755,909	(7,840,705)	-	55,915,204	Other payables
	791,394,590	-	-	791,394,590	
Non-Current Liabilities					Non-current liabilities
Deferred credits	102,552,602	-	-	102,552,602	Deferred credits
	102,552,602	-	-	102,552,602	
Total Liabilities	893,947,192	-	-	893,947,192	Total Liabilities
EQUITY					NET ASSETS/ EQUITY
Equity	3,645,970,001	(1,938,125,612)	(533,344,741)	1,174,499,648	Government equity
		1,918,028,612		1,918,028,612	Accumulated surplus
		20,097,000		20,097,000	Revaluation surplus
Equity	3,645,970,001	-	(533,344,741)	3,112,625,260	Total Net Assets/Equity
TOTAL LIABILITIES AND EQUITY	4,539,917,193	-	(533,344,741)	4,006,572,452	TOTAL LIABILITIES AND NET ASSETS/EQUITY

Reconciliation of Surplus/(Deficit)

For the year ended December 31, 2015 (Opening balances as at January 1, 2016)

		Effect of transition to PPSASs			
		Difference in recognition and			
	Previous GAAP (As Restated)	Reclassification measurement		Restated Balances	
INCOME					REVENUE
	-	409,355,589	-	409,355,589	Service and business income
	-	895,700	-	895,700	Shares, grants and donations
Fees, permits and licenses	365,220,439	(365,220,439)	-	-	
Service	36,304,412	(36,304,412)	-	-	
Business	31,285,632	(31,285,632)	-	-	
Other general income	557,973	(557,973)	-	-	
Other income	11,024,689	(11,024,689)	-	-	
Total Income	444,393,145	(34,141,856)	-	410,251,289	Total Revenue
					CURRENT OPERATING EXPENSES
EXPENSES					
Personal services	327,827,301	-	-	327,827,301	Personal services
Maintenance and other operating expenses	2,322,154,605	(45,420,522)	-	2,276,734,083	Maintenance and other operating expenses
Financial services	255,253	-	-	255,253	Financial services
		45,420,522	503,234,949	548,655,471	Non-cash expenses
Total Expenses	2,650,237,159	-	503,234,949	3,153,472,108	Total Current Operating Expenses
					SURPLUS/(DEFICIT) FROM OPERATIONS
LOSS FROM OPERATIONS	(2,205,844,014)	(34,141,856)	(503,234,949)	(2,743,220,819)	
Subsidy from national government	2,911,117,000	-	-	2,911,117,000	Subsidy from national government
		34,141,849	-	34,141,849	Other non-operating income
		7	-	7	Gains
INCOME AFTER SUBSIDY FROM NATIONAL GOVERNMENT					SURPLUS/(DEFICIT) FOR THE PERIOD
	705,272,986	-	(503,234,949)	202,038,037	

Reconciliation of Accumulated Surplus/(Deficit)

For the year ended December 31, 2015 (Opening balances as at January 1, 2016)

Accumulated surplus/(deficit), December 31, 2015	2,451,373,353
Change in accounting policy	
Reclassification of PPE accounts to semi-expendable expenses with carrying amount less than P15,000	(11,070,654)
Impairment of accounts receivable with legal constraints	(522,274,087)
Accumulated surplus/(deficit), Restated Balance	1,918,028,612

7. RISK MANAGEMENT OBJECTIVES AND POLICIES

This note presents information about the Agency's exposure to risks and the Agency's objectives, policies and processes for measuring and managing risks.

The Agency has an overall responsibility for the establishment and oversight of the Agency's risk management framework. The board has established a committee which is responsible for developing and monitoring risk management policies in their specific areas.

Pursuant to PCA Special Order No. 20, series of 2016, an Ad Hoc Risk Management Committee (RMC) was formed to address the negative effects of financial, operational, organizational, political, social, economic and environmental risks on PCA and its stakeholders. The Committee's role is to design the framework which will help PCA develop and implement an effective and pro-active risk management plan in response to the circumstances the organization may face, perform risk assessment and develop strategies to mitigate risks using the resources available.

7.1 Risk Management Framework

This framework shows PCA's general protocol in its risk management process, conduct of training/workshops and evaluation. The framework is an integral part of the Agency that is undertaken at the provincial, regional, divisional and corporate levels.

7.2 Risk Identification and Assessment

An activity aimed at determining risks that may undermine the Agency's capacity to observe its mandate based on the following aspects:

Types of Risks	Definition
Financial Risk	This refers to risks that may disrupt the fiscal health of the Agency.
Operational Risk	This refers to risks that may hamper or interfere with the programs and activities.
Organizational Risk	This refers to risks that affect the structural, cultural, regulatory, and contractual initiatives of the Agency.
Environmental Risk	This refers to risks to external risks brought about by natural, social, cultural and regulatory threats to the Agency.

Risk can be identified through conducting Strengths, Weaknesses, Opportunities and Threats (SWOT) analysis, technical workshops and group consultations. The Ad Hoc RMC will review the risk management template from the concerned offices and formulate a summarized management template.

Using the Probability-Consequence-Control formula, risks is subjected to evaluation. Using the risk rating, priorities will be distinguished. This procedure is derived using the formula $(\text{Probability} \times \text{Consequence}) / \text{Level of Control} = \text{Risk Factor}$. The components in the formula are as follows:

Consequence – this measures the potential effect of each risk. The scales are as follows:

Value	Description	Effect
4	Major	Costs more than P20.000 million, delays project duration by more than 25 per cent, high probability for corporate penalty/imprisonment, long-term domestic and international coverage, closure of several operational areas.
3	Moderate	Costs P5.000 million to P20.000 million, delays project duration by 10 per cent to 25 per cent, possible corporate penalty/imprisonment, negative media coverage, closure of an office/ center/ division.
2	Minor	Costs P1.000 million to P5.000 million, delays project duration by 2 per cent penalties may be incurred, adverse publicity, reduction in the Agency's operational routine.
1	Insignificant	Costs less than P1.000 million, little to no project delay, no penalty or imprisonment, minimal publicity, no interruption to the Agency's services

Probability – this evaluates the risk's frequency of occurrence. The values are as follows:

Value	Description	Occurrence
4	Very high probability	More than once a year
3	High probability	Once a year
2	Low probability	Once in five years
1	Very low probability	Once in ten years

Level of Control – This quantifies the extent by which the Agency can manage the risk. The values are as follows:

Value	Description	Extent
4	Very high control	A protocol is in place to ensure data credibility, policy compliance, asset protection and utilization.
3	High control	The protocol is implemented but it needs to be improved.
2	Low control	The protocol can be relied but may have not addressed.
1	Very low control	The protocol in place cannot be relied on.

Risk Rating – to prioritize the risks based on the formula, the following thresholds for the Risk factors must be observed:

Value	Description	Action
>4	High risk	Implement mitigation plan immediately
3-4	Medium risk	Requires moderate attention
<3	Low risk	The implementation of the mitigation plan is optional

To arrive at a risk rating when there is no control or protocol in place to mitigate the identified risks, the Probability-Consequence Diagram can be used.

Probability	Consequence			
	Major	Moderate	Minor	Insignificant
Very high probability	High	High	Medium	Low
High probability	High	Medium	Medium	Low
Low probability	Medium	Low	Low	Low
Very low probability	Medium	Low	Low	Low

7.3 Risk Mitigation Planning and Assessment

The actions for risk mitigation will be identified in this step. The different types of risk treatment are as follows:

Type of Risk Treatment	Description
Avoidance	Alternative solutions will be adopted.
Mitigation	Establishment of protocols to reduce risk's consequence and probability.
Transfer	Assigning another party through a contract to reduce the effect of risk.
Acceptance	No action will be adopted to treat the risk since the current protocols or interventions are appropriate.

7.4 Risk Management Plan Implementation

Plans will be subjected to the approval of the Management and the Board after assessment. These approved plans will be observed by the responsible units and collated by the Ad Hoc RMC.

To monitor developments regarding the mitigation plans, the involved offices will submit monthly reports to the Ad Hoc RMC.

7.5 Risk Management Plan Evaluation

Regular reviews will be conducted by the Ad Hoc RMC to identify the strengths and weaknesses of the Agency's Risk Management Framework (RMF).

The Internal Audit will review the processes and controls of the RMF. It will also provide an independent appraisal of the effectiveness of the established framework. The Agency may seek independent assurance providers that shall be overseen by the Ad Hoc RMC to assess the elements of the Agency's Risk Management Plan.

7.6 Risk Communication and Training

The Ad Hoc RMC ensures the continuous communication with the Agency's stakeholders and staff regarding the process and results of the RMF. The Ad Hoc RMC coordinates with the Field Managers and Management to identify, assess, and manage risks.

Annual training and workshop sessions will be conducted to improve the RMF. These will help safeguard the competency levels of the Agency with regard to risk management. The Authority may seek independent assurance providers that shall be overseen by the RMC to conduct and facilitate the afore-mentioned trainings and workshops.

8. CASH AND CASH EQUIVALENTS

This account consists of the following:

	2017	2016 Restated
Cash on hand		
Cash – collecting officers	3,479,079	3,362,370
Petty cash fund	93,076	82,761
	3,572,155	3,445,131
Cash in bank		
Local currency, current account	778,946,651	863,564,572
Local currency, savings account	2,689,615	346,723,846
Foreign currency, current account	2,072,765	2,440,427
Foreign currency, savings account	681,848	681,879
Cash-Modified Disbursement System (MDS), regular	118,995,659	85,358,085
Time deposits, foreign currency	2,113,089	2,113,089
	905,499,627	1,300,881,898
	909,071,782	1,304,327,029

Cash in bank generally earns interest at respective bank rates.

A reasonable amount of petty cash is maintained to cover small amount of payments or reimbursements which are not necessarily be made in check, as prescribed under government accounting rules and regulations.

Cash in bank-local currency, current account represents the PCA's fund deposited at Land Bank of the Philippines (LBP) amounting to P396.124 million and P382.823 million for CO and ROs/Centers, respectively.

Cash in bank-local currency, savings account consists only of Cash with the ROs/Centers.

Cash-MDS, regular consists of Cash - national treasury account of General Fund 151 amounting to P93.776 million which composed of PCA's remittance to the Bureau of the Treasury (BTr) for collection from analysis fees of copra (oil content, moisture content, free fatty acid, and color), copra cake/meal, chemical analysis, microbiological analysis and others, and Cash - national treasury account of Corporate Fund 503 of P25.220 million which represents the balance of remittances to the BTr for PCA fee of P0.12 imposed for every kilogram of copra or copra equivalent of husked/dehusked nuts, fresh young nuts ("buko") and copra equivalent in other coconut products delivered to and/or purchased by the coconut product exporters, oil millers, desiccators, exporters and other payor contemplated in Section 3 of Administrative Order (AO) No. 01, series of 2011 on the amended rules and regulations implementing PD No. 1854.

9. RECEIVABLES

This account consists of the following:

	2017		2016 Restated	
	Current	Non-current	Current	Non-current
Loans and receivable accounts				
Accounts receivable	17,849,401	584,174,942	5,641,160	576,767,714
Allowance for impairment	(201,479)	(580,780,593)	(162,195)	(572,993,409)
Interests receivable	3,212	-	3,212	-
	17,651,134	3,394,349	5,482,177	3,774,305
Inter-agency receivables				
Due from government owned and controlled corporations (GOCCs)	290,992,209	-	433,061,968	-
Due from national government agencies (NGAs)	46,506,481	-	46,506,481	-
Due from local government units (LGUs)	35,581,320	-	46,604,307	-
	373,080,010	-	526,172,756	-
Intra-agency receivables				
Due from central office/home/head office	64,818,845	-	32,105,570	-
Due from operating units	5,340	-	213,656	-
	64,824,185	-	32,319,226	-
Other receivables				
Receivables-disallowances/ charges	133,996,240	-	134,188,471	-
Due from non-governmental organizations (NGOs)/people's organizations (POs)	1,310,992	-	1,310,992	-
Due from officers and employees	523,745	-	785,049	-
Other receivables	34,874,699	-	24,808,326	-
Allowance for impairment	(5,815,416)	-	(5,748,253)	-
	164,890,260	-	155,344,585	-
	620,445,589	3,394,349	719,318,744	3,774,305

9.1 Loans and Receivables

Accounts Receivable (AR) account consists of PCA fees, and interest and surcharge on PCA fees. The schedule below corresponds to computation of the Allowance for Impairment-AR account:

Age	Percentage doubtful	Accounts receivable	Allowance for impairment-AR
One to 60 days	1 per cent	48,490	485
61 to 180 days	2 per cent	113,177	2,264
181 days to one year	3 per cent	150,982	4,529
More than one year to 10 years	5 per cent	7,342,548	367,127
Over 10 years	100 per cent	5,981,412	5,981,412
With Legal constraint	100 per cent	574,626,255	574,626,255
		588,262,864	580,982,072

Accruals for the month of December 31, 2017 amounting to P13.761 million were not included in computation for Allowance for Impairment-AR.

Of the total AR of P602.024 million, P584.175 million is considered long overdue accounts, the status of which is shown below:

Status of accounts	No. of accounts	Amount
1. Cases still pending in court	7	8,280,837
2. Cases ordered archived/unlocated address (ceased operations):		
a. Decision cannot be executed/enforced	6	3,270,391
b. Company owners still at large	3	8,475,598
c. Summons could not be served	13	9,937,071
3. Accounts forwarded to Legal Affairs Office for appropriate action and/or filing of case	34	554,211,045
	63	584,174,942

As at December 31, 2017, the following accounts will be requested to be written-off:

Company	Amount
Cal-Phil	5,749,996
Dolores Agri-Products	2,998,006
ECY Enterprise	2,728,277
Philippine Agricultural Trading Corporation	1,174,261
Consoil Development	1,472,438
New San Agustin	1,181,783
Bescom	1,073,762
Coco Manila	933,905
Gemma Coco	800,388
Prime Oleochem	791,582
Peoples Industrial and Commercial Corporation	672,349
Peninsula Oil Mill	452,997
Yu Yek Manufacturing	445,422
Mina Oil Mill	356,985
Red V Coconut Products	302,103
Amormio Sanchez	253,589
VAC Commodities	216,479
R & A Coconut Products	167,862
Jakke Enterprise	158,967
Angmaya	40,372
Lucky Coco	36,643
Philippine Super Feed Corporation	29,397
Visayan Manufacturing	22,532
Bicol Oil Mill	12,693
Gem Food	12,485
Chemex Enterprise	1,738
	22,087,011

The Interest Receivable account consists of interest income from the recognition of maturity and renewal of short-term investments on high-yield savings accounts.

9.2 Inter-Agency Receivables

Due from GOCCs account includes fund released to Philippine International Trading Corporation (PITC) for the purchase of agricultural grade salt multi nutrient fertilizers. This was approved under PCA Board Resolution (BR) No. 123-2015 dated July 20, 2015.

Due from NGAs account includes due from national treasury amounting to P133,209 and fund released/transferred to various NGAs for the conduct of the following research activities:

Particulars	Description	Amount
Procurement Service (PS)	Payment for the purchase of one set of PVC tufting machine and agency fee for RO No. VIII	37,716,674
	Payment of deposit equivalent to cost of security service for eight months	30,819
Philippine Council for Health Research and Development	Payment for the project entitled effects of virgin coconut oil on Alzheimer's Disease	6,080,000
Department of Science and Technology (DOST)-Food and Nutrition Research Institute	Phase I for the project entitled glycemic index and changes in glucose and lipid profile in humans with moderately raised glucose and cholesterol level after feeding with coconut based product	1,644,152
University of Southern Mindanao	Liquidation of the project entitled oil palm productivity for peace of poverty alleviation in Mindanao	605,718
University of the Philippines (UP)-Diliman	First 50 per cent payment of the project entitled on-the road test of 5 per cent coco methyl biodiesel blend in public transport	167,816
UP - Los Baños (UPLB)-Banana High Value Commercial Crops (HVCC)	Final payment for the project entitled improvement of productivity of the banana farms in the Philippine technical support	108,874
Metal Industry Research and Development Center (MIRDC) UP-Manila	Release of Phase II of the PCA-MIRDC Memorandum of Agreement (MOA)	17,167
	Project entitled association of dietary intake of coconut oil and coconut products with dyslipidemia and hypertension	2,052
		46,373,272

A MOA was executed between PCA and PS dated January 30, 2015 to tap the services of PS-Department of Budget and Management (DBM) in the conduct of bidding for the supply and delivery of services. This was approved under PCA BR No. 01-2015 dated January 21, 2015.

Due from LGUs account represents the balance of the funds transferred to the following:

Province/Municipality	Description of Project	Amount
Provincial Government of Biliran	Rehabilitation and management of the coconut plantation damaged by typhoon "Yolanda" which includes coconut disposal, timber utilization and restoration of agricultural productivity of the coconut areas.	23,065,548
Provincial Government of Samar	Coconut rehabilitation and restoration of agricultural activity/farming systems project due to typhoon "Yolanda"	23,022,987
Local Government of Javier, Leyte	Establishment of Coconut Tufting Machine Facility	12,000,000
Local Government of Alabat, Quezon	Coconut Cacao Intercropping Project and Coconut Sap Sugar production under the Kasaganahan Sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Enterprise Development Project (KEDP)	515,772
Provincial Government of Samar	Liquidation of Provincial Government of Samar	(23,022,987)
		35,581,320

9.3 Intra-Agency Receivables

This account consists of the following:

	2017	2016 Restated
Due from central office/home/head office	64,818,845	32,105,570
Due from operating units	5,340	213,656
	64,824,185	32,319,226

9.4 Other Receivables

Receivables-disallowances/charges account is used to record the amount of disallowances/charges in audit due from officers and employees and other persons liable that have become final and executory.

Due from NGOs/POs account represents fund transfers to NGOs/POs for the implementation of specific projects in accordance with the provisions set by the government and are subject to liquidation pursuant to the agreement entered between the PCA and the NGO/PO.

	2017	2016 Restated
UPLB Foundation, Inc.	812,615	812,615
Philippine Ecumenical Action for Community Empowerment (PEACE) Foundation	498,377	498,377
	1,310,992	1,310,992

Due from Officers and Employees account refers to the balance of cash advances which remained unliquidated as at December 31, 2017.

Other Receivables consist of the following:

Account Name	Amount	Allowance for impairment- other receivables	Carrying value
Other creditors	14,506,201	531,541	13,974,660
Working fund	694,090	-	694,090
Advances-others	2,285	-	2,285
Other officers-Coconut Investment Service Fund	36,596	-	36,596
Receivables-Small Coconut Farmers Organization	2,046,066	1,531,440	514,626
Farmers-National Coconut Intercropping Program (NCIP)	2,187,403	2,094,447	92,956
Food and Agriculture Organization - NCIP	198,180	198,180	-
Miscellaneous	13,476,164	728,973	12,747,191
Trade and business	1,727,714	730,835	996,879
	34,874,699	5,815,416	29,059,283

10. INVENTORIES

This account consists of the following:

	2017	2016
Inventory held for consumption	33,956,704	30,459,326
Inventory held for distribution	21,342,080	14,569,770
Semi-expendable machinery and equipment	11,542,494	7,014,914
Semi-expendable furniture, fixtures and books	1,568,698	511,570
	68,409,976	52,555,580

Inventory Held for Consumption consists of:

	2017	2016
Agricultural and marine supplies inventory	26,076,324	25,184,778
Office supplies inventory	1,158,533	1,243,301
Medical, dental, and laboratory supplies inventory	876,476	483,479
Fuel, oil, and lubricants inventory	405,066	536,946
Accountable forms, plates and stickers inventory	86,711	107,016
Other supplies and materials inventory	5,353,594	2,903,806
	33,956,704	30,459,326

Inventory Held for Distribution consists of agricultural products such as fertilizers, coconut seedlings and seednuts, earwigs and other agricultural supplies for distribution to farmers.

Semi-expendable Machinery and Equipment and Semi-expendable Furniture, Fixtures and Books accounts represent tangible items purchased during the year with cost below the capitalization threshold of P15,000. Semi-expendable items remain as inventory until issuance to the end user. (See to Note 5.1)

11. OTHER CURRENT ASSETS

This account consists of the following:

	2017	2016
Prepayments	3,763,390	1,969,477
Advances	3,497,764	1,230,987
Deposits	2,889,291	2,858,878
	10,150,445	6,059,342

Prepayments account consists of the following:

	2017	2016
Advances to contractors	3,004,529	1,347,496
Prepaid insurance	446,361	391,483
Prepaid rent	193,030	193,030
Other prepayments	119,470	37,468
	3,763,390	1,969,477

Advances account consists of the following:

	2017	2016
Advances to special disbursing officer	2,379,150	777,893
Advances to officers and employees	1,118,614	453,094
	3,497,764	1,230,987

Deposits account consists of the following:

	2017	2016
Guaranty deposits	1,186,652	1,156,239
Deposits on containers	96,500	96,500
Marginal deposits	58,224	58,224
Other deferred charges	1,547,915	1,547,915
	2,889,291	2,858,878

12. INVESTMENTS

This account represents the cost of stock certificates issued by the United Coconut Planters Bank (UCPB), with par value of P1 per common share, for a total of 88,515 shares amounting to P88,515. These acquired stocks are not intended for trading. Further, these stocks do not have readily available fair market value, hence amortized at cost.

13. INVESTMENT PROPERTIES

This account is composed of buildings and/or part thereof which are being leased out to third parties under operating lease to earn rental income. The fair value of these assets are not readily available.

	2017	2016 Restated
Carrying amount, January 1	10,883,477	11,077,245
Transfers from inventories/owner-occupied property	-	-
	10,883,477	11,077,245
Depreciation	(193,768)	(193,768)
Carrying amount, December 31	10,689,709	10,883,477

	2017	2016 Restated
Gross cost	52,943,228	52,943,228
Accumulated depreciation	(42,253,519)	(42,059,751)
Impairment loss	-	-
Carrying amount, December 31	10,689,709	10,883,477

14. PROPERTY, PLANT AND EQUIPMENT

An illustration of the analysis of this account is shown below:

As at December 31, 2017:

	Carrying amount, January 1, 2017	Additions	Total	Disposal/ sale/ transfer reclassification	Adjustments/ reclassification	Depreciation	Carrying amount, December 31, 2017
Land	142,415,549	137,368,000	279,783,549	(137,368,000)	-	-	142,415,549
Land improvements	5,535,113	-	5,535,113	-	(39,936)	(523,193)	4,971,984
Infrastructure assets	520,071	1,192,960	1,713,031	-	31,620	(99,330)	1,645,321
Buildings	66,711,407	10,036,865	76,748,272	-	9,709,089	(5,047,508)	81,409,853
Machinery and equipment	347,564,751	133,274,856	480,839,607	(14,995,294)	(10,143,799)	(40,805,706)	414,894,808
Transportation equipment	40,401,389	642,652	41,044,041	-	2,772,845	(5,956,098)	37,860,788
Furniture, fixture and books	5,744,973	329,735	6,074,708	-	(845,982)	(541,666)	4,687,060
Other PPE	11,527,422	98,290	11,625,712	-	(6,078,066)	(987,199)	4,560,447
Construction in progress	4,494,715	17,132,158	21,626,873	-	(9,964,765)	-	11,662,108
	624,915,390	300,075,516	924,990,906	(152,363,294)	(14,558,994)	(53,960,700)	704,107,918

The carrying amounts of PPE as at December 31, 2017 are summarized in table below:

	Gross cost	Accumulated depreciation	Accumulated impairment loss	Carrying amount, December 31, 2017
Land	142,415,549	-	-	142,415,549
Land improvements	25,911,062	20,939,078	-	4,971,984
Infrastructure assets	4,456,749	2,811,428	-	1,645,321
Buildings	220,968,022	139,558,169	-	81,409,853
Machinery and equipment	640,190,627	225,295,819	-	414,894,808
Transportation equipment	108,643,634	70,782,846	-	37,860,788
Furniture, fixture and books	10,737,331	6,050,271	-	4,687,060
Other PPE	7,272,353	2,711,906	-	4,560,447
Construction in progress	11,662,108	-	-	11,662,108
	1,172,257,435	468,149,517	-	704,107,918

As at December 31, 2016:

	Carrying amount, January 1, 2016 (Restated)	Additions	Total	Disposal/ Sale/ Transfer	Adjustment/ reclassification (Restated)	Depreciation (Restated)	Carrying amount, December 31, 2016 (Restated)
Land	142,225,859	189,690	142,415,549	-	-	-	142,415,549
Land improvements	6,086,996	-	6,086,996	-	-	(551,883)	5,535,113
Infrastructure assets	693,631	-	693,631	-	(29,209)	(144,351)	520,071
Buildings	67,704,976	7,103,984	74,808,960	(1)	(1,374,776)	(6,722,776)	66,711,407
Machinery and equipment	305,416,853	77,658,955	383,075,808	(1,225,776)	1,662,025	(35,947,306)	347,564,751
Transportation equipment	47,582,422	570,550	48,152,972	(1,121,097)	381,559	(7,012,045)	40,401,389
Furniture, fixture and books	5,172,189	1,676,907	6,849,096	(250,509)	(274,630)	(578,984)	5,744,973
Other PPE	1,862,859	10,411,149	12,274,008	(260,897)	98,390	(584,079)	11,527,422
Construction in progress	6,893,165	1,557,838	8,451,003	(4,956,288)	1,000,000	-	4,494,715
	583,638,950	99,169,073	682,808,023	(7,814,568)	1,463,359	(51,541,424)	624,915,390

The carrying amounts of PPE as at December 31, 2016 are summarized in table below:

	Gross cost (Restated)	Accumulated depreciation (Restated)	Accumulated impairment loss	Carrying amount, December 31, 2016 (Restated)
Land	142,415,549	-	-	142,415,549
Land improvements	25,951,832	20,416,719	-	5,535,113
Infrastructure assets	3,291,189	2,771,118	-	520,071
Buildings	201,404,279	134,692,872	-	66,711,407
Machinery and equipment	539,576,686	192,011,935	-	347,564,751
Transportation equipment	106,102,519	65,701,130	-	40,401,389
Furniture, fixture and books	12,740,797	6,995,824	-	5,744,973
Other PPE	13,064,417	1,536,995	-	11,527,422
Construction in progress	4,494,715	-	-	4,494,715
	1,049,041,983	424,126,593	-	624,915,390

The Agency reviewed the carrying value of property and equipment for any impairment as at December 31, 2016. Based on its evaluation, no impairment loss has occurred and no property and equipment has been pledged as security for liabilities.

15. BIOLOGICAL ASSETS

This account consists of the following:

	2017	2016
Consumable biological assets		
Trees, plants and crops held for consumption/sale/distribution	2,471,028	2,514,558
Livestock held for consumption/sale/distribution	40,000	-
Bearer biological assets		
Breeding stocks	25,000	25,000
	2,536,028	2,539,558

Breeding Stocks account balance is from RO No. VI. Livestock Held for Consumption/Sale/Distribution account is recorded under Zamboanga Research Center (ZRC). Trees, Plants and Crops Held for Consumption/Sale/Distribution account is recorded under RO Nos. I-IV-B.

16. OTHER NON-CURRENT ASSETS

This account consists of the following:

	2017	2016
Deferred charges/losses	237,914	237,914
Other assets	723,103,320	723,782,870
Less: Accumulated impairment losses-other assets	3,871,227	4,180,689
	719,470,007	719,840,095

Deferred charges/losses are long-term prepaid expenses that are carried forward until actually used amounting to P228,063 for CO and P9,851 for RO No. V.

Other assets are unserviceable PPE recommended to be reclassified to this account awaiting final disposition.

	2017	2016
Other assets	723,103,320	723,782,870
Less: Accumulated impairment losses-other assets	3,871,227	4,180,689
	719,232,093	719,602,181

17. FINANCIAL LIABILITIES

This account consists of the following:

	2017	2016 Restated
Accounts payable	754,480,818	608,023,375
Due to officers and employees	10,716,602	9,899,090
Tax refunds payable	-	7,170
	765,197,420	617,929,635

Accounts Payable account consists of the following:

	2017	2016 Restated
Trade and business	298,360,511	335,723,116
Unliquidated obligations-maintenance and other operating expenses	175,626,167	76,072,433
Unliquidated obligations-personal services	87,426,465	52,155,001
Unliquidated obligations-miscellaneous	193,067,675	144,072,825
	754,480,818	608,023,375

Due to Officers and Employees account consists of payables to PCA employees. Tax Refund Payable represents the amount of over-withheld taxes.

18. INTER-AGENCY PAYABLES

This account consists of the following:

	2017	2016 Restated
Due to other NGAs	44,489,956	41,021,449
Due to LGUs	33,902,088	43,955,386
Due to Bureau of Internal Revenue (BIR)	5,622,241	6,961,549
Due to GSIS	1,586,305	1,365,570
Due to other GOCCs	890,632	952,670
Due to PhilHealth	267,970	216,451
Due to Pag-IBIG	213,678	274,483
Due to Social Security System (SSS)	275	330
Value-added tax payable	1,239,792	749,046
	88,212,937	95,496,934

Due to Other NGAs account includes cash from other government agencies held by PCA for the implementation of various special projects such as, the Department of Agriculture (DA)-National Agricultural and Fishery Council (NAFC) and DA-Bureau of Agricultural Research (BAR) programs; and the DOST-Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) Integrated Coconut Research Development Enhancement Program (ICREDEP), and Genomics and Coconut Somatic Embryogenesis Technology (CSET) projects.

Due to LGUs account represents the shares of the municipalities and barangays in the permit fees imposed by PCA for every coconut tree cut, remittance of which is made on a quarterly basis.

Due to BIR account consists of taxes withheld from employees and other entities as follows:

	2017	2016
Withholding tax on compensation	2,139,328	1,992,862
Expanded tax withheld	575,314	1,504,188
Withholding tax on Government Money Payments (GMP) - Percentage taxes	395,619	535,750
Withholding tax on GMP – value added tax	1,620,717	2,503,042
Other fees and taxes withheld	891,263	425,707
	5,622,241	6,961,549

Due to GSIS, Due to Home Development Mutual Fund (Pag-IBIG), Due to Philippine Health Insurance Corporation (PhilHealth) and Due to Social Security System (SSS) accounts represent employees' premium payments and other payables withheld for remittance to the concerned government agencies/institutions.

Due to other GOCCs account consists of the following:

	2017	2016
Miscellaneous	818,145	949,442
LBP loans	69,030	1,936
NHMF-housing loan	3,457	1,292
	890,632	952,670

19. TRUST LIABILITIES

This account consists of guaranty or security deposits to be refunded after the fulfillment or forfeiture upon failure to comply with the purpose of the undertaking amounting to P10,930,858 in 2017 and P14,765,523 in 2016.

20. OTHER PAYABLES

This account consists of other liabilities not falling under any of the specific payable account amounting to P52,901,828 in 2017 and P61,716,090 in 2016.

21. DEFERRED CREDITS/UNEARNED INCOME

This account comprises Other Deferred Credits account which is a suspense account for fertilizers and other intercropping agricultural supplies distributed to farmer-beneficiaries. Said account shall be adjusted once the documents, particularly the duly accomplished acknowledgment receipts from farmer-recipients are completely submitted.

Office/RO/Center	2017	2016
CO	177,960	177,960
RO Nos. I - IV-B	26,208	47,545
RO No. V	20,002,836	20,002,835
RO No. VIII	98,882	125,106
RO No. XIII	147,924	147,924
Albay Research Center (ARC)	947,225	1,227,725
ZRC	141,561	589,498
	21,542,596	22,318,593

22. SERVICE AND BUSINESS INCOME

This account consists of the following:

	2017	2016
Service income		
Permit fees	188,005,713	281,648,944
Supervision and regulation enforcement fees	58,783,192	79,143,541
Inspection fees	6,748,720	7,926,414
Fines and penalties-service income	2,375,915	650,230
Other service income	20,301,538	19,587,776
	276,215,078	388,956,905
Business income		
Rent/lease income	27,199,272	34,643,422
Income from hostels/dormitories and other like facilities	160,550	208,900
Fidelity insurance income	-	452,492
Interest income	4,408,032	5,423,762
Fines and penalties-business income	2,952,710	392,812
	34,720,564	41,121,388
	310,935,642	430,078,293

23. GAINS

Gains consist of Gain on Sale of Biological Assets amounting to P25,000 in 2017 and no Gain on Sale of Biological Assets in 2016.

24. PERSONNEL SERVICES

This account consists of the following:

	2017	2016
Salaries and wages	217,591,325	216,259,617
Other compensation	107,763,199	113,206,005
Personnel benefit contributions	29,471,693	29,476,681
Other personnel benefits	22,361,349	17,169,259
	377,187,566	376,111,562

24.1 Salaries and Wages

Salaries and Wages account represents payment of services rendered by PCA employees occupying regular positions.

24.2 Other Compensation

	2017	2016
Year-end bonus	36,004,594	32,599,202
Personnel economic relief allowance (PERA)	13,330,443	13,917,000
Representation allowance (RA)	6,198,625	6,290,436
Transportation allowance (TA)	3,460,289	3,214,456
Clothing/uniform allowance	2,835,000	2,935,000
Cash gift	2,687,250	2,878,375
Overtime and night pay	1,036,444	1,374,056
Honoraria	141,937	292,350
Longevity pay	115,665	160,400
Other bonuses and allowances	41,952,952	49,544,730
	107,763,199	113,206,005

24.3 Personnel Benefit Contributions

These are the Agency's share in premium contributions, i.e., GSIS, Pag-IBIG and PhilHealth.

	2017	2016
Retirement and life insurance premiums	26,054,018	25,899,659
PhilHealth contributions	2,084,775	2,185,022
Pag-IBIG contributions	663,900	697,900
Employees compensation insurance premiums	669,000	694,100
	29,471,693	29,476,681

24.4 Other Personnel Benefits

	2017	2016
Terminal leave benefits	21,323,349	16,261,216
Other personnel benefits:		
Counsel allowance	29,500	19,500
Loyalty award	455,000	300,000
Per diem of directors	553,500	347,400
Others	-	241,143
	22,361,349	17,169,259

25. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2017	2016
Supplies and materials expenses	1,123,200,083	1,075,255,627
Professional services	234,026,734	207,016,107
General services	178,547,433	254,078,645
Travelling expenses	64,156,922	64,870,843
Training expenses	36,610,084	29,441,603
Utility expenses	27,300,842	23,955,091
Repairs and maintenance	21,898,481	17,017,338
Communication expenses	10,653,144	10,767,496
Taxes, insurance premiums and other fees	6,944,781	7,700,148
Extraordinary and miscellaneous expenses	681,970	550,737
Research, exploration and development expenses	525,593	1,998,897
Awards/rewards expenses	384,400	560,000
Other maintenance and operating expense	86,374,631	95,427,484
	1,791,305,098	1,788,640,016

25.1 Supplies and Materials Expenses

	2017	2016
Agricultural and marine supplies expenses	1,080,395,981	1,031,984,349
Fuel, oil and lubricants expenses	13,884,603	13,357,302
Office supplies expenses	13,106,285	12,861,191
Medical, dental and laboratory supplies expenses	956,862	4,277,321
Semi-expendable machinery and equipment expenses	296,111	235,519
Accountable forms expenses	234,561	200,166
Semi-expendable furniture, fixtures and books expenses	192,140	483,252
Other supplies and materials expenses	14,133,540	11,856,527
	1,123,200,083	1,075,255,627

25.2 Professional Services

	2017	2016
Auditing services	31,573,530	28,923,577
Consultancy services	305,150	1,403,700
Legal services	40,000	300
Other professional services	202,108,054	176,688,530
	234,026,734	207,016,107

Other Professional Services account includes payment of services of personnel under Job Order Contract.

25.3 General Services

	2017	2016
Security services	41,048,105	38,349,185
Janitorial services	3,674,924	3,164,382
Other general services	133,824,404	212,565,078
	178,547,433	254,078,645

25.4 Travelling Expenses

	2017	2016
Travelling expenses-local	62,451,437	64,246,102
Travelling expenses-foreign	1,705,485	624,741
	64,156,922	64,870,843

25.5 Training Expenses

Represents expenses incurred in attending various trainings to expand knowledge and skills required.

25.6 Utility Expenses

	2017	2016
Electricity expenses	23,879,028	20,938,811
Water expenses	3,421,814	3,015,060
Other utility expenses	-	1,220
	27,300,842	23,955,091

25.7 Repairs and Maintenance

	2017	2016
Repairs and maintenance-buildings and other structures	11,772,391	8,162,580
Repairs and maintenance-transportation equipment	8,910,330	6,951,507
Repairs and maintenance-machinery and equipment	1,168,892	1,859,151
Repairs and maintenance-semi-expendable furniture and fixtures	34,768	-
Repairs and maintenance-furniture and fixtures	12,100	1,350
Repairs and maintenance-other PPE	-	42,750
	21,898,481	17,017,338

25.8 Communication Expenses

	2017	2016
Telephone expenses	8,213,063	8,407,105
Internet subscription expenses	1,242,946	1,180,880
Postage and courier services	1,189,345	1,177,131
Cable, satellite, telegraph and radio expenses	7,790	2,380
	10,653,144	10,767,496

25.9 Taxes, Insurance Premiums and Other Fees

	2017	2016
Taxes duties and licenses	2,865,051	3,377,176
Insurance expenses	2,622,406	2,388,343
Fidelity bond premiums	1,457,324	1,934,629
	6,944,781	7,700,148

25.10 Other Maintenance and Operating Expense

	2017	2016
Donations	42,620,502	42,794,025
Rent/lease expenses	12,175,518	15,559,855
Transportation and delivery expenses	11,049,442	17,044,189
Printing and publication expenses	1,110,964	648,053
Documentary stamps expenses	373,742	250,857
Representation expenses	357,388	422,414
Advertising, promotional and marketing expenses	296,392	1,141,839
Subscription expenses	252,266	264,153
Membership dues and contributions to organizations	-	20,000
Other maintenance and operating expenses	18,138,417	17,282,099
	86,374,631	95,427,484

Other Maintenance and Operating Expenses are further broken down as follows:

	2017	2016
Athletic and social events expenses	4,854,094	3,448,515
Meetings and conferences	2,885,378	3,376,834
Laboratory analysis	713,100	4,746
Bids and Awards Committee (BAC) honorarium	540,761	259,739
Duplicating costs	249,586	232,109
Others	8,895,498	9,960,156
	18,138,417	17,282,099

26. FINANCIAL EXPENSES

Financial Expenses consist of payments for bank charges amounting to P1,663 in 2017 and P300 in 2016.

27. NON-CASH EXPENSES

27.1 Depreciation Expenses

	2017	2016
Depreciation - machinery and equipment	40,805,706	35,947,306
Depreciation - transportation equipment	5,956,098	7,012,045
Depreciation - buildings and other structures	5,047,508	6,722,776
Depreciation - furniture, fixtures and books	541,666	578,984
Depreciation - land improvements	523,193	551,883
Depreciation - investment property	193,768	193,768
Depreciation - infrastructure assets	99,330	144,351
Depreciation - other property, plant and equipment	987,199	584,079
	54,154,468	51,735,192

27.2 Impairment Losses

	2017	2016
Impairment loss - loans and receivables	7,893,632	12,957,532
Impairment loss - other receivables	-	1,385,558
	7,893,632	14,343,090

28. NET FINANCIAL ASSISTANCE/SUBSIDY

For the year 2017, the Agency received transfer of funds from the Bureau of the Treasury (BTr) to LBP C/A#0702-1001-86 for the subsidy released from the National Government under Special Allotment Release Order (SARO)-BMB-C-17-0000030 to cover the 1st Quarter of 2017 cash requirement in the amount of P70.866 million; SARO-BMB-D-15-0012151 with NCA-BMB-C-17-0007113 to cover cash requirement for the implementation of various programs and projects for the year 2017 amounting to P760.514 million; SARO-BMB-C-15-0017518 with NCA-BMB-C-17-00021766 amounting to P492.737 million for the release of unfunded allotment of the Fiscal Year (FY) 2015 national government subsidy for the implementation of various programs and project of PCA chargeable against its 2015 authorized appropriation (RA No. 10651) and NCA-BMB-C-17-0021141 in the amount of P15.000 million.

For the year 2016, the Agency received transfer of funds from the BTr to LBP C/A#0702-1001-86 for the subsidy released from the National Government under SARO-BMB-F-14-0017714 for locally funded projects of 2014 in the amount of P910.530 million and SARO-BMB-F-15-0001024 for 2015 supplemental appropriation in the amount of P340.345 million in the month of May 2016 with NCA No. NCA-BMB-C-16-0008403.

29. OTHER NON-OPERATING INCOME/GAINS

This account consists of the following:

29.1 Non-operating Income

	2017	2016
Sale of assets	706,905	-
Sale of garnished/confiscated/abandoned/seized goods and property	299,321	-
Sale of unserviceable property	1,006,226	-
Miscellaneous income		
Seednuts replacement	29,524,636	37,993,600
Sale of copra	6,524,642	7,105,506
Sale of coco-by-products	6,539,317	748,194
Sale of coco seednuts	4,876,025	8,327,612
Analysis fee-PTAL	2,842,127	2,694,550
Sale of coco seedlings	2,767,026	2,499,834
Filing/certification fees	1,772,464	1,930,128
Sale of intercrops	358,640	309,171
Income from reproduction/xerox	17,837	13,440
Income from sale of books	3,500	-
Sale of waste materials	-	2,400
Others	153,206	53,550
	55,379,420	61,677,985
	56,385,646	61,677,985

29.2 Gains

This consists of Gain on Foreign Exchange.

30. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS/(DEFICIT)

	2017	2016
Surplus/(Deficit) for the year	(524,079,132)	(488,198,875)
Non-cash expenses	62,048,100	66,078,282
Sale of assets	(1,031,226)	-
(Increase)/decrease in current assets	78,927,657	1,370,687,052
Increase/(decrease) in current liabilities	127,334,861	(79,186,251)
Sale of investments/PPE	(275,440)	(87,374)
Interest earned from investing activities	(3,157,684)	(1,782,879)
Adjustments due to reclassification of receivables	379,956	(1,061,231)
Additional impairment of receivables	-	(29,763,544)
Prior period errors	-	(1,170,612,056)
Other adjustments	(71,954,775)	(135,353,025)
Cash flow from operating activities	(331,807,683)	(469,279,901)

31. RELATED PARTY TRANSACTIONS

31.1 Related Party Transactions

The Agency does not have dealings with related parties involving transfer of resources and obligations.

31.2 Key Management Personnel

The key management personnel of PCA are the Chairman, the Members of the Governing Board, and the Principal Officers. The Governing Body consists of members appointed by the President of the Philippines. The Principal Officers consists of the Administrator and the Deputy Administrators.

31.3 Key Management Personnel Compensation

The aggregate remuneration of the members of the governing body and the number of members determined on a fulltime equivalent basis receiving remuneration within this category, are:

	Aggregate Remuneration
Basic salary	2,905,749
Allowance and other benefits	1,878,680
Salary differential	790,770
Extraordinary and Miscellaneous Expenses	170,436
	5,745,635

**Based on the Report on Salaries and Allowances (ROSA) including Extraordinary and Miscellaneous Expenses by Principal Officers and Members of Governing Board*

The Chairman who has supervision over the Agency is not remunerated by the Agency.

32. NET ASSETS/EQUITY

This account consists of the following:

	2017	2016 Restated
Government equity		
Invested capital - general fund 101/CISF	712,919,145	712,919,145
Invested capital - donations received	110,652,946	110,655,633
Invested capital - disallowances	104,144,587	104,200,505
Invested capital - purchase or construction	100,576,183	100,287,516
Invested capital - fixed assets held in trust (SCFDP)	65,529,649	65,450,693
Invested capital - fixed assets held in trust	58,125,195	56,851,662
Invested capital - other payments	31,213,180	31,213,180
Invested capital - investments	812,189	812,189
	1,183,973,074	1,182,390,523
Accumulated surplus/(deficit)	905,750,605	1,429,829,737
Revaluation surplus	19,855,000	19,855,000
	2,109,578,679	2,632,075,260

Accumulated Surplus/(Deficit) account consist of the cumulative results of normal and continuous operations of the Agency including the prior year adjustments, effect of changes on accounting policies and other capital adjustments.

Revaluation Surplus represents the difference between the original cost and the fair market value, as appraised by Cuervo Appraisers, Inc. on August 25, 2004, of the land with the total area of 57,122 square meters of the defunct Desiccated Coconut Rationalization Fund's real property as enumerated as follows:

Location	Land Area (in sq. m.)	Cost	Appraised Value	Difference
San Pablo City	17,332	15,500,000	24,650,000	9,150,000
Tiaong, Quezon	23,756	15,389,000	24,498,000	9,109,000
Lucena City	16,034	13,500,000	15,096,000	1,596,000
	57,122	44,389,000	64,244,000	19,855,000

Being a GOCC, the Agency's projects are being subsidized by the Government.

32.1 Capital Management

The primary objective of the PCA's capital management is to ensure that resources of the Agency is geared towards the attainment of its mandate and the implementation of its objectives through the programs to be undertaken for the promotion and advancement of the coconut industry with the participation of the private sector and for the improvement of the working conditions of the coconut farmers. PCA manages its net assets/equity by establishing controls in collection of fees and other sources of revenues, monitoring status of projects and periodic reporting of funds and disbursements while maintaining compliance to rules, regulations, and other legal requirements.

PCA is not subject to externally imposed capital requirements.

33. BUDGET INFORMATION

The approved budget covers CY 2017.

The difference between the final budget and the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts is due to the ongoing implementation of projects.

The budget and accounting base differ. The budget is approved on a cash basis by functional classification whereas the financial statements are prepared on accrual basis using a classification based on the nature of expenses in the Statement of Financial Performance.

The reconciliation between the actual amounts on a comparable basis as presented in the Statement of Comparison of Budget and Actual Amounts and actual amounts in the Statement of Cash Flow for the year ended December 31, 2017 is presented in the following table. The financial statements and budget documents are prepared for the

same period. There is a basis difference: the budget is prepared on cash basis and the financial statements are prepared on the accrual basis.

	Operating	Investing	Total
Actual amount per Statement of Comparison of Budget and Actual Amounts	(351,419,885)	(123,215,452)	(474,635,337)
Basis Difference	19,612,202	59,767,888	79,380,090
Total cash provided by (used in) operating and investing activities	(331,807,683)	(63,447,564)	(395,255,247)

34. DISCLOSURES REQUIRED BY BIR UNDER REVENUE REGULATION (RR) NO. 15-2010

In compliance with RR No. 15-2010, amending RR No. 21-2002, “[I]n addition to the disclosures mandated under the xxx, and such other standards and/or conventions as may heretofore be adopted, the Notes to Financial Statements shall include information on taxes, duties and license fees paid or accrued during the taxable year.”

The Agency has been regularly deducting taxes from salaries and other benefits due from its employees as well as from cost of goods and services procured. Likewise, the amounts withheld from the same were remitted to the BIR within the prescribed deadlines. Total taxes withheld and remitted for the year were as follows:

	Withheld	Remitted
Tax on compensation	37,211,937	36,373,065
Withholding tax on value-added tax	11,149,441	11,476,406
Expanded withholding tax	6,913,979	7,296,407
Withholding tax on government money payments	1,510,199	1,519,859
Other fees and taxes withheld	8,929,193	8,455,706
Value-added tax payable	3,254,378	2,920,422
	68,969,127	68,041,865

35. COMPLIANCE WITH GSIS LAW

The Agency complied with Section 14.1 of Republic Act (RA) No. 8291 which provides that each government agency shall remit directly to the GSIS the employees’ and government agency’s contributions within the first 10 days of the calendar month following the month to which the contributions apply. Below is the summary of remittances of employees’ premium contributions and employer’s share for CY 2017:

	Withheld	Remitted
Life and retirement premiums, employees share	24,383,061	23,749,672
Government share	-	23,867,084
	24,383,061	47,616,756

PART II – OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL

1. The reliability of the Property, Plant and Equipment (PPE) account with carrying balance of P704.108 million as at year-end could not be ascertained due to: (a) absence of subsidiary ledgers (SLs) for PPE with carrying amount of P158.344 million; (b) non-reconciliation of the discrepancy of P11.980 million between the General Ledger (GL) balance and the Report on the Physical Count of Property, Plant and Equipment (RPCPPE); and (c) non-conduct of inventory of PPE with carrying amount of P29.000 million. Moreover, the PPE was overstated by P15.403 million, due to: (a) non-recording of the transfer of equipment to farmers-beneficiaries of Philippine Coconut Authority (PCA) projects in the total amount of P11.904 million and disposal of equipment with carrying amount of P1.043 million; and (b) incomplete application of change in accounting policy where PPE items in the amount of P2.456 million that are below capitalization threshold were still recorded as PPE.

1.1. As at December 31, 2017, the PPE account had a carrying amount of P704.108 million, breakdown in Table 1.

Table 1 – PPE Account per fund source as at December 31, 2017

Fund	Acquisition Cost	Accumulated Depreciation	Accumulated Impairment Loss	Carrying Amount
I. Central Office (CO)				
Fund 503*	P 155,376,737	P 104,301,366	-	P 51,075,371
Fund 401 (SCFDP***)	81,055,620	68,554,991	-	12,500,629
Fund 151	4,405,410	183,545	-	4,221,865
Fund YRRP**	932,055	575,488	-	356,567
	241,769,822	173,615,390	-	68,154,432
II. Regional Office (ROs)/Centers				
Fund 503	742,584,834	237,921,382	-	504,663,452
Fund YRRP	187,902,779	56,612,745	-	131,290,034
	930,487,613	294,534,127	-	635,953,486
	P 1,172,257,435	P 468,149,517	-	P 704,107,918

* Corporate Fund

** YRRP - Yolanda Recovery and Rehabilitation Program

*** SCFDP - Small Coconut Farms Development Project

1.2. This is a reiteration with updates of the observations contained in the previous Annual Audit Reports (AARs), as Management was not able to fully implement the audit recommendations.

Absence of subsidiary ledger (SL) for PPE items with carrying amount of P158.344 million

1.3. Paragraphs 3.1 and 3.2 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector entities states that:

3.1 GPFRs [General Purpose Financial Reports] present financial and non-financial information about economic and other phenomena. The qualitative characteristics of information included in GPFRs are the

attributes that make that information useful to users and support the achievement of the objectives of financial reporting are to provide information useful for accountability and decision-making purpose.

3.2 The qualitative characteristics of information included in GPFRs of public sector entities are relevance, faithful representation, understandability, timeliness, comparability and verifiability.

1.4. Section 111 of Presidential Decree (PD) No. 1445 provides that:

(1) The accounts of an agency shall be kept in such detail as necessary to meet the needs of the agency and at the same time be adequate to furnish the information needed by fiscal or control agencies of the government.

(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.

1.5. The Government Accounting Manual (GAM) prescribed by the Commission on Audit (COA) to be adopted by all government agencies provides procedures that would ensure quality financial reporting. Control measures to ensure that acquired PPE are properly recorded and accounted for are provided in Section 42, Chapter 10, Volume I of the same Manual which states, viz.:

Sec. 42. Accounting and Property Records to be maintained for PPE. The Chief Accountant shall maintain the [Property, Plant and Equipment Ledger Card] PPELC for each category of PPE including work and other animals, livestock, etc. The PPELC shall be kept to record promptly the acquisition, description, custody, estimated useful life, depreciation, impairment loss, disposal and other information about the asset. For check and balance, the Property and Supply Office/Unit shall likewise maintain [Property Card] PC for PPE in their custody to account for the receipt and disposition of the same. The balance per PC shall be reconciled with PPELC maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like [Property Acknowledgement Receipt] PAR.

1.6. Verification disclosed that PPELCs or any subsidiary records were not maintained by the Central Office (CO) and Regional Office (RO) No. VIII for PPE items with aggregate carrying amount of P158.344 million, as summarized in Table 2.

Table 2 – Summary of PPE items without PPELCs or SLs

Office/RO/Fund	Acquisition Cost	Carrying Amount
CO SCFDP Fund	P 81,092,360	P 12,537,368
CO carry forward balance from previous years	7,154,782	5,195,097
RO No. VIII - YRRP Fund	204,293,623	140,611,465
	P 292,540,765	P 158,343,930

1.7. The absence of subsidiary records to support the PPE GL balance was already observed for several years in CO and in calendar year (CY) 2015 in RO No. VIII; however, as at audit date the concerned Accounting Divisions were not able to prepare the PPELCs. According to the personnel of CO-Accounting Division, they encountered difficulty in retrieving the records of the SCFDP and the carry forward balance of the PPE, which was recorded several decades ago.

1.8. The SLs provide detailed information of the assets comprising their GL balance; hence, the completeness and accuracy of the recorded PPE could be verified from these records. Nevertheless, in view of the absence of the PPELCs or SLs, the reliability of the PPE account balance at year-end could not be established.

Non-reconciliation of the discrepancy of P11.980 million between the GL balance and the RPCPPE

1.9. In CO, comparison between the RPCPPE and the GL balances of PPE account of four Funds as at December 31, 2017 disclosed discrepancy of P11.980 million, as shown in Table 3.

Table 3 – Discrepancy between GL and RPCPPE in CO as at December 31, 2017

Fund Code	Per GL	Per RPCPPE	Discrepancy
503	P 208,319,965	P 207,614,113	P 705,852
401	81,055,620	75,118,613	5,937,007
151	4,405,410	-	4,405,410
YRRP	932,055	-	932,055
	P 294,713,050	P 282,732,726	P 11,980,324

1.10. As can be gleaned from Table 3, there were no amounts reflected under YRRP and 151 Funds in RPCPPE because these were counted under Fund 503 due to non-reconciliation of the PPELCs and the Property Cards (PCs). Likewise, the GL balance was more than the RPCPPE balance. This indicated that PPE items totalling P11.980 million were not accounted for during the physical count. The non-reconciliation of the variance between the physical count and the recorded balance affected the reliability of the PPE account.

Non-conduct of inventory of PPE with carrying amount of P29.000 million

1.11. RO No. VII did not conduct physical count of its PPE costing P49.253 million and with carrying amount of P29.000 million. Moreover, the GL balance could not be traced due to incomplete PPELCs and PCs; hence, the existence and completeness of the PPE account could not be ascertained.

1.12. In addition to the above deficiencies/limitations, the PPE account was overstated by P15.611 million as discussed in the succeeding paragraphs.

Non-recording of the transfer of equipment to farmers-beneficiaries of PCA projects in the total amount of P11.904 million and disposal of equipment with carrying amount of P1.043 million

1.13. Paragraph 13 of Philippine Public Sector Accounting Standard (PPSAS) 17 defines PPE as tangible items that:

- a. Are held in the production or supply of goods or services, for rental to others, or for administrative purposes; and*
- b. Are expected to be used during more than one reporting period.*

1.14. Paragraph 82 of the same PPSAS provides the condition and circumstance for the derecognition of PPE, to wit:

The carrying amount of an item of Property, Plant and Equipment shall be derecognized:

- a. On disposal; or*
- b. When no future economic benefits or service potential is expected from its use or disposal.*

1.15. Examination disclosed that tangible items costing P15.371 million and with carrying amount of P12.946 million were not derecognized from PPE account despite the conditions stated in PPSAS 17. Details are shown in Table 4.

Table 4 – PPE not derecognized as at December 31, 2017

Particulars	Acquisition Cost	Carrying Amount
PPE items already distributed to farmers' associations		
RO No. V	P 11,419,400	P 11,419,400
RO No. XI	484,340	484,340
	11,903,740	11,903,740
Unserviceable equipment/PPE items which were already sold - RO No. V	3,467,337	1,042,575
	P 15,371,077	P 12,946,315

1.16. Various machineries and equipment in the total amount of P11.904 million that were distributed to farmers-beneficiaries in the implementation of Kasaganahan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Enterprise Development Projects (KEDP) – Community/Household - Level Coconut Processing Project (CHLCP) in RO Nos. V and XI were still recorded under PPE account. These pieces of equipment were procured with the intention to be distributed to the farmers-beneficiaries and should not be recorded as PPE.

1.17. The implementation guidelines of the KEDP provided that for control purposes, the equipment procured and distributed to beneficiary remains in the accountability of the PCA Agriculturist/Community Coordinator (CC)-in-charge of the Project until such time that the Deed of Donation had been made. Although the accountability remains with

the PCA Agriculturist/CC pending the Deed of Donation, the machineries and equipment would not form part of PPE account, as these assets are not held in the production or supply of goods and services, for rental to others, or for administrative purposes and are not expected to be used during more than one reporting period. Control measures could have been included in Memorandum of Agreement (MOA) relative to the accountability of the turned over equipment, but should not affect the recording of the PPE.

1.18. It is noteworthy to mention that as of December 31, 2017, the Statement of Allotment, Obligation, Disbursement and Balances (SAODB) showed that equipment and machineries in the total amount of P80.292 million [P52.006 million disbursement and P30.286 million unpaid obligation] were acquired for distribution to the farmers-beneficiaries under the KEDP-CHLCP. However, in the absence of procedural guidelines on how to record the procured assets, there are ROs which recorded the assets as outright expense, while there are some which recorded the assets under the PPE account pending issuance of Deed of Donations; thus, the PPE account might be overstated by undetermined amount.

1.19. Further, in RO No. V, unserviceable equipment/PPE items with aggregate cost and carrying amount of P3.467 million and P1.043 million, respectively, that were already disposed through sale were not derecognized in the books.

1.20. The inclusion of tangible items that were transferred to beneficiaries and unserviceable properties that were already disposed of resulted in the overstatement of PPE account in the amount of P12.947 million.

Incomplete application of change in accounting policy where PPE items in the amount of P2.456 million that are below capitalization threshold were still recorded as PPE

1.21. Item 3.1 of Circular Letter No. 2016-7 dated July 20, 2016 issued by the Department of Budget and Management (DBM) requires the observance of the adjusted capitalization threshold for all fixed assets at P15,000, as prescribed under COA Circular No. 2015-007 dated October 22, 2015.

1.22. Paragraph 24(b) of PPSAS 3 states that changes in accounting policy shall be applied retrospectively.

1.23. Further, Paragraph 27 of the same PPSAS states that:

Xxx when a change in accounting policy is applied retrospectively in accordance with paragraph 24(a) or (b), the entity shall adjust the opening balance of each affected component of net assets/equity for the earliest period presented, and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

1.24. In CY 2016 AAR, the Audit Team had raised to Management the issue on the overstatement in the PPE account of at least P6.734 million representing items acquired and capitalized in prior years with unit costs of less than the capitalization threshold of P15,000 and recommended the review of PPE account and preparation of adjusting

journal entries to reclassify tangible items below capitalization threshold to appropriate accounts.

1.25. It is noteworthy to mention that under Note 3.1 to Financial Statements, it was disclosed that in accordance with COA Circular No. 2016-006 dated December 29, 2016, the P15,000 capitalization threshold for PPE was applied by the Agency where a total of P11.071 million PPE items were reclassified. However, verification revealed that there are still remaining tangible items below the capitalization threshold of P15,000 with total cost of P6.891 million and carrying value of P2.456 million that were not adjusted/reclassified as at December 31, 2017, breakdown is presented in Table 5.

Table 5 - Tangible Items with Unit Cost below the Capitalization Threshold

Office/RO	Acquisition Cost	Carrying Amount
CO	P 5,073,054	P 1,561,969
RO No. V	1,817,748	894,432
	P 6,890,802	P 2,456,401

1.26. Under Section 10, Chapter 8, GAM, Volume I, tangible items below the capitalization threshold of P15,000 shall be accounted as semi-expendable property. These semi-expendable property which were recognized as PPE shall be reclassified to the affected accounts and the tangible items shall be recognized as expenses upon issue to the end-user.

1.27. Based on records, out of P2.456 million tangible assets (carrying value), the items totalling P1.940 million were already issued to end-users in prior years, while the remaining P0.516 million were issued in CY 2017. As such, the PPE and Accumulated Surplus accounts were overstated by P2.456 million and P1.940 million, respectively, while the related expense accounts are understated by P0.516 million as at December 31, 2017.

1.28. We reiterated our previous year's recommendation that Management direct the Accounting Division of CO and Accounting Section of RO No. VIII with coordination of the Property Division/Section to prepare and maintain complete PPELCs/SLs to support the PPE GL balances under various Funds.

1.29. We likewise recommended that Management require the:

- a. Accounting Division and Property Division of the CO to exert effort to reconcile the discrepancy of P11.980 million between accounting records and the RPCPPE;**
- b. Regional Manager of RO No. VII to cause the conduct of complete physical count of PPE, preparation of the RPCPPE, and reconciliation of the said Report with the Property and Accounting records;**
- c. Accounting Sections of RO Nos. V and XI to derecognize in the books the machineries and equipment procured under the KEDP that were already distributed to farmers-beneficiaries;**

- d. Accounting Section of RO No. V to derecognize in the books the unserviceable PPE items that were already disposed;**
- e. Accounting Division of the CO and Accounting Section of RO No. V to prepare the necessary adjusting entries to derecognize tangible items below the capitalization threshold of P15,000 from the PPE account as these were already issued to end-users;**
- f. Internal Audit Division to formulate standard operating procedures, for approval of the Governing Board, on the procurement and distribution of equipment and machineries under the KEDP-CHLCP, to include, among others, recording in the books of accounts and control measures to establish accountability over the assets prior to distribution/donation to farmers-beneficiaries, in accordance with existing accounting rules and regulations; and**
- g. Accounting Division of the CO and all Accounting Sections of the ROs/Centers to, henceforth, strictly observe the PPSAS and GAM on the proper accounting of PPE.**

1.30. Management in the CO committed to comply with and implement the recommendations. Further, they informed that the distribution to beneficiaries of Virgin Coconut Oil (VCO), Coco-coir Based Organic Fertilizer (CCBOF) and Coco Sugar Production equipment in RO No. XI was made last March 14, 2016, February 2017 and April 2018. Under the KEDP guidelines, after three years upon receipt by the beneficiaries of the equipment and found that they are still in operations, the ownership of the said equipment will be transferred to the farmer-beneficiaries.

1.31. As a rejoinder, the Audit Team would like to emphasize that PPSAS 17 specifically prescribed that tangible items be used in operations to be recognized as PPE; hence, the machineries and equipment procured for distribution to farmers-beneficiaries be recorded as expense (upon issuance of Deed of Donation) or other assets (issued but not covered by Deed of Donation). Thus, we maintain our recommendation that Management formulate standard operating procedures on the accounting of the procured machineries and equipment under the KEDP to ensure uniform application by all the ROs.

2. The reliability of Due from Government Owned and Controlled Corporations (GOCCs), Due from National Government Agencies (NGAs), and Due from Non-Government Organizations (NGOs)/People's Organizations (POs) accounts of P290.992 million, P46.373 million, and P1.311 million, respectively, or aggregating P338.676 million as at December 31, 2017 was doubtful in view of discrepancies of P42.236 million between PCA and Implementing Agencies (IAs)/NGO records which could be attributed to non-recording of liquidation of fund transfers in the books of PCA. Likewise, the Due from GOCCs-Philippine International Trading Corporation (PITC) account was overstated by P102.563 million in view of the non-recording of delivered fertilizers in CY 2016, since the PITC, the procurement agent of PCA, did not submit the corresponding Liquidation Reports (LRs) as basis in recording thereof in the PCA books.

2.1. The PCA being the Source Agency (SA), transferred funds to various agencies and NGOs/POs for the latter's conduct of research and developmental programs as well as to the Procurement Service (PS) and Philippine International Trading Corporation (PITC) for procurement of supplies, goods and services requirements. As at December 31, 2017, the balances of the funds transferred are shown in Table 6.

Table 6 – Balances of Due from NGAs, Due from NGOs/POs, and Due from GOCCs accounts as at December 31, 2017

Particulars			Amount
<i>Due from GOCCs</i>			
Philippine International Trading Corporation (PITC)	Provider of procurement/outsourcing services and as a supplier of PCA's goods and services requirements		P 290,992,209
<i>Due from NGAs</i>			
Food and Nutrition Research Institute (FNRI)	Glycemic Index and Changes in Glucose and Lipid Profile in Humans with Moderately Raised Glucose and Cholesterol Levels after Feeding with Coconut-Based Products		1,644,152
University of the Philippines (UP)-Diliman	On-Road Test of 5% Coco-Methyl (CME) Biodiesel Blend (B5) in Public Transport		167,816
UP-Manila	Association of Dietary Intake of Coconut Oil and Coconut Products with Dyslipidemia and Hypertension		2,052
University of Southern Mindanao (USM)	Oil Palm Productivity for Peace and Poverty Alleviation in Mindanao		605,718
Philippine Council for Health Research and Development (PCHRD)	Effects of Virgin Coconut Oil (VCO) on Alzheimer's Disease using Rats		6,080,000
Metal Industry Research and Development Center (MIRDC)	Nucleus Farm Development Project		17,167
UP-Los Baños (UPLB)	Improvement of Productivity of Banana Farms in the Philippines: Technical Support System		108,874
Procurement Service (PS)	Acquisition of common supplies and equipment of PCA		37,747,493
			46,373,272
<i>Due from NGOs/POs</i>			
UPLB Foundation, Inc.	DA – NCPC Action Project for the Control of Coconut Scale Insect in Southern Luzon		812,615
Philippine Ecumenical Action for Community Empowerment (PEACE) Foundation, Inc.	Nucleus Farm Development Project - In Bondoc Peninsula		498,377
			1,310,992
			P 338,676,473

2.2. Audit disclosed that the reliability of the Due from GOCCs, Due from NGAs and Due from NGOs/POs accounts as at December 31, 2017 was doubtful in view of the discrepancies totalling P42.236 million (absolute figure) between the records of PCA and four NGAs, one NGO and one GOCC, which might be attributed to non-recording of liquidation of fund transfers in the books of PCA. The computation of the discrepancies is shown in Table 7.

Table 7 – Results of Confirmation – PCA books *vis-a-vis* IAs/NGO

Account / IA/ NGO/ PO	Outstanding Balance		Difference (Absolute Figure)
	Per PCA	Per IA/NGO	
Due from NGAs			
1. FNRI	P 1,644,152	P -	P 1,644,152
2. MIRDC	17,167	1	17,166
3. UP-Los Baños	108,874	-	108,874
4. PS	37,747,493	37,783,684	36,191
	39,517,686	37,783,685	1,806,383
Due from NGOs/POs			
1. UPLBFI	812,615	50,153	762,462
Due from GOCCs			
5. PITC – GAA regular project	195,770,711	251,324,715	39,667,494
PITC - YRRP	95,221,498		
	290,992,209		
	P 331,322,510	P 289,158,553	P 42,236,339

GAA – General Appropriations Act

2.3. The confirmation reply of FNRI disclosed that the remaining unexpended balance of P9,400 from the fund transfer was returned to the Bureau of the Treasury (BTr) upon the lapsed of MOA, while in the books of PCA there is still an outstanding balance of P1.644 million. Meanwhile, UP-Los Baños informed that the balance of fund transfer amounting to P108,874 was already returned to PCA in April 2015. Verification with the Accounting Division revealed that the return of the unexpended balance was erroneously recorded as a credit to Due to NGAs account instead of credit to Due from NGAs account.

2.4. The difference of P39.667 million between PCA and PITC records could be attributed to the non-submission by the PITC, as procurement agent of PCA, of the LRs for paid procured fertilizers. Additional observation on the Due from GOCCs-PITC account is discussed below.

Due from GOCCs-PITC account was overstated by P102.563 million in view of the non-recording of delivered fertilizers as the PITC did not submit LRs

2.5. Section 53.6 of the Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184 provides the following:

Procurement Agent. In order to hasten project implementation, Procuring Entities which may not have the proficiency or capability to undertake a particular procurement, as determined by the Head of the Procuring Entity concerned, may request other GOP [Government of the Philippines] agencies to undertake such procurement for them, or at their option, recruit and hire consultants or procurement agents to assist them directly and/or train their staff in the management of the procurement function.

2.6. On other hand, Section 4.6 of COA Circular No. 94-013 dated December 13, 1994 requires:

Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA [Implementing Agency] shall submit the Report of

Checks Issued (RCI) and the Report of Disbursement (RD) to report the utilization of the funds.

2.7. This is a reiteration with updates of the prior year's audit observation since Management was not able to fully implement the recommendations. As disclosed in the 2016 AAR, a Memorandum of Agreement (MOA) dated May 30, 2014 was made and entered into by and between the PCA and the PITC. Salient provisions of the MOA include the following:

- a. PCA appointed and engaged PITC for the latter to render services as provider of procurement/outsourcing services and/or as supplier of goods and service requirements of PCA;
- b. PCA shall pay PITC a Service Fee (SF) plus Value-added Tax (VAT) thereon based on the Approved Budget for the Contract (ABC) for each procurement project, i.e.:
 - b.1 Initial payment of 50 per cent thereof shall be due PITC, upon receipt of the winning bidder of the Notice of Award; and
 - b.2 Remaining balance of 50 per cent thereof shall be due PITC upon delivery and acceptance of the goods and/or services by PCA;
- c. Funds transferred to the MOA bank account, which was opened under the account name "Philippine International Trading Corporation ("PITC-PCA MOA")", shall be subject to a liquidation process based on the submission of the corresponding report of disbursement duly verified by the COA resident auditor of PITC;
- d. Fund transfer is effected prior to the submission and opening of the bids for that particular project;
- e. Interest earned, based on the prevailing interest rate on interest-bearing savings or checking account/s with the authorized government depository bank (AGDB) at the time of opening the MOA account, on the funds transferred by PCA to PITC, shall be for the account of PCA;
- f. PCA shall designate its authorized representatives as: (i) provisional member of the PITC Bids and Awards Committee (BAC) who shall have the same duties and responsibilities as the other regular members of the PITC BAC; and (ii) member of PITC PCA Technical Working Group (TWG), who will provide technical advice to the PITC BAC particularly in resolving technical issues raised by bidders, eligibility screening, and evaluation of bids and post-qualification of the offers/bids received for every procurement project;
- g. The outsourcing services to be provided by the PITC to PCA shall include monitoring of the delivery of the required products to PCA; and
- h. Upon termination of the MOA, PITC shall return to PCA the unexpended balance of funds transferred and/or deposited to the MOA account including any and all income earned thereon.

2.8. The summary of fund transfers made to PITC for the procurement of multi-nutrient fertilizers (MNF) and Agricultural Grade Salt Fertilizer (AGSF) on July 29, 2015 (1st payment) and October 1, 2015 (2nd payment) for the requirement of locally funded Coconut Fertilization Program (CFP) is shown in Table 8.

Table 8 – Fund Transferred by PCA to PITC

		1 st payment		2 nd payment		Total payment
		1 st 50%*	2 nd 50%	Additional**	Total	
AGSF	ABC	P 117,820,607	P 117,820,607	P 9,916,180	P 127,736,787	P 245,557,394
	SF	3,958,772	3,958,772	333,184	4,291,956	8,250,728
		121,779,379	121,779,379	10,249,364	132,028,743	253,808,122
MNF	ABC	58,149,000	22,932,000	-	22,932,000	81,081,000
	SF	1,475,674	1,475,674	-	1,475,674	2,951,348
		59,624,674	24,407,674	-	24,407,674	84,032,348
		P 181,404,053	P 146,187,053	P 10,249,364	P 156,436,417	P 337,840,470

*except for MNF of RO No. IX, which total cost was paid 100 per cent **additional quantity requirement for AGSF

2.9. As discussed in CY 2016 AAR, the delivery of 826,136 bags of AGSF in the amount of P235.393 million [short delivery of 400 bags costing P0.115 million] to the designated DOPs of the ROs and the distribution to the farmers were not recorded in the books of PCA as the balance as at December 31, 2016 of Due from GOCCs-PITC account amounted to P337.840 million or equivalent to the total fund transferred to PITC in CY 2015. Consequently, total overstatement of Due to GOCCs-PITC account amounted to P238.765 million [total cost of actual delivered AGSF of P235.393 million + unrecorded SF of P4.125 million - interest earned of P0.753 million], while total understatement of Inventories and Expense accounts amounted to P136.398 million [cost of undistributed AGSF of P134.539 million + unrecorded SF of P1.859 million] and P102.367 million [cost of distributed AGSF of P100.854 million + unrecorded SF of P1.513 million], respectively.

2.10. Despite previous year's observation, review of CY 2017 transactions disclosed that PCA only recorded the liquidations of PITC in the total amount of P142.070 million (Table 9), comprising P137.201 million worth of delivered fertilizer and SF plus 12 per cent VAT of P4.869 million [Journal Entry Voucher (JEV) No. 503-1712-600 dated December 2017], for the AGSF delivered by Artemis Salt Corporation at the DOPs designated by the ROs.

Table 9 – Liquidations Made by PITC recorded in the PCA Books

Date of Disbursement		No. of sacks				
Voucher (DV)	RO Nos.	(50 kg/sacks)	Amount per JEV	Amount per PITC DV	SF +12% VAT	
February 2017	XII	39,256 @ P317.90/sack	P 12,901,563	P 12,479,482	P 422,081	
	VIII	18,000 @ P304.00/sack	5,656,309	5,472,000	184,309	
May 2017	XI	91,416 @ P293.00/sack	27,687,715	26,784,888	902,827	
	XIV	45,364 @ P319.00/sack	14,958,307	14,471,116	487,191	
August 2017	VIII	90,444 @ P315.00/sack	29,448,220	28,489,860	958,360	
	IV-A	80,000 @ P187.50/sack	15,716,957	15,000,000	716,957	
	VI	21,000 @ P236.48/sack	5,146,663	4,966,080	180,583	
	XIII	87,648 @ P337.00/sack	30,554,026	29,537,376	1,016,650	
		473,128 sacks	P 142,069,760	P 137,200,802	P 4,868,958	

2.11. The liquidations of P142.070 million were recorded as debit to Agricultural and Marine Supplies Expense – Fertilizer account and credit to Due from GOCCs account. Considering, however, that the fertilizers were delivered at DOPs and were distributed to the farmers-beneficiaries in CYs 2015 and 2016, the transaction should have been accounted as a prior period adjustment.

2.12. On the other hand, since the delivered AGSF in CYs 2015 and 2016 amounted to P235.393 million, while the liquidations made in CY 2017 by PITC only totalled to P142.070 million, the Due from GOCCs – PITC account is still overstated by P102.563 million, computation is shown in Table 10.

Table 10 – Computation of Overstatement in Due from GOCCs-PITC account

	Amount	Liquidation	Unliquidated balance
Cost of delivered fertilizers (826,136 bags)	P 235,392,930	P 137,200,802	P 98,192,128
Add: 100 per cent SF	8,250,000	} 4,868,958	4,371,042
12 per cent VAT	990,000		
	P 244,632,930	P 142,069,760	P 102,563,170

2.13. According to the Accounting Division, they could not make any adjustments in the books in the absence of LR/Reports of Disbursement (RD) from PITC for the remaining unliquidated balance of delivered AGSF in CYs 2015 and 2016.

2.14. As stated in the MOA, interest earned on the funds transferred by the PCA to PITC shall be for the account of PCA. Based on confirmation from PITC, interest earned as of June 30, 2017 amounted to P0.946 million. This amount was not also recorded in the books of PCA.

2.15. Meanwhile, examination of the SL of Due to PCA furnished by PITC disclosed that only the amount of P181.930 million was debited to the account of PCA from the total funds transferred of P337.840 million despite the cost of the delivered fertilizers plus SF and VAT totalled to P244.633 million. Analysis showed that only paid vouchers are recorded by PITC.

2.16. As stated in Paragraph 2.4, there was a difference of about P39.667 million between the records of PCA and PITC. This discrepancy was due to the unsubmitted LRs and the unrecorded interest on funds transferred to PITC [P181.930 million - P142.070 million].

2.17. On the other hand, review of the submitted LRs totalling P142.070 million revealed that these were not completely and properly supported with documents thereby precluding the Audit Team to verify the completeness and accuracy of the fertilizers delivered. The lacking documents to support the propriety of disbursements made by the PITC were as follows:

- a. LR/Report of Disbursement duly verified by the COA Auditor of the PITC, as required in the MOA;

- b. Certification from the PITC Accountant that the disbursements made out of the fund transfer had been liquidated and accounted for in the books of account as required under COA Circular No. 2016-002 dated May 31, 2016;
- c. Delivery Receipts duly acknowledged by the representative of the recipient PCA-ROs at the designated DOPs as required under MOA and COA Circular 2012-001 prescribing the mandatory requirements of government disbursements;
- d. Inspection and Acceptance Report (IAR), in the COA prescribed form, signed by the PCA-ROs representative attesting that he/she has inspected, verified and found in order the items delivered as to quantity and specifications, as required in MOA and COA Circular 2012-001; and
- e. Summary Report of the receipt of the fertilizer duly-noted by the ROs.

2.18. We recommended that Management direct the Accounting Division to:

- a. Closely coordinate with the concerned IAs for the reconciliation of their records to reflect the accurate balances of the Due from NGAs, Due from NGOs/POs and Due from GOCCs accounts;**
- b. Demand from the IAs the submission of the LRs for the expended portion of the fund transfers and/or return of the unutilized fund transfers;**
- c. Request from FNRI copy of documents to show that the unexpended balance of fund transfer was returned to the BTr;**
- d. Prepare the necessary correcting entry on the recording of the return of the remaining balance of fund transfer by the UP-Los Baños; and**
- e. Make persistent demands from PITC for the full liquidation of the fund transfers and the submission of lacking documents to support the utilization of funds for the procurement of fertilizers.**

2.19. Management committed that the Accounting Division of CO will continuously review and reconcile the noted discrepancies between PCA books and the IAs records.

2.20. As a rejoinder, the Audit Team will monitor Management's commitment to reconcile their records with the concerned IAs as well as the full implementation of the recommendations in CY 2018.

3. The reciprocal accounts Intra-agency Receivables and Intra-agency Payables were not completely eliminated at year-end due to inadequate reconciliation that resulted in the remaining balance of P64.824 million under the Intra-agency Receivables account; thereby misstating the total Receivables and other affected accounts. The difference was attributed mainly in the recording of Advice of Sub-allotment (ASA) by the ROs without actual cash transfers from CO, which is not in accordance with PPSAS 1 and COA Circular No. 2015-10.

3.1. The Intra-agency accounts used by PCA in recording intra-office transactions are: the Due from ROs/Operating Units (OUs), Due to CO, Due from Other Funds, Due to Other Funds, Due from CO and Due to ROs/OU. Transactions between the CO and ROs/Centers are recorded in these reciprocal accounts to serve the purpose of monitoring and recording intra-office transactions for convenience in setting up and offsetting internal transactions. The entries are illustrated in Table 11. Typically, these accounts should have equal but opposite balances, and should have zero balance in the financial statements.

Table 11- Intra-agency accounts used by CO and ROs/Centers

Transactions		Books of Accounts	
		CO	RO/OU
1. Transfer of cash from CO to ROs			
Due from ROs/OUs	Debit	x x x	
Due to CO	Credit		x x x
2. Transfer of cash from ROs to COs			
Due from CO	Debit		x x x
Due to RO	Credit	x x x	
3. Transfer of cash between funds			
Due from Fund AAA	Debit	x x x	
Due to other fund BBB	Credit		x x x

3.2. Review disclosed that as at December 31, 2017, the balances of the Intra-agency accounts were not completely eliminated which resulted in remaining balance of P64.824 million under the Intra-agency Receivables account, comprising two sub-accounts, i.e., Due from CO/Home/Head Office of P64.819 million and Due from OUs of P5,340 presented under Receivables account in the financial statements. Details of the elimination made are shown in Table 12.

Table 12 – Summary of Elimination of Intra-agency accounts as at December 31, 2017

	Balance 12-31-17 before elimination	Elimination of Intra Office Transactions	Variance
Due from ROs (COs books)	P 2,768,326,637	P (2,768,326,637)	P -
Due from CO	1,344,996,453	(1,280,177,608)	64,818,845
Due from Operating Units	5,340	-	5,340
Due from other funds	722,426,024	(722,426,024)	-
	P 4,835,754,454	P (4,770,930,269)	64,824,185
Due to CO (ROs books)	(3,677,681,534)	3,677,681,534	-
Due to other funds	(724,651,649)	724,651,649	-
	P (4,402,333,183)	P 4,402,333,182	P -

3.3. Analysis revealed that at year-end the ROs/Centers recorded the ASA without actual cash transfer from the CO. The recording in the books of RO was a debit to Due from CO and credit Due to CO, while the corresponding entries in the books of CO was debit Due from ROs and credit to Accounts Payable. These entries resulted in Due from CO without corresponding Intra-agency Payable, since the account used by the CO was Accounts Payable account; hence, the recording of the unfunded ASA was not

considered in the elimination at year-end as the contra-account of the Inter-agency Receivables account is the Accounts Payable account.

3.4. The non-elimination of the reciprocal accounts – Intra-agency accounts in the financial statements affects the fair presentation of these accounts, since, in reality, there is no receivable to be collected and no payable to be paid resulting from past events that would generate positive cash inflow and outflow, respectively, to PCA; the transactions only involved transfer of cash within the PCA, such as, the transfer of cash from CO to RO for the implementation of the projects and transfer of cash collection from ROs to CO.

3.5. It was also observed that the reconciliation statement for the Intra-agency accounts is being prepared by the Accounting Division of CO; however, the responsible Accounting Office (CO, RO, Center) to act on/record the reconciling items such as: (a) items in transit, (b) waiting documentations, (c) erroneous recording, and (d) late recording of transaction were not indicated in the reconciliation statement.

3.6. It is noteworthy to mention that based on the reconciliation statement, various reconciling items in the total amount of P20.273 million were long outstanding way back from CY 1996 up to CY 2016. Despite the identification of the long outstanding reconciling items, Management was unable to secure necessary documents to adjust the books. This condition defeats the purpose of preparing the reconciliation statement which is to identify the necessary adjustment to be taken up in the books.

3.7. Meanwhile, the recording of the unfunded ASA in the books is not in accordance with PPSAS 1, which requires specific criteria to recognize and measure assets and liabilities and, non-compliant with COA Circular No. 2015-10, prescribing the Revised Chart of Accounts for Government Corporations.

3.8. Paragraph 7 of PPSAS 1 defines the following, among others:

Assets are resources controlled by an entity as a result of past events and from which future economic benefits or service potential are expected to flow to the entity.

Contributions from owners means future economic benefits or service potential that has been contributed to the entity by parties external to the entity, other than those that result in liabilities of the entity, that establish a financial interest in the net assets/equity of the entity, which:

(a) Conveys entitlement both to (i) distributions of future economic benefits or service potential by the entity during its life, such distributions being at the discretion of the owners or their representatives, and to (ii) distributions of any excess of assets over liabilities in the event of the entity being wound up; and/or

(b) Can be sold, exchanged, transferred, or redeemed.

Xxxx

Liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

3.9. Based on the above provisions, the transfer of funds within the Agency should not be recognized as assets and liabilities.

3.10. GAM, Volume I, prescribed procedures to record government financial transactions to ensure compliance with the PPSAS. Under the said Manual, allotment shall be recorded only in the registries for monitoring purposes and not in the books of accounts. Pertinent provisions of the GAM relative thereto are as follows:

a. Section 10, Chapter 3, Volume I of GAM states that:

The Registries of Allotments, Obligations and Disbursements (RAOD) shall be maintained by the Budget Division/Unit of agencies to record allotments, obligations and disbursements. It shall show the allotments received for the year, obligations incurred against the corresponding allotment and the actual disbursements made. The balance is extracted every time an entry is made to prevent incurrence of obligations in excess of allotment and overdraft in disbursements against obligations incurred.

b. Section 31, Chapter 3, Volume I of GAM provides:

Preparation of the Budget Reports. The following budget reports/documents as required by DBM and COA shall be submitted:

Xxxx

e. *Statement of Approved Budget, Utilizations, Disbursements and Balances – [Financial and Accountability Report] FAR No. 2 (Appendix 20). This report shall reflect the approved budget, the utilizations, disbursements and balance of the entity's income authorized by law to use, such as [Overseas Workers Welfare Administration] OWWA/ [State Universities and Colleges] SUCs, duly approved by their Board of Trustee/Regents and shall be prepared by [Funding Source Code] FSC as clustered.*

f. *Summary of Approved Budget, Utilizations, Disbursements and Balances by Object of Expenditures – FAR No. 2.A (Appendix 21). This report shall reflect the details of the approved budget, utilizations, disbursements and balance of the entity's income authorized by law to use presented by object of expenditures consistent with the COA Revised Chart of Accounts and shall be prepared by Funding Source Code as clustered.*

h. *Aging of Due and Demandable Obligations [ADDOS] – FAR No. 3 (Appendix 22). This report shall be prepared by FSC as clustered and shall reflect the balance of unpaid obligations as indicated in the Obligation Request (ObR) and the ADDOS as at year end.*

3.11. It is emphasized that the implementation of the various programs and projects of PCA is funded yearly under the General Appropriations Act (GAA). The CO transfers funds to the ROs/Centers for the implementation of these projects. As such, the PCA is required by the DBM to report on the utilization of the fund for monitoring and budget purposes.

3.12. COA Circular No. 2015-10, provides the description of the accounts to be used by government entities in recording the transactions. Relative to the transfer of funds from the CO to the ROs/Centers, the following accounts may be used by the PCA, instead of Due from and Due to accounts:

Subsidy from Central Office

Credit- This account is used to recognize amount of subsidy received by the Regional Office/Staff Bureau/Operating Unit from the Central Office. This account shall be closed to the Revenue/ Income and Expense Summary account

Subsidy from Regional Office/Staff Bureau

Credit – This account is used to recognize amount of subsidy received by the Operating unit from the Regional Office/Staff Bureau. This account shall be closed to the Revenue/Income and Expense Summary account.

3.13. Based on the above description of accounts, allotment without actual fund transfer is not recorded in the books; and, fund transfers, relative to the subsidy from the national government, are recorded in the books as “Subsidy from” and is closed in the Income Summary account.

3.14. In view of the foregoing, the non-elimination of the Intra-agency accounts at year-end that resulted in the existence of the balance of P64.824 million under Intra-agency Receivables account misstated the total Receivables and other affected accounts.

3.15. **We recommended that Management direct the:**

a. Internal Audit Division to immediately revise the existing guidelines in recording fund transfers from CO to ROs/Centers for the implementation of projects funded under the GAA, to be uniformly applied by the Accounting Division of CO and Accounting Section of ROs;

b. Accounting Division of CO and Accounting Section of ROs to:

b.1. Exhaust all efforts to analyze, review and reconcile the Intra-agency Receivables and Payable accounts to completely eliminate the balance in the financial statements;

b.2. Stop the practice of recording ASA without actual fund transfer; and

b.3. Record cash transfers from the CO for the implementation of projects funded under the GAA as Subsidy from CO instead of Due to CO.

3.16. Management, in its letter dated May 24, 2018, committed the following:

- a. The Accounting Units of ROs will be directed to strictly comply to the timely submission of reports as per cut-off periods;
- b. The Accounting Division will exert extensive efforts to review, analyze and reconcile the affected accounts as indicated in the aforementioned observations and effect the necessary adjustments in their records to comply with PPSAS;
- c. The Accounting Division will make sure that adjustments in the books pertaining to reconciling items will be coordinated properly to the ROs/Centers; and
- d. The Budget Division will adopt and maintain the Registries of Allotments, Obligations and Disbursements (RAOD) in recording all transactions. This practice shall be adopted as well by all ROs and Centers for consolidation at the CO. This will be effective in CY 2018.

3.17. It is worthy to mention that Management submitted the revised financial statements, showing a reduction in unreconciled difference in Intra-agency accounts. Likewise, it committed that the remaining balance in the net Intra-agency Receivable will be further analyzed.

3.18. As a rejoinder, the Audit Team appreciated Management's commitment to implement the recommendations and, its initial action to reduce the difference in Intra-agency accounts. However, their full compliance with the above recommendations will be monitored in CY 2018.

4. The Financial Liabilities - Accounts Payable (AP) account of CO and RO No. V aggregating P360.296 million, which represented 47.75 per cent of the total AP account balance of P754.481 million at year-end, was overstated by P102.491 million due to the inclusion of liabilities that did not meet the recognition criteria under PPSAS 19 such as: (a) liabilities in the amount of P84.822 million for benefits of officers and employees that have no legal basis to be granted; (b) cancelled payment in the amount of P1.450 million as the supplier was already paid was erroneously reverted back to payable; (c) undocumented payables without pending claims totalling P12.832 million; and (d) long-outstanding payables for two to four years in the amount of P3.387 million without valid claims and supporting documents and could have been reverted/closed to Accumulated Surplus account as provided in COA Circular No. 99-004.

4.1. Paragraph 7 of PPSAS 1 states that liabilities are present obligations of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits or service potential.

4.2. PPSAS 19 defines accruals as follows:

Paragraph 19(b) - Accruals are liabilities to pay for goods or services that have been received or supplied, but have not been paid, xxx including amounts due to employees (for example, amounts relating to accrued vacation pay). Xxxx

Paragraph 21(a) - Provisions xxx are recognized as liabilities (assuming that a reliable estimate can be made) because they are present obligations and it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; xxx

4.3. Consistent with the afore-mentioned PPSAS, the following government rules and regulations require that obligations recorded shall have valid claims and are supported with sufficient documents and, may be derecognized in the books if outstanding for two years or more and against which no actual claims have been filed.

a. Section 46 of PD No. 1177, otherwise known as Budget Reform Decree of 1977, states that, “Xxx No obligation shall be certified to accounts payable unless the obligation is founded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Xxxx” [Underscoring supplied]

b. Section 3.2 of COA Circular No. 99-004 dated August 17, 1999, states that:

Xxxx

(a) *All obligations shall be supported by valid claims;*

(b) *Payable-Unliquidated Obligation which has been outstanding for two years or more and against which no actual claims, xxx, has been filed or which is not covered by perfected contracts on record should be reverted to the CROU [Cumulative Results of Operations Unappropriated].*

Xxxx

4.4. As at December 31, 2017, the Financial Liabilities - AP account of the CO under Corporate Fund 503 and RO No. V had outstanding balances of P270.435 million and P89.861 million, respectively, or aggregating P360.296 million, which represented 47.75 per cent of total Financial Liabilities - AP account balance of P754.481 million at year-end.

4.5. Verification of the Financial Liabilities - AP account of the CO and RO No. V disclosed deficiencies in documentation as well as lack of valid basis to warrant accrual/recording in the books. Details are summarized in Table 13.

Table 13 – Summary of not valid AP as at December 31, 2017

Particulars	Amount
<i>a. Liabilities in the amount of P84.822 million for benefits of officers and employees that have no legal basis for the grant -</i>	
CO -	
i. CY 2016 Performance Based Bonus (PBB) was obligated without any supporting documents and legal basis. Based on the performance evaluation issued by the Governance Commission for Government Owned or Controlled Corporations (GCG) for CY 2016, PCA is not qualified to receive PBB. This was already the subject of observation in the AAR for CY 2016, but was not reversed as recommended.	P 24,927,730
ii. CY 2017 PBB was obligated which was only supported by a summary for CO, ROs and Centers. This should have been supported with evaluation coming from GCG that PCA is entitled to grant PBB to its officials and employees. It is noteworthy to mention that the CY 2017 performance rating of PCA is lower than that of CY 2016, hence the probability that PCA is qualified to receive PBB is remote.	18,593,452
iii. CY 2016 Collective Negotiation Agreement (CNA) Incentives was accrued without any supporting documents and legal basis. Payment of CNA for CY 2015 was already the subject of observation of AAR for CY 2016, as the grant was not compliant with the requirements under DBM Budget Circular (BC) No. 2016-7 dated December 1, 2016. The conditions required for the grant of CNA for CY 2016 were still not met; hence, there is no valid basis to warrant the recording of payable.	19,525,000
iv. CY 2017 CNA Incentives were without any supporting documents and legal basis. Similarly, as in CY 2016 CNA, there was no document showing that the conditions required under DBM BC No. 2017-3 dated November 16, 2017 in the grant of CNA were met.	20,650,000
v. Terminal leave accrued in CY 2016 without supporting documents and no subsequent payments in CYs 2017 and 2018. Likewise, there is no outstanding claim.	1,125,587
	84,821,769
<i>b. Cancelled payment as the supplier was already paid was erroneously reverted back to payable</i>	
CO -	
OU-Maintenance and Other Operating Expenses (MOOE) - Payable to Philippine Association of Certified Pesticide Applicators, Inc. (PACPA) erroneously reverted back and remained unadjusted to date.	1,449,683
<i>c. Undocumented payables without pending claims -</i>	
CO - Four Purchase Orders (POs) for items procured were without supporting invoices, billing statements, Inspection and Acceptance Reports, Delivery Receipts, and the like	282,421
RO No. V - Undocumented payables without pending claims	12,550,247
	12,832,668
<i>d. Long-outstanding payables without valid claims and supporting documents and could have been reverted/closed to Accumulated Surplus account -</i>	
CO - Payables that have been outstanding for two to four years and were not supported by valid claims, thus, should have been reverted to Accumulated Surplus account (COA Circular No. 99-004).	3,387,044
	P 102,491,464

4.6. The afore-mentioned AP could not be considered as valid claims, thus, overstated the Financial Liabilities - AP account at year-end.

4.7. We recommended that Management direct the Accounting Division of CO and Accounting Unit of RO No. V to:

a. Ensure that accruals and payables pertained to valid claims, supported with complete documents and compliant with the recognition criteria provided under PPSAS 19; and

b. Prepare the necessary adjusting journal entries to close/revert back to Accumulated Surplus account the long outstanding payables without supporting documents and valid legal basis and, have been outstanding for two years or more and against which no actual claims have been filed or which are not covered by perfected contracts.

4.8. RO No. V Management informed that analysis of the outstanding payables is on-going, to close those not supported with documents and valid claims. Meanwhile, CO Management agreed to the reversal of CY 2016 PBB and CY 2016 CNA.

4.9. As a rejoinder, the Audit Team acknowledged Management's initial efforts to implement the audit recommendations. Their full compliance, however, will be monitored in CY 2018.

5. The reliability of the year-end balance of Inter-agency Payables - Due to Other National Government Agencies (NGAs) account of P44.490 million representing fund transfers from different source agencies (SAs) for the implementation of 43 programs/projects by the ROs/Centers was doubtful due to unreconciled net discrepancies of P46.721 million between the records of PCA and SAs, which could be attributed to late or non-submission of Reports of Disbursement (RDs) to the concerned SAs. Moreover, the transfer of dormant Due to NGAs account totalling P13.369 million to Accounts Payable (AP) account understated the Due to NGAs account and overstated the AP account by the same amount.

5.1. The PCA has been a recipient of fund transfers from various SAs such as: Department of Agriculture (DA) - National Agricultural and Fishery Council (NAFC); Bureau of Agricultural Research (BAR); National Agribusiness Corporation (NABCOR); Department of Science and Technology (DOST) - Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) and Philippine Council for Industry, Energy and Emerging Research and Development (PCIEERD).

5.2. As such, the PCA being the Implementing Agency (IA), records the receipt and utilization of funds from the aforesaid SAs by crediting and debiting, respectively, the Due to Other NGAs account. The same account is also debited while crediting the AP account when a Disbursement Voucher (DV) is prepared to return the unused fund balance to the SA. The AP and the Cash in Bank accounts are debited and credited, respectively, only upon the issuance of check for the remittance of the unused fund balance to the SA. Meanwhile, the SA only records the Due from PCA upon submission of the RD/Liquidation Report (LR) by the PCA.

5.3. The Due to Other NGAs account for the 43 programs/projects are maintained in the books of PCA-CO, but these programs/projects are generally implemented by ROs/Centers; hence, the funds received from the SAs are transferred to RO/Centers.

As such the receipt and utilization of the funds were recorded under the reciprocal accounts Due to CO. The fund utilization is recorded by the CO upon receipt of Debit/Credit Advice (DCA) from ROs.

5.4. As at December 31, 2017, the outstanding balances of the 43 programs/projects that were implemented by PCA out of the fund transfers received from the SAs totalled to P44.490 million, of which 42 programs/projects with aggregate balances of P42.438 million are recorded in the books of CO, while one project with remaining balance of P2.052 million is recorded by RO No. XIII and ZRC, as summarized in Table 14.

Table 14 – Due to Other NGAs account as at December 31, 2017

Office/RO/Center	No. of programs/projects	Outstanding balance
CO	42	P 42,438,295
RO No. XIII	1	19,928
ZRC		2,031,733
		2,051,661
	43	P 44,489,956

5.5. Confirmation with the PCAARRD, BAR, PCIEERD and NAFC revealed discrepancies between the SAs and PCA's records in the net total amount of P46.721 million on the fund balances of 32 programs/projects, as itemized in Annex A of this Report. The cut-off date of confirmed balances was as at October 31, 2017, except for one project with zero outstanding balance as at November 30, 2014 based on the reply of the COA Audit Team of SA.

5.6. As shown in Annex A, the records of PCAARRD, BAR, and PCIEERD showed that PCA had total unliquidated fund transfers of P76.216 million, while PCA's records showed only an aggregate balance of P27.872 million or a variance of P48.344 million. This simply indicated that there were fund utilizations that were not recorded in the books of the SAs due to non-submission of RDs or LR by the PCA. The non-reconciliation of the discrepancies rendered the reliability of the year-end balance of the Inter-agency Payables - Due to Other NGAs account doubtful.

5.7. The unreconciled variances between the records of SAs and PCA had been a recurring issue reported in previous years' AARs. However, the Accounting Division CO and concerned ROs/Centers have not been able to prepare RDs duly supported with complete documents. It is noteworthy to mention that it was reported in the CY 2016 AAR that RDs in the total amount of P20.822 million representing consolidated disbursements of ROs were submitted to COA-CO; but, were returned to PCA for submission of: (a) necessary documentations - for CO disbursements, and (b) verified RDs - for the ROs disbursements totalling P16.542 million. As of this writing, the said RDs have not been resubmitted to COA for verification prior to submission to the concerned SAs.

5.8. Section 6 of COA Circular No. 94-013 dated December 13, 1994 enumerates the responsibilities of the IA, among which, are as follows:

The IA shall:

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6.4 within five (5) days after the end of each month, the Accountable Officer (AO) shall prepare the RCI [Report of Checks Issued] and the RD and shall submit them with all supporting vouchers/payrolls and documents to the Accountant. These reports shall be approved by the Head of the Agency;

6.5 within ten (10) days xxx, the Accountants shall verify the Reports xxx and submit copy to the IA auditor. Xxx shall submit the original copy of the reports to the SA.

Xxxx

6.7 return to the SA any unused balance and refund of disallowance upon completion of the project.

5.9. Had the Accounting Division of CO and Accounting Section of ROs/Centers strictly followed the above provisions, the issue on the non-liquidation of the fund transfers could have been addressed and the difficulty in retrieving supporting documents and verification of RDs could have been avoided.

*Dormant/non-moving Due to Other NGAs
account transferred to AP account -*

5.10. Further review disclosed that the outstanding balance of P13.369 million for the implementation of 30 projects have become dormant and non-moving for over two to eleven years or since CY 2006, details of which are summarized in Table 15.

Table 15 – Dormant/non-moving funds as at December 31, 2017

No. of programs/ projects	No. of years dormant/ non-moving	Outstanding balance
1	11	P 110,306
1	10	94,698
1	8	1,084,663
5	6-7	701,755
3	5	918,913
15	3-4	8,997,153
4	2	1,461,489
30		P 13,368,977

5.11. The fund transfers received by the PCA from various SAs pertained to implementation of projects with short term duration, i.e., one year at the most. Considering that the ROs/Centers are the ones implementing the projects, while the CO records the fund transfers to ROs and fund utilization as debit to Due to Other NGAs, then the remaining balance of the long outstanding Due to Other NGAs of P13.369 million represents unutilized funds that were not returned to the SAs upon completion of the projects. The balances of the 30 projects were transferred from Due to Other NGAs account to AP account in CYs 2015 and 2017, which confirmed that the

amounts pertained to unutilized funds of completed projects and were due for remittance to the SAs. However as of reporting date said remittance to the SA was not made. Accordingly, the transfer of these accounts to AP understated the Due to NGAs account and overstated the AP account.

5.12. We reiterated our prior year's recommendations that Management:

a. Direct the Accounting Division - CO to:

a.1. Prepare and submit separate RD on the expenditures incurred by CO, require Accountants of concerned ROs/Centers to submit their respective RDs to support timely liquidations of fund transfers to SAs;

a.2. Conduct regular and periodic verification and analysis of fund transfers to ensure that outstanding balances are reconciled with SAs' records;

a.3. Cause the remittance to SAs of the unexpended balances of dormant/non-moving funds for completed projects;

a.4. Revert the Due to Other NGAs account transferred to AP account; and

b. Direct the concerned ROs/Centers to immediately submit the RDs and, henceforth, ensure timely submission of RDs to Accounting Division CO to facilitate liquidation of fund transfers to SAs.

5.13. Management during the exit conference commented that the funds were transferred to ROs/Centers as the implementing units. The CO Accounting Division will coordinate/reiterate to ROs/Centers to submit reports periodically and conduct reconciliation for the discrepancies noted.

5.14. As a rejoinder, the Audit Team took note of Management's comments; however, it is emphasized that the unexpended balance of the completed projects be remitted to concerned SAs to optimize the use of government funds that became idle at PCA's end.

6. Coconut palms and other fruit bearing trees numbering 55,749 and their agricultural produce or products were not recognized in the books of Davao Research Center (DRC), Albay Research Center (ARC) and Zamboanga Research Center (ZRC) as either Biological Assets, PPE or Inventories as required in PPSASs 27, 17 and 12, thereby understating the total assets of undetermined amount as at December 31, 2017.

6.1. PPSAS 27 on Agriculture states that:

Paragraph 2 - An entity that prepares and presents financial statements under the accrual basis of accounting shall apply this Standard for the following when they relate to agricultural activity:

a. Biological assets; and

- b. *Agricultural produce at the point of harvest.*

Paragraph 4 - Biological assets are used in many activities undertaken by public sector entities. When biological assets are used for research, education, transportation, entertainment, recreation, customs, control or in any other activities that are not agricultural activities as defined in paragraph 9 of this Standard, those biological assets are not accounted for in accordance with this Standard. Where those biological assets meet the definition of an asset, other PPSASs should be considered in determining the appropriate accounting (e.g., PPSAS 12, Inventories and PPSAS 17, Property, Plant and Equipment).

Paragraph 5 - This standard is applied to agricultural produce, which is the harvested product of the entity's biological assets, only at the point of harvest. Thereafter, PPSAS 12, or another applicable standard, is applied. Xxxx

Paragraph 9 - Agricultural activity is the management by an entity of the biological transformation and harvest of biological assets for:

- Sale;*
- Distribution at no charge or for a nominal charge; or*
- Conversion into agricultural produce or into additional biologic assets for sale or for distribution at no charge or for a nominal charge.*

Paragraph 13 - An entity shall recognize a biological asset or agricultural produce when and only when:

- a. *The entity controls the asset as a result of past events;*
- b. *It is probable that future economic benefits or service potential associated with the asset will flow to the entity; and*
- c. *The fair value or cost of the asset can be measured reliably.*

Paragraph 16 - A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell. Xxxx

Paragraph 18 - Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest. Xxxx

Paragraph 29 - Biological assets are often physically attached to the land (for example, trees in a plantation forest). There may be no separate market for biological assets that are attached to the land but an active market may exist for the combined assets, that is, for the biological assets, raw land and land improvements, as a package. An entity may use information regarding the combined assets to determine fair value for the biological assets. For example, the fair value of the raw land and land

improvements may be deducted from their fair value of the combined assets to arrive at the fair value of biological assets.

6.2. Paragraphs 13 to 29 of the same PPSAS prescribed several modes to measure fair value of the biological assets in order to obtain the most reasonable estimates which the PCA could adopt.

6.3. The PCA's three Research Centers, namely: DRC, ARC, and ZRC maintain coconut plantation for research and development purposes which include reproduction of different varieties of coconut seednuts/seedlings for distribution to the coconut farmers-beneficiaries. As of December 31, 2017, the number of coconut palm trees totalled to 52,623, of which 34,709 are for experimental purposes and 17,914 are for reproduction, breakdown shown in Table 16.

Table 16 – Inventory of Coconut Trees in DRC, ARC and ZRC

PCA Research Center	Experimental Purposes	Reproduction	Total
DRC	1,326	9,390	10,716
ARC	928	6,009	6,937
ZRC	32,455	2,515	34,970
	34,709	17,914	52,623

6.4. In addition, DRC has 1,242 coconut palms, 1,234 of which are ECM, a variety cultivated from laboratory, while eight coconut palms are De Guzman makapuno variety. There are also fruit bearing trees planted by DRC numbering 1,884, for research purposes on the feasibility of intercropping with coconut palms. At present, the plantation serves as a showcase to visitors, particularly farmers who are interested to intercrop their coconut farms with fruit bearing trees. The sale of the fruits is only secondary, as the primary purpose of planting and cultivating fruit trees is for research.

6.5. Review of revenue accounts recorded in the CO disclosed that for CY 2017, total revenue of P14.567 million was generated by the three Centers from the sale of agricultural produce, as shown in Table 17.

Table 17 – Revenue from sale of agricultural produce

	ARC	DRC	ZRC	Total
Sale of copra	P 757,036	P 206,325	P 5,005,127	P 5,968,488
Sale of coco-by-products	24,310	1,479,952	4,109,907	5,614,169
Sale of coco seedlings	398,590	1,155,019	-	1,553,609
Sale on intercrops	7,785	216,508	-	224,293
Sale of coco-seednuts	520	1,206,120	-	1,206,640
	P 1,188,241	P 4,263,924	P 9,115,034	P 14,567,199

6.6. Based on inventory report, the ARC had harvested 23,122 seednuts/seedlings from the coconut trees as of December 31, 2017, while the DRC and ZRC did not conduct inventory of the agricultural produce.

6.7. Considering that the coconut trees involve biological transformation and there is agricultural produce for sale and distribution, then these trees should have been recognized in the books of accounts as: (a) PPE-Biological assets when the coconut trees and fruit bearing trees are held for experiment purposes; (b) Bearer Biological

Assets when the coconut trees are for reproduction which produce are intended for sale or distribution; and (c) Agricultural Produce Held for Consumption/Sale/Distribution for coconut seedlings and seednuts. However, as at December 31, 2017, the coconut palms and other fruit bearing trees numbering 55,749 and their agricultural produce or products were not recognized in the books of accounts in view of the absence of guidelines in recording, particularly the determination of their fair value. Thus, the total assets were understated by undetermined amount.

6.8. We recommended that Management instruct the Managers of ARC, DRC and ZRC to:

- a. Determine the fair value of the coconut palms and other fruit bearing trees in accordance with the applicable mode of measurement prescribed in the PPSAS 27; and**
- b. Require the Accounting Division of the CO and the Accounting Section of the Centers to record in the books the coconut palms and other fruit bearing trees and their agricultural produce or products under appropriate asset accounts (i.e., PPE-Biological Assets, Bearer Biological Assets or Agricultural Produce Held for Consumption/Sale/Distribution) and provide in the Notes to Financial Statements the required disclosure.**

6.9. Management in the CO committed that they will comply with and implement the recommendations. They likewise informed of the issuance of Memorandum Circular No. 04 dated April 20, 2017, relative to PCA's guidelines for the accounting and utilization of coconut seednuts and seedlings from PCA Seed Production Centers and Research Centers to address the issue. The Research and Development Branch (RDB) in coordination with the Finance Department is presently devising procedures on how these assets are to be valued and recorded in the books of accounts.

6.10. Meanwhile, ZRC Management informed that several figures for costing of trees were sent to CO for validation; however, none of them were validated. As such, compliance to the recommendation will depend on the completion and approval on the costing.

6.11. The Audit Team appreciated Management's effort to implement the recommendations and will monitor their full compliance in CY 2018.

7. In RO Nos. V, VIII, XI, XII, XIII, XIV (ARMM) and ARC, procured Agricultural and Marine Supplies for distribution to farmers-beneficiaries and Supplies and Materials for use in operations were not recorded using perpetual inventory method, but instead were recorded as an outright expense; thus, the undistributed and unused supplies in undetermined amount were not recognized as inventory as at year-end, understating the inventory account and related expense accounts.

7.1. Paragraph 9 of PPSAS 12 defines Inventories among others, as assets:

- (a) In the form of materials or supplies to be consumed in the production process;*

(b) *In the form of materials or supplies to be consumed or distributed in the rendering of services;*

(c) *Held for sale or distribution in the ordinary course of operations; or*

(d) *In the process of production for sale or distribution.*

7.2. Paragraph 44 of the same PPSAS states that:

When inventories are xxx distributed, the carrying amount of those inventories shall be recognized as an expense xxx when the goods are distributed xxx.

7.3. Section 9, Chapter 8, GAM, Volume I provides procedures in the recording of inventories, to wit:

Supplies and materials purchased for inventory purpose shall be recorded using the perpetual inventory system, xxx. The system requires accounting records to show the amount of inventory on hand at all times through the maintenance of the Supplies Ledger Card [SLC] xxx by the Accounting Division/Unit and Stock Card xxx by the Supply and/or Property Division/Unit for each item in stock. Regular purchases shall be coursed through the inventory account and issues thereof shall be recorded as they take place except for supplies and materials purchased out of [Petty Cash Fund] PCF for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.
[Emphasis supplied]

7.4. GAM requires that the Accounting Unit shall maintain the perpetual inventory records comprising of SLCs for each commodity/stock. Such ledger cards shall contain the details of the inventory account and reconciled with the control account in the General Ledger. The General Services Officer or the Property Officer, as the case may be, shall likewise maintain Stock Cards (SCs) for supplies and other inventories. The balance per SC should always reconcile with the SLC of the accounting unit.

7.5. Moreover, the GAM provides that, *“Physical/inventory which is required semi-annually, is an indispensable procedure for checking the integrity of property custodianship”;* and that the *“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.”*

7.6. The afore-cited procedures will not only ensure that reliable information could be obtained from the generated reports/records to support recording of transactions, but would also provide control measures such that inventories are monitored and safeguarded from loss and misuse.

7.7. Notwithstanding the above rules and regulations, audit disclosed that in RO Nos. V and XIV and ARC, procured of Agricultural and Marine Supplies for distribution to farmers-beneficiaries and Supplies and Materials for use in operations were not recorded using the perpetual inventory method. The total amount of P140.661 million for

the procured items in CY 2017 were recorded as outright expense in the books of accounts, as summarized in Table 18.

Table 18 – Summary of Inventories procured but not recorded using the perpetual inventory method

RO/Center	Agricultural and Marine		Total
	Supplies	Supplies and Materials	
RO No. V	P 42,949,374	P 1,217,518	P 44,166,892
RO No. XIV	93,262,819	-	93,262,819
ARC	-	3,231,012	3,231,012
	P 136,212,193	P 4,448,530	P 140,660,723

7.8. In RO No. V and ARC, the supplies and materials procured were recorded as debit to expense account and credit to liability account after acceptance and inspection by the Property Officer and Inspectorate Committee of the deliveries.

7.9. Verification disclosed that the supplies and materials held for distribution to farmers-beneficiaries previously recorded as an expense, were not completely consumed/distributed at year-end; but, no adjustments were made to record these inventories, thereby understating the total inventories and overstating the related expense account.

7.10. In CY 2016 AAR, recording of the procurement of salt fertilizers and various seedlings and planting materials intended for distribution to coconut farmers-beneficiaries in the provinces of the RO No. V was recorded as outright expense, to which the Audit Team recommended that the ROs adopt the prescribed procedures for recording acquisition of supplies and materials under inventory account. Despite the said recommendation, RO No. XIV or the Autonomous Region in Muslim Mindanao (ARMM) did not comply, as the procurement of fertilizers amounting to P93.263 million was still recorded as expense.

7.11. Further, verification of the monthly Trial Balances of the ROs disclosed that RO Nos. VIII, XI, XII, XIII and XIV (ARMM) did not have inventories held for distribution, an indication that procurements of agricultural inputs for distribution to farmers-beneficiaries were recorded as outright expenses. Moreover, inventory taking of supplies and materials was not conducted by the ROs, except in RO No. XIII; however, the latter was not able to prepare the RCPI, defeating the purpose of inventory taking.

7.12. **We recommended that Management instruct the:**

a. **Accounting Units of the concerned ROs to record the agricultural and marine supplies and supplies and materials purchased for inventory purpose using the perpetual inventory system as prescribed under Section 9, Chapter 8, GAM, Volume I; and**

b. **Regional Managers to cause the conduct of physical count of inventories in their respective Regions and reconciliation of the results thereof with accounting records to ensure that inventories are presented in the financial statements in accordance with the prescribed standards.**

7.13. Top Management commented that the attention of the ROs had already been called to strictly observe the proper recording of procurements of agricultural and marine supplies in future transactions. Meanwhile, RO No. XIII had already prepared the RCPI which showed discrepancy of P8,758 from the recorded inventory of P2.888 million; the reconciliation between accounting and property records is on-going.

7.14. As a rejoinder, the Audit Team acknowledged Management's initial action to implement the recommendations; however, their full compliance will be monitored in CY 2018.

B. COMPLIANCE

8. Shares of Local Government Units (LGUs) from permit fees for cutting of coconut trees collected by RO Nos. I-IV-B, V, XII and XIV totalling P6.170 million were not remitted to concerned municipalities and barangays within three months from the date of collection, contrary to the provisions of RA No. 8048, as amended by RA No. 10593, thereby depriving the concerned LGUs of funds intended for the rehabilitation of roads damaged by the passage of heavy vehicles used for transporting coco lumber and, might hamper LGUs' cooperation in the preservation of coconut trees.

8.1. RA No. 8048, also known as the Coconut Preservations Act of 1995 provides for the regulations of the cutting of coconut trees, their replenishment and providing penalties therefor and for other purposes. Section 2 of RA No. 10593, amending Section 5 of RA No. 8048, provides:

Xxxx

The applicant shall pay an application fee in the amount of One hundred pesos (P100.00) for every tree intended to be cut payable to the PCA. Forty pesos (P40.00) of the fee shall accrue in favor of the PCA, Forty pesos (P40.00) in favor of the municipal government concerned, and Twenty pesos (P20.00) in favor of the barangay unit concerned. The fees allocated to the PCA shall be used for its replanting program and the fees allocated to the municipal/city government shall be used for the repair and rehabilitation of roads of the respective local government units which have been damaged by the continuous passage of heavy vehicles used for transporting coconut lumber.

Xxx Fees accruing to the local government unit shall be remitted within three (3) months in accordance with existing Commission on Audit (COA) rules and regulations.

Xxxx

8.2. Also, Section 34(c) Article VI of Administrative Order (AO) No. 1, series of 2013 otherwise known as the Revised Implementing Rules and Regulations (IRR) of RA No. 8048, as amended by RA No. 10593, provides:

Within three (3) months from receipt of remittances, the Division Chief I shall prepare the voucher in favor of the Municipal Treasurer of the local government unit for remittance of their share in the fee. Xxxx

8.3. Review of the Due to LGUs account disclosed that the shares of the municipalities and barangays from permit fees for cutting of coconut trees collected by RO Nos. I-IV-B, V, XII and XIV in the total amount of P8.846 million were not remitted within three months after the date of collection, as discussed below:

a. In RO No. I-IV-B, P3.685 million or 71.99 per cent of the unremitted shares to concerned LGUs had been outstanding for more than three months, ranging from five to seven months from the date of collection, due to non-monitoring of the collected permit fees for remittance. The quarterly summary reports of collected coconut cutting permit fees, prepared by the Cashier that would serve as basis for preparing the DV for remittance of the shares of various LGUs, were not traced/compared against the Reports of Collection to ensure full remittance of the shares of LGUs. Also, there were instances that the name of the LGU was not indicated in the Official Receipts (ORs); hence, difficulty in identifying to which LGU the share will be remitted.

b. In RO No. V, LGUs shares from the cutting permit fees of P1.348 million were remitted beyond the three-month period, the delay ranged from one month to four months.

c. In RO No. XII, the shares of LGUs from the cutting permit fees had accumulated to P1.172 million as no remittance was made in CYs 2016 to 2017.

d. In RO No. XIV, shares of the LGUs from the cutting permit fees in the total amount of P2.641 million were unremitted and remained dormant for more than five years.

8.4. The delayed/non-remittance of the LGUs shares from the cutting permit fees deprived them of funds intended for the rehabilitation of roads damaged by the passage of heavy vehicles used for transporting coco lumber. Further, the non-remittance of the shares to LGUs might hamper LGUs' cooperation in the preservation of coconut trees in their locality.

8.5. **We recommended that Management direct the:**

a. **Concerned ROs to strictly observe the remittance of LGUs' shares from the coconut cutting permit fees within three months from date of collection;**

b. **Provincial Development Coconut Managers (PCDMs)/Collecting Officers of RO No. I-IV-B to prepare a monthly report on coconut cutting permit fees indicating therein, among others, the name of payor, farm location, number of trees cut, OR number, date of issuance, and amount of share of the concerned LGU as an integral part of the monthly Cash Receipts Register, to facilitate computation and remittance of the shares of LGUs;**

c. RO No. I-IV-B to fully remit LGUs' shares on monthly basis based on the **monthly report on coconut cutting permit fees** duly validated against the monthly Cash Receipts Register; and

d. RO Nos. XII and XIV to analyze the unremitted LGUs' shares from cutting permit fees and to cause the immediate remittance thereof to concerned LGUs.

8.6. Management submitted the following comments:

a. RO Nos. I-IV-B informed that it had already exercised due diligence in the prompt remittance of LGUs shares both in municipal and barangay levels and had directed the field operating units to strictly observe the deadlines in the submission of collection reports such that remittances to LGUs could also be made on time. Further, it informed that the schedule of unremitted Due to LGUs as of May 30, 2018 with a balance of P143,111 was furnished to the Audit Team.

b. RO No. V committed to fully observe the policy of no delay remittance scheme of LGU shares as mandated in IRR of RA No. 8048.

c. RO No. XII informed that due to heavy workload of the person in-charge, the prescribed period of remittance was inadvertently overlooked. Nonetheless, the Accounting Section has already started reviewing the accounting records pertaining to unremitted shares of LGUs and retrieving necessary ORs/Reports to facilitate immediate remittance to the concerned LGUs.

8.7. As a rejoinder, the Audit Team took note of Management's commitment to timely remit to LGUs their share from cutting permit fees which will be monitored/validated in CY 2018.

9. The Approved Budget for the Contract (ABC) of two perfected contracts for the supply, handling, transport and delivery of 1,428 kilos Yellow Hybrid Corn Seeds and 3,000 kilos Glutinous Corn Seeds in the total amount of P1.660 million was not determined using the prescribed procedures in the Government Procurement Policy Board (GPPB) – Generic Procurement Manual (GPM), Volume II. Consequently the ABC was disadvantageous to the government as it was 64.69 per cent higher than the estimated prevailing prices of the corn seeds, with an estimated overprice of P1.073 million.

9.1. Section 5 of the 2016 Revised IRR of RA No. 9184, defines ABC, among others:

b) Approved Budget for the Contract (ABC). Refers to the budget for the contract duly approved by the HoPE [Head of the Procuring Entity], as provided for in the General Appropriations Act (GAA), continuing, and automatic appropriations, in the case of national government agencies (NGAs); the corporate budget for the contract approved by the governing board, pursuant to Executive Order (E.O). No. 518, s. 1979, in the case of GOCCs and GFIs, xxx.

9.2. Section 36 of the same Revised IRR of RA No. 9184 provides:

Xxxx

In all instances, the Procuring Entity shall ensure that the ABC reflects the most advantageous prevailing price for the government.

9.3. PCA RO Nos. I-IV-B entered into contracts for the procurement through public bidding of corn seeds for the purpose of providing the small coconut farming communities of intercropping materials, to increase their farm productivity and income. The details of the two contracts are shown in Table 19.

Table 19 – Contracts for the Procurement of Corn Seeds

	Date of Contract/ Delivery Period	Particulars	ABC		Contract	
			Unit Price	Total	Unit Price	Amount
Contract 1	Nov. 11, 2016 45 calendar days (11/18/16 -1/1/17)	1,428 kg of Yellow Hybrid Corn Seeds	P 560.00/kg	P 799,680	P 559.38/kg	P 798,795
		800 kg of Glutinous Corn Seeds	250.00/kg	200,000	249.73/kg	199,784
		for Cagayan, Oriental Mindoro, Romblon and Palawan				
						998,579
Contract 2	Nov. 10, 2017 60 working days	2,200 kilos Glutinous Corn	300.00/kg	660,000	300.00/kg	660,000
		for Marinduque and Romblon				
				P 1,659,680		P 1,658,579

9.4. The GPM, Volume II – Manual of Procedures for the Procurement of Goods and Services requires that:

In determining the ABC, the PMO [Procurement Management Office] or end-user unit, with the assistance of the TWG [Technical Working Group] (when necessary), must consider the different cost components, namely:

- a. The cost or market price of the product or service itself;*
- b. Incidental expenses like freight, insurance, taxes, installation costs, training costs, if necessary, and cost of inspection;*
- c. The cost of money, to account for government agencies usually buying on credit terms;*
- d. Inflationary factor, since the planning phase is usually done one year ahead of the actual procurement date;*
- e. Quantities, considering that buying in bulk usually means lower unit prices; and*

Xxxx

9.5. PCA RO Nos. I-IV-B Management was not able to present/submit to the Audit Team any document supporting the determination of the ABC in the amount of P1.660 million.

9.6. The bidding conducted on September 26, 2016 and August 7, 2017, resulted in the award of contracts to two suppliers which were considered by the Regional Bids and Awards Committee (RBAC) of PCA RO Nos. I-IV-B as the Single Calculated Responsive Bidders; which the bid prices are almost the same as the ABC.

9.7. Verification of the bidding documents disclosed that the two suppliers are not corn seed producers, as one is an Authorized Dealer and Distributor, while the other is an agricultural products buyer. One of the suppliers type of business is manufacturing seed/microbial inoculant also known as biofertilizer as the main product. As stated in its business profile in the internet, the *“Corporation is the only biofertilizer manufacturer in the Philippines today.”*

9.8. Meanwhile, inquiry from the Department of Agriculture (DA), RO No. IV-B revealed that their ABCs for the same seeds (Yellow Hybrid Corn Seeds and Glutinous Corn Seeds) for their CY 2017 procurement were very much lower compared to the ABCs determined by the PCA RO Nos. I-IV-B, as illustrated in Table 20.

Table 20 – Comparison of ABCs - PCA RO Nos. I-IV-B vis-a-vis DA RO No. IV-B

Corn Seeds	ABC		Difference	PCA's ABC Higher by (In Percent)
	PCA RO Nos. I-IV-B	DA RO No. IV-B		
a) Yellow Hybrid Corn Seeds	P 560/kilo	P 200/kilo	P 360/kilo	180
b) Glutinous Corn Seeds	250/kilo	100/kilo	150/kilo	150
c) Glutinous Corn Seeds	300/kilo	100/kilo	200/kilo	200

9.9. As can be gleaned from Table 20, the PCA RO Nos. I-IV-B ABCs were 150 per cent to 200 per cent higher than the ABCs determined by the DA RO No. IV-B.

9.10. Moreover, samples of the procurement made by the DA RO No. IV-B from direct corn seed producers in CY 2017 showed lower prices, as shown in Table 21.

Table 21 - Price of Corn Seeds Procured Direct from Seed Producers

Supplier	Kind of Corn	Invoice Date	Quantity	Price per kilo
Supplier A	Glutinous Corn Seeds-OPV	Oct. 23, 2017	60,750 kgs	P 76.67/kilo
Supplier B	Yellow Hybrid Corn Seeds	Feb. 17, 2017	3,600 kgs	P194.44/kilo

9.11. In addition, the Audit Team made an inquiry on the recent prices of the corn seeds. Based on the quotation dated April 12, 2018 from the Institute of Plant Breeding, National Seed Foundation, University of the Philippines-Los Baños (UPLB), Laguna, the price of Corn (LB Lagkitan- Honey White, Corn, Var. 8) and Corn (PB Var. 6 YAP Corn) is P125 per kilo.

9.12. Further verification revealed that the bid documents submitted by one of the suppliers to comply with the completed similar contract requirement showed that in the statement of its ongoing and completed government and private contracts, the prices of the supplied corn seeds to the DA in CY 2015 were very much lower, details shown in Table 22.

Table 22 – List of ongoing and Completed Government Contracts submitted by one of the Supplier of Corn Seeds

Contracting Agency	Corn Variety	Delivery Period	Contract Price	Bags delivered	Kilos/bag/sack	Price
DA – RO No. IV-A	Cn 2008 222 white corn	March 31, 2015 to May 4, 2015	P449,100	300 bags	20kgs/sack	P 74.85/kilo
DA – RO No. VI	Cn 2008 218 yellow	Nov. 15, 2015 to Dec, 23, 2015	P839,300	700 bags	20kgs/sack	P 59.95/kilo
	Cn 2008 222 white		P360,000	300 bags	20kgs/sack	P 60.00/kilo

9.13. The RBAC members when they evaluated the compliance of the bidders with the eligibility requirements had already known the prices of the corn seeds offered by the bidders to the DA in CY 2015. Considering that there was no significant inflation rate for the period 2015 to 2017, the RBAC, prior to awarding of the contracts, should have re-evaluated the PCA RO Nos. I-IV-B ABCs as the same were three times higher than the prices of corn seeds offered by the bidders to DA in CY 2015.

9.14. Based on the foregoing price surveys, the price of Glutinous Corn Seeds ranged from P77 per kilo to P125 per kilo for the period CY 2016 to April 2018, while the price of yellow hybrid corn was pegged at P200.00 per kilo.

9.15. A conservative estimate on the overprice using the highest price from the range of prevailing price from CY 2016 to April 2018 obtained would result in the amount of P1.073 million or 64.69 per cent over as shown in Table 23.

Table 23 – Computation on the Estimated Overprice

	Quantity (kg)	Unit Price Per Contract	Estimated Prevailing Price	Estimated Overprice per kg	Total Estimated Overprice
Contract 1 Yellow Hybrid Corn Seeds	1,428	P 559.38	P 200.00	P 359.38	P 513,194
Glutinous Corn Seeds	800	249.73	100.00	149.73	119,784
Contract 2 Glutinous Corn Seeds	2,200	300.00	100.00	200.00	440,000
					P 1,072,978

9.16. The 1,428 kilos of Yellow Hybrid Corn Seeds and 800 kilos Glutinous Corn Seeds under the first contract were fully delivered and the supplier was already paid. Meanwhile, the delivery of 2,200 kilos of Glutinous Corn Seeds under the 2nd contract is still on-going and no payment has been made to the supplier.

9.17. Further verification of the DVs supporting the payments made to the first supplier revealed that the Contract was dated November 11, 2016 with delivery period of November 18, 2016 to January 1, 2017. However, on November 28, 2016, the then Regional Manager of RO Nos. I-IV-B requested for the deferment of the delivery of corn

seeds for Romblon and Palawan, in consideration of the planting season, as shown in Table 24.

Table 24 - Delivery of Corn Seeds to Romblon and Palawan

Corn Variety	Province	Delivery Period		Quantity	Total Price
		Original	Actual		
Yellow Hybrid Corn Seeds	Romblon	November 18, 2016 to January 1, 2017	April 10 to May 24, 2017	700 kilos	P 391,566
Glutinous Corn Seeds	Palawan	-do-	May 15 to June 28, 2017	800 kilos	99,784

9.18. Item 2, Annex D of the Revised IRR of the RA No. 9184 provides the pertinent provision on the suspension of delivery or contract implementation, wholly or partly, by written order for a certain period of time, as it deems necessary due to force majeure or any fortuitous event.

9.19. The deferment of delivery dates to coincide with the planting season in order to prevent deterioration of corn seeds, as alleged, could not be considered as fortuitous event, hence not an acceptable ground to defer the delivery. The procurement was not seedlings for planting, but seeds for planting, thus these could be stored until the planting season. The deferment of the deliveries might be prejudicial to the losing bidders in the sense that such change in the delivery date before the opening of the bid, could affect the bid tendered.

9.20. COA Circular No. 2009-001 dated February 12, 2009, provides that:

Section 3.2.1 - A copy of any contracts/purchase order irrespective of amount, and each and every supporting documents, shall, within five (5) days from issuance thereof be submitted to the Auditor concerned. Within the same period, the Auditor shall review and point out to management defects and/or deficiencies, if any, Xxx.

9.21. It was also observed that the two perfected contracts were submitted to the Office of the Auditor beyond the reglementary period and with incomplete supporting documents; thus, prompt review thereof was not made thereby deficiencies noted were not immediately communicated.

9.22. **We recommended that Management require the Officer-In-Charge (OIC) RM, RO Nos. I-IV-B to:**

- a. **Ensure compliance with the GPM and the Revised IRR of RA No. 9184 in computing the ABC by conducting market surveys, among others, to obtain the most advantageous price for the government and avoid adverse audit action on the procurements of the RO;**
- b. **Henceforth, consider coordinating with other government agencies procuring similar goods/planting materials, such as, the DA, Department of Agrarian Reform (DAR) and Bureau of Plant Industry (BPI) in the conduct of market surveys;**

c. Consider procuring seeds/planting materials directly from Accredited Seed Growers of the BPI to maximize, with consideration to economy, the utilization of allocated budget; and

d. Instruct the concerned RO Nos. I-IV-B personnel to submit copies of perfected contracts and purchase orders with complete supporting documents within the period prescribed under COA Circular No. 2009-001 dated February 12, 2009.

9.23. Management of RO Nos. I-IV-B gave the following comments:

a. The RBAC computed the ABC for the purchase of hybrid yellow corn seeds and OPV glutinous white corn seeds through phone canvassing from reliable corn seeds producers, dealers and distributors. It came up with P560.00 per kg of hybrid yellow corn using the retail price of P250.00 per kg and P300.00 per kg taken from the market survey plus indirect expenses like insurance and contingency, cost of sacks, loading and unloading cost and transport cost.

b. Since the RO procured less volume of hybrid yellow corn and glutinous white corn, i.e., 143 bags and 80 bags, respectively, than that of the DA RO No. IV-B which was more than 1,000 bags (as per inquiry with DA RO No. IV-B – Corn Program), the transport costs became most costly, which contributed to a much higher cost per kg of corn.

c. As far as the technical specifications are concerned, the farmers required glutinous and sweet corn or corn that can be eaten while not yet mature. The corn varieties purchased by DA RO No. IV-B namely, Cn 2008 222 white corn and Cn 2008 218 yellow, are flint types which are harvested when mature or even when the grains are already hard. Yellow flint corn is used for the manufacture of animal feed, while white flint is hammer milled, strained and is boiled like rice.

d. Due to the delay in procurement, the issuance of deferment of delivery was deemed practical taking into consideration the planting calendar and seed vigor or seed viability of these corn seeds. Loss of seed vigor would result in high rate of deterioration of seeds in hot humid conditions. Since the farmers or the PCA itself had no cold storage or facility to store corn seeds and maintain the seed vigor or viability, the deferment of delivery was issued to prevent losses and maximize the yield of the seeds.

9.24. Hereunder are the rejoinders of the Audit Team to the above comments of Management:

a. The alleged computation of the ABC was not furnished to COA at the time the two contracts were being evaluated. Also, there were no documents submitted to show that telephone canvass was made to obtain the retail price of the corn seeds as basis for the ABC. Thus, in the absence of relevant documents, there were no concrete proofs that will show that there was a market survey conducted by PCA RO Nos. I-IV-B.

b. The technical specifications of the corn seeds, claimed by the PCA RO Nos. I-IV-B, were not indicated in the bidding documents (BD) as the BD plainly stated supply and delivery of yellow hybrid corn and glutinous white corn. The non-disclosure of the technical specifications in the BD would simply mean that the generic description of corn seed encompasses available variety in the market that has similar characteristics. The DA also described the corn seeds in generic term; hence, there were no special characteristics that would differentiate one variety from the other varieties.

c. The alleged addition to the retail price to arrive at the ABC of corn seeds, i.e., indirect expenses like insurance and contingency, cost of sacks, loading and unloading cost and transport cost could be considered excessive and had no basis, since the price offered by big companies/suppliers already includes the incidental costs. Moreover, the ABCs of DA included all incidental cost such a packaging and transportation, since the corn seeds are available in sacks of 10 kg, 18 kg and 20 kg and delivered at destination points.

d. Although the volume of the procurement could influence the unit price as volume discounts are being offered by the suppliers, the difference of almost 3 times in unit price could not be taken as volume discount.

e. It is emphasized that the reason for the deferment of delivery was not caused by unforeseen event. As provided in Item 2, Annex D of the Revised IRR of RA No. 9184, suspension of delivery or contract implementation may be allowed due to force majeure or any fortuitous event.

f. In view of the foregoing, the Audit Team maintains it stand that the contract price offered by the suppliers was disadvantageous to the government.

9.25. We further recommended that Management conduct investigation to determine persons responsible for the overpricing of corn seeds and file appropriate charges, if warranted.

10. Properties of RO No. V, DRC and ZRC with carrying amount of P53.585 million were not insured with the Government Service Insurance System (GSIS) in CY 2017, contrary to Section 5 of RA No. 656 or the Property Insurance Law; thus, exposing the Agency to risk of non-indemnification in case of damage to or loss of the uninsured properties due to fire, earthquake, storm or other casualty.

10.1. Section 5 of RA No. 656, otherwise known as the Property Insurance Law, as amended by Presidential Decree (PD) No. 245 dated July 13, 1976, requires every government entity, except municipal government below first class, to insure its properties with the General Insurance Fund (GIF) of the GSIS. The GIF was established in order to indemnify or compensate the government for any damage to, or loss of, its properties due to fire, earthquake, storm or other casualty.

10.2. Section 4(c) of the same RA provides that insurable property *"includes vessels and craft, motor vehicles, machineries, permanent buildings, properties stored therein, or in buildings rented by the Government, or properties in transit."*

10.3. Verification of records showed that insurable properties of RO No. V, DRC and ZRC with total carrying amount of P53.585 million (Table 25) as at December 31, 2017 were not insured with the GIF of the GSIS.

Table 25 – Properties not insured with the GIF of the GSIS

RO/Center	Carrying Amount
RO No. V	P 4,374,455
ARC	8,480,456
ZRC	40,730,287
	P 53,585,198

10.4. The non-insurance of properties exposed the Agency to risk of non-indemnification or non-compensation in case of damage to or loss of these properties due to fire, earthquake, storm or other fortuitous event.

10.5. We recommended and Management agreed to direct RO No. V, ARC and ZRC to insure all insurable properties with the GIF of the GSIS to protect the interest of the Agency and in compliance with Section 5 of RA No. 656.

11. RO Nos. I-IV-B, VII, VIII, X and XIII did not strictly observe the prescribed rules and regulations in the handling of cash; hence, there was no assurance that government funds were safeguarded against misuse or loss.

11.1. Section 4.1 of Treasury Circular No. 02-2009 provides that: *“Every officer, agent and employee of the Government of the Philippines, regardless of the status of their appointment shall, whenever the nature of the duties performed by such officer, agent or employee permits or requires the possession, custody or control of funds or properties for which he is accountable, be deemed a bondable officer and shall be bonded or bondable and his fidelity insured.”*

11.2. Section 65 of the Government Accounting and Auditing Manual (GAAM), Volume I provides, among others that: *“As a general rule, the collection of revenues and receipts shall be done by the regularly appointed Collecting Officer/Treasurer.”*

11.3. Notwithstanding the above regulations, in RO No. XIII, a Senior Agriculturist, who is not bonded nor designated and authorized as Collecting Officer, deposits the collection of registration and other fees.

11.4. In RO Nos. I-IV-B, a contract of service employee was entrusted by the Cashier to deposit her cash collections, while in RO No. VII, the collecting/disbursing/cashiering functions, including the maintenance of the cash receipts/disbursements/petty cash/cash in bank registers were performed by a contractual employee who is not bonded.

11.5. Moreover, during the conduct of cash examinations by the Audit Teams, the following deficiencies in the handling and safeguarding cash were observed:

- a. In RO No. X, the Accountable Officer did not prepare Cash Receipt Register contrary to Paragraph d, Section 39, Chapter 5 of the GAM, Volume I, which states that, *“Field Offices(FOs)/Operating Units (OUs) without complete*

books shall record their collections of income chronologically in the Cash Receipts Register (CRR). The certified copy of the CRR together with the required supporting documents, duplicate copies of ORs and [Deposit Slips] DSs shall be submitted within five (5) days after the end of each month to the concerned mother unit (central/regional/division office) by the FO's for review and recording of the transactions in the Cash Receipts Journal by the Chief Accountant." In the absence of the CRR, the cash accountability of the Accountable Officer could not be readily established.

b. In RO No. VII, there were alterations on the amount of collection on some of the triplicate copies of the ORs (Form 51-C); thus, the accuracy of the figures reflected thereon was doubtful.

c. In RO No. VIII, the cash book of the Accountable Officer was not updated, transactions for the month of June 2017 was not recorded.

11.6. We recommended that Management require the concerned ROs to strictly comply with the prescribed government rules and regulations in the handling and safeguarding of cash by:

a. Designating regular employees as Accountable Officers;

b. Securing adequate bond for the Accountable Officers' accountabilities; and

c. Directing the Accountable Officers to prepare required financial reports and maintain an updated cash books.

11.7. We further recommended that Management direct the Regional Manager of RO No. VII to investigate the alterations on the triplicate copies of the ORs, and hold the person responsible, if warranted.

COMPLIANCE WITH TAX LAWS

12. The Agency has been regularly withholding/deducting taxes from the salaries and other benefits of its officials and employees as well as from cost of goods and services procured. Likewise, the taxes withheld were remitted to the Bureau of Internal Revenue (BIR) within the prescribed deadlines. Total taxes withheld and remitted in CY 2017 are shown in Table 26.

Table 26 – Taxes withheld and remitted for the year

	Withheld	Remitted
Tax on compensation	P 37,211,937	P 36,373,065
Withholding tax on value-added tax	11,149,441	11,476,406
Expanded withholding tax	6,913,979	7,296,407
Withholding tax on government money payments	1,510,199	1,519,859
Other fees and taxes withheld	8,929,193	8,455,706
Value-added tax payable	3,254,378	2,920,422
	P 68,969,127	P 68,041,865

COMPLIANCE WITH GSIS LAW

13. The Agency complied with Section 14.1 of RA No. 8291, which provides that each government agency shall remit directly to the GSIS the employees' and government agency's contributions within the first 10 days of the calendar month following the month to which the contributions apply. The summary of remittances of employees' premium contributions and employer's share for CY 2017 is shown in Table 27.

Table 27 – Summary of remittances to GSIS

	Withheld	Remitted
Life and retirement premiums, employees share	P 24,383,061	P 23,749,672
Government share		23,867,084
	P 24,383,061	P 47,616,756

GENDER AND DEVELOPMENT (GAD)

14. The CY 2017 GAD Plan and Budget (GPB) of PCA with allocation of P61.594 million was not approved/endorsed by the Philippine Commission on Women (PCW), as required under Section 8.6 of Joint Circular (JC) No. 2012-01 issued by the PCW-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM), due to late submission thereof; thus, there was no assurance that the programs, activities and projects (PAPs) indicated therein were aligned with the gender issues under the Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025. Despite the non-approval of its GPB, PCA carried out some of the GAD activities costing P9.379 million; however, there is no assurance that the conducted activities addressed GAD related issues in the absence of CY 2017 GPB duly endorsed by PCW. In addition, the GAD Accomplishment Report (AR) did not conform to the format prescribed under PCW-NEDA-DBM JC No. 2012-01.

14.1. Under Section 1 of Executive Order (EO) No. 273, on the approval and adoption of PPGD, 1995-2025 (Plan), all government agencies, departments, bureaus, offices and instrumentalities, including GOCCs are directed to: (a) take appropriate steps to ensure the full implementation of the policies/strategies and programs/projects outlined in the Plan; and (b) institutionalize GAD efforts in government by incorporating GAD concerns as spelled out in the Plan in their planning, programming and budgeting processes.

14.2. PCW Memorandum Circular No. 2011-01 prescribes the guidelines and procedures for the establishment, strengthening, and institutionalization of the GAD Focal Point System (GFPS) in constitutional bodies, government departments, agencies, bureaus, SUCs, GOCCs and all other government instrumentalities.

14.3. Likewise, PCW-NEDA-DBM JC No. 2012-01 prescribes the guidelines and procedures for the formulation, development, submission, implementation, monitoring and evaluation including accounting of results of agency annual GPBs and GAD AR. Relevant provisions are as follows:

3.5 *Agency GAD Focal Point System (GFPS) xxx shall coordinate the preparation of the agency GPB and the GAD Accomplishment Report (AR), monitor its implementation and report on its results. Xxxx*

7.0 *Schedule to be observed in GAD Planning and Budgeting:*

i. *September (2 years before budget year) - PCW issues notification letters to all line departments or central offices for the submission of their annual GPB and GAD ARs to PCW.*

v. *January (1 year before budget year) - Submission of reviewed GPBs and ARs to PCW.*

vii. *March - Xxx central offices submit revised GPBs to PCW. PCW approves and endorses all revised GPBs and returns them to the concerned offices for submission to DBM xxx.*

Xxxx

8.6 *PCW shall endorse agency GPBs only xxx if they are reviewed by the mother or central office;*

10.1 *Xxx. The agency GFPS shall prepare the annual GAD AR based on the PCW-endorsed GPB xxx following the form prescribed in Annex B.*

14.4. Every year, the PCW issues Memorandum Circular for the preparation and online submission of Fiscal Year (FY) GPB and ARs and conducts Budget Forum relative thereto. Under PCW Memorandum Circular No. 2015-04 dated September 30, 2015, the deadline for the submission of **FY 2017 GPB** and **FY 2015 AR** through online in the PCW Gender Mainstreaming Monitoring System (GMMS) was on February 1, 2016. PCW is mandated to review, approve and endorse the GPB three months after the deadline of submission.

14.5. Moreover, Item V of COA Circular No. 2014-001 dated March 18, 2014, provides:

The Audited agency shall submit a copy of the Annual GAD Plan and Budget (GPB) to the COA Audit Team assigned to the agency within five (5) working days from the receipt of the approved plan from the PCW or their mother or central offices, as the case may be. Likewise, a copy of the corresponding Accomplishment Report shall be furnished the said Audit Team within five (5) working days from the end of January of the preceding year.

14.6. In compliance with previous year's audit recommendations, PCA prepared its CY 2017 GPB with allocation of P61.594 million. Included therein were organization and client focused activities mainstreamed within the programs/projects of PCA funded by the National Government. However, the GPB was submitted beyond the deadline set under PCW Memorandum Circular No. 2015-04 dated September 30, 2015; hence, the same was not approved/endorsed by the PCW. In the absence of the approval/endorsement of PCW, there was no assurance that the PAPs indicated in the

CY 2017 GPB of PCA were aligned with the gender issues under the Philippine Plan for Gender-Responsive Development (PPGD), 1995-2025.

14.7. Management informed that the GPBs for CYs 2017 and 2018 together with the GAD AR for CY 2016 were submitted to PCW on December 1, 2017. Information from PCA disclosed that no feed-back from the PCW was received relative to its CY 2017 GPB.

14.8. Despite the non-endorsement of its CY 2017 GPB, the Agency carried out some of the GAD PAPs indicated therein as shown in the CY 2017 GAD ARs submitted by the ROs/Centers to the CO. The GAD PAPs costing P9.379 million implemented in CY 2017 included organization-focused activities, like attendance of the GAD focal persons in GAD seminars/workshops conducted by PCW in the total amount of P0.116 million, and client-focused activities mainstreamed in the implementation KEDP-CHLP livelihood program for farmers-beneficiaries, such as: (a) conduct of various livelihood trainings in the amount of P8.782 million; (b) distribution of various vegetables seeds for the home garden program in the amount of P0.179; and (c) establishment of herbal and medicinal garden in the amount of P0.302 million. However, there is no assurance that the conducted activities addressed GAD related issues in the absence of CY 2017 GPB duly endorsed by PCW.

14.9. It is noteworthy to mention that the GAD ARs of the ROs/Centers were not consolidated with the AR of the CO. Meanwhile, perusal thereof disclosed that these were not prepared in accordance with the format prescribed under PCW-NEDA-DBM JC No. 2012-01, as there were no columns provided for the variance between targets and actual accomplishments and the corresponding explanation for the variance. It is emphasized that the AR would serve as a tool for Management in the evaluation of their performance on GAD PAPs, such that the causes of non-attainment of the desired outcomes could have been identified and properly addressed.

14.10. **We recommended and Management agreed to:**

- a. **Strictly comply with EO No. 273, PCW-NEDA-DBM JC No. 2012-01, COA Circular No. 2014-01, and PCW Memorandum Circulars;**
- b. **Direct the GAD focal person to:**
 - b.1. **Prepare the Annual GPB and submit the same together with the GAD AR in the prescribed format to PCW for approval/endorsement within the deadline set;**
 - b.2. **Consolidate GAD ARs of the ROs/Centers with the AR of the CO to facilitate review of the PCA's over-all accomplishment on GAD;**
 - b.3. **Submit to the Audit Team copy of the approved/duly endorsed GPB within five days from receipt thereof and, GAD AR within five working days from the end of January of the following year; and**
- c. **Ensure that the GAD focal persons of the CO and ROs/Centers are adequately trained to prepare GPB and GAD AR.**

14.11. Management commented that:

- a. The circumstances for the delay in prompt compliance and submission of the required reports to PCW were: (i) the 2016 GPB was submitted on time for the preparation of the 2016 Corporate Operating Budget (COB); however, the same was only approved by the PCA Governing Board in June 2016; and (ii) changes in the composition of Management during the last quarter of 2016 and early 2017, which caused an issue on the determination of appropriate signatories.
- b. PCA is now in closer coordination with PCW for the conduct of GAD-related trainings and initiatives in order to ensure that the GAD focal persons are adequately trained to prepare GPB, ARs and GAD Evaluation Reports on the outcomes of the GAD Projects.
- c. To avert delay in current cycle, the PCA had already submitted its proposed GPB for CY 2019 and ARs for CY 2017 to PCW.
- d. PCA commits to practice strict compliance to the schedules for the submission of the GPB.

14.12. As a rejoinder, the Audit Team acknowledged Management's commitment to practice strict compliance to the schedules for the submission of the GPB. However, their full compliance with the above recommendations will be validated and monitored in CY 2018.

C. PERFORMANCE

15. The evaluation of Agency's performance is deficient in the absence of a specific unit to perform monitoring and evaluation of resources as spelled out in PCA's Quality Management Systems Manual, and to communicate the results to top Management for decision making. Consequently, progress monitoring reports and their supporting financial reports, such as, Budget and Financial Accountability Reports (BFARs) and Budget Execution Documents (BEDs) required by the DBM and, evaluation and monitoring reports required under various projects' guidelines were not prepared; physical accomplishment reports were not reviewed and evaluated; and success indicators were not measured.

No specific Unit tasked to evaluate Agency's performance/ physical accomplishment reports not reviewed and evaluated

15.1. The PCA's Quality Management Systems Manual included Monitoring and Evaluation of Resources (MER), as one of the Agency's processes. As stated in the Manual, the MER is a process that helps improve performance and achieve results. Its goal is to improve current and future management of outputs, outcomes and impact. The process is aimed at providing better means for learning from past experiences, improving service delivery, planning and allocating resources. Indicators are specific, observable and measurable characteristics or change that represents achievement or non-realization of goals.

15.2. However, the PCA's Manual of Corporate Governance approved by the Governing Board on September 10, 2014, which provides the functions of each Operating Unit (OU) did not include the assignment of Unit responsible for the MER process.

15.3. The DBM issued the Philippine Government Internal Audit Manual (PGIAM) through DBM Circular Letter No. 2011-05 dated May 19, 2011, to strengthen the establishment of the internal audit function in all government agencies. The Circular directed the National Government Agencies, Government and/or Controlled Corporations (GOCCs)/Government Financial Institutions, State Universities and Colleges and Local Government Units to use PGIAM as generic guide for Internal Auditors in government to understand the nature and scope of the Internal Audit function in the public sector, including the institutional arrangements, protocols and processes for the conduct of internal audit.

15.4. Item 3.1, Chapter I, Part I of PGIAM, defined the scope of Internal Audit, as follows:

Internal audit encompasses the appraisal of the adequacy of internal controls, the conduct of management audit and the evaluation of the results of operations, focusing on the effectiveness of controls of operating systems and support services units/systems. [Underlining supplied]

15.5. Item 5, Chapter III, Part I of the same Manual described the Organizational Structure of Internal Audit Service (IAS)/Internal Audit Unit (IAU) to be able to provide the expected services, specific provisions are as follows:

- *The IAS/IAU shall report to the respective Audit Committee of the Governing Board of the corporation.*
- *The IAS/IAU in departments and equivalent agencies shall consist of two divisions - an Operations Audit Division and a Management Audit Division.*
- *The Management Audit Division is responsible for conducting compliance and management audits in departments, agencies or GOCCs.*
- *The Management Audit Division shall evaluate the achievement of the control objectives which include the safeguarding of assets, checking the accuracy and reliability of accounting data, adherence to managerial policies, compliance with laws, rules and regulations by utilizing internal auditing methods.*
- *The Operations Audit Division is responsible for conducting compliance and operations audits in departments, agencies or GOCCs.*

- *In a management audit, the IAS/IAU appraises the management controls of the operating or support units to determine if the control objectives are being achieved, conducts root cause analysis in case the controls are weak, and recommends courses of action to address the control weakness.*

- *Operations audit is a separate evaluation of the outcome, output, process and input to determine whether government operations, programs and projects are effective, efficient, ethical and economical, including compliance with laws, regulations, managerial policies, accountability measures and contractual obligations*

Operations audit of organizations, programs, and projects involves an evaluation of whether or not performance targets and expected results were achieved. [Underlining supplied]

15.6. Based on the foregoing, one of the MER processes that is - the evaluation of whether or not the targets and expected results are achieved could be included as one of the functions of IAS Operations Audit Division. However, the said Division performs only special audits on compliance of the ROs/Centers with operations processes as directed by the Governing Board and Management.

15.7. It was observed that the implementation of the Projects is under the over-all supervision of the Central Office Operations Department. PCA's OUs, i.e., ROs and Centers, submit various reports to account their fund utilization and accomplishments. The Budget Division consolidates the fund utilization, while the Operations Department consolidates the physical performance of the OUs. However, when the Audit Team inquired from Management on how these reports were evaluated to ensure the reliability of the reports/data and measure Agency's performance, no information was given as to the Unit within the PCA that performs the monitoring and evaluation of Agency's performance.

15.8. Had PCA established a Unit that would take charge of the MER, the preparation of the reports required by the oversight agencies like the DBM, Governance Commission for GOCCs (GCG) and COA could have been monitored and such could have been used by Management as tools in their planning and decision making, for the improvement of the Agency's performance.

Non-preparation of Budget and Financial Accountability Reports (BFARs) and Budget Execution Documents (BEDs) as required by the DBM and COA

15.9. Special Provisions of General Appropriations Act for FY 2017 Section XXXVI Budgetary Support to Government Corporation, item K.11 – Philippine Coconut Authority states that:

Subsidy to the Philippine Coconut Authority. The amount of One Billion One Hundred Forty Million Seven Hundred Seventy Two Thousand pesos

(P1,140,772,000) appropriated herein under the subsidy for the PCA shall be used for the following: (Coconut Planting and Replanting Project) xxx.

Xxxx

The PCA shall submit to the DBM, the Speaker of the House of Representative, the President of the Senate xxx either in printed form or by way of electronic document, quarterly reports on the utilization of funds, including the targeted and actual number of small farmer beneficiaries, status of implementation of the projects, and project evaluation and or assessment.

15.10. COA-DBM Joint Circular No. 2014-1 dated July 2, 2014 was issued to prescribe the Guidelines of the Use of Modified Formats of the BFARs to effectively report, monitor and/or evaluate agency performance versus plans and targets which shall serve as basis for sound policy decision.

15.11. To further harmonize and facilitate Agency's compliance with timely submission of complete reports and relevant information to serve as bases of oversight agencies in the conduct of periodic review, monitoring and evaluation of Agency's utilization of funds vis-à-vis quarterly plans and targets, DBM Circular Letter No. 2016-11 dated December 6, 2016, was issued to prescribed the guidelines on the electronic submission of BFARs, through the DBM Unified Reporting System (URS). The Circulars requires the submission of various reports within the prescribed timelines as shown in Table 28.

Table 28 – List of BFARs vis-a-vis prescribed Timeline for Submission

BFAR Titles	Code	Prescribed Timelines
1. Quarterly Physical Report of Operation (QRPO)	BAR No. 1	<div style="display: flex; align-items: center;"> <div style="font-size: 3em; margin-right: 10px;">}</div> <div> <p>Within 30 days after the end of each quarter</p> </div> </div>
2. Statement of Appropriations, Allotments, Obligations, Disbursements and Balances (SAAODB)	FAR No.1	
3. SAAODB by Object of Expenditures (SAAODBOE)	FAR No.1-A	
4. List of Allotments and Sub-Allotments (LASA)	FAR No. 1-B	
5. Statement of Approved Budget, Utilizations, Disbursements and Balances (SABUDB)	FAR No. 2	
6. SABUDB by Object of Expenditures (SABUDBOE)	FAR No. 2-A	
7. Quarterly Report of Revenue and Other Receipts (QRROR)	FAR No. 5	
8. Aging of Due and Demandable Obligations (ADDO)	FAR No. 3	On or before the 30 th day following the end of the year
9. Monthly Report of Disbursement (MRD)	FAR No. 4	On or before the 30 th day of the following month covered by the report

15.12. The responsible persons for the preparation and submission of the aforementioned BFARs are stated in Item 5 of the COA-DBM Joint Circular No. 2014-1, quoted as follows:

5.1 *The BFARs shall be prepared and certified correct by the following agency officials:*

5.1.1 *Budget Officer/Head of Budget Unit – for the portion of the report pertaining to appropriations, allotments, obligations – not yet due and demandable, unreleased appropriations and unobligated allotments.*

5.1.2 *Chief Accountant/Head of Accounting Unit – for portion of the report pertaining to disbursements and unpaid obligations-due and demandable.*

5.2 *The head of each OU, office or agency shall be responsible for the timely submission of the BFARs prescribed in this Circular to the DBM offices concerned and to the COA - Audit Team Leaders and Government Accountancy Sector (GAS).*

15.13. Further, DBM Circular Letter No. 2016-9 dated October 27, 2016, on the guidelines on the submission of the annual budget execution plans, requires GOCCs receiving budgetary support or subsidy for the implementation of the government projects to prepare BEDs which contain the agency plans, spending schedules and physical targets to be submitted online to the DBM through URS for evaluation and consolidation. The same Circular Letter also provides that the BEDs would serve as bases to facilitate the release of funds and enable prompt implementation of the programs and projects including the conduct of early procurement activities. The BEDs (Table 29) are to be submitted to DBM on or before November 29 of the current year (for regionalized Agency).

Table 29 – List of BEDs for submission to the DBM

BEDs	Data Elements
BED No. 1 Financial Plan	Estimated obligation Program for the budget year broken down by quarter, and current year obligations (actual obligations as of September 30 and estimated obligation for October to December)
BED No. 2 Physical Plan	Physical Targets for the budget year broken down by the quarter, and current year accomplishments (actual accomplishment as of September 30 and projected accomplishment for October to December)
BED No. 3 Monthly Disbursement Program (MDP)	Projected monthly disbursements requirements for the year by type of disbursement authority (e.g. NCA, CDC, NCAA and TRA)
BED No. 4 Annual Procurement Plan for Common Use Supplies and Equipment	Projected Monthly Procurements in terms of quantity and cash requirements. This shall be categorized into items available at Procurement Service and those items not available at PS.

15.14. Inquiry from the Planning and Evaluation Officer (PEO) III, Corporate Planning Services and the Officer-in-Charge (OIC) Budget Division revealed that PCA had prepared and submitted only the following documents:

- a. DBM BED No. 1 (Financial Plan) for CY 2017; and
- b. DBM BED No. 2 (Physical Plan) for CY 2017;
- c. Annual FARs for Fund 151 only.

15.15. Both the PEO III and OIC-Budget Division confirmed that BAR No. 1 was not prepared and submitted to the DBM. Likewise, FARs and BAR for the General Fund for the implementation of programs and projects (Budgetary Support for GOCC under GAA) were not prepared.

15.16. Despite repeated requests from these Offices to provide the Audit Team with copies of the BEDs for CY 2017, BFARs as of December 31, 2017 submitted to DBM, and proof of transmittal thereof, but none was provided. The non-availability of these reports indicated that Management was not able to effectively measure PCA's performance with regard to the utilization of funds received in CY 2017 in the total amount of P831.380 million for the implementation of the projects.

15.17. When the Audit Team inquired whether periodic progress reports were prepared to show that Management regularly evaluates on-going projects, they informed that that the AR and utilization report were prepared and consolidated in the CO by the Operations Division, while the fund utilization reports were being consolidated by the Budget Division. However, copies of these reports were not made available to the Audit Team for verification/validation.

15.18. In view of the unavailability of the aforementioned reports, the Audit Team was precluded to thoroughly review the performance of PCA on the implementation of locally-funded projects.

Non-preparation of evaluation and monitoring reports required under various projects' guidelines/ performance indicators were not measured

15.19. Series of Memorandum Circulars were issued to provide guidelines on the implementation of each project which included submission to the ROs and CO of monitoring and evaluation reports by the Community Coordinator (CC) in coordination with the Senior Agriculturist and the Provincial Coconut Development Manager (PCDM). The reports are enumerated in Table 30.

Table 30 – List of Monitoring and Evaluation Reports

Type of Report	Schedule of Submission
Baseline Survey	Beginning and after the end of the project
Project self-review	Every end of each quarter
Field visits and monitoring	Monthly
Financial Audit and Monitoring	Every end of the year
Semestral Project Evaluation	At 6th of the year
Final Project Evaluation	At the end of the active period of the project
Project Progress and Financial Reports	Every 5th day of the succeeding month
Semestral Evaluation Report	End of the semester
End of the project report	At the end of sub-project

15.20. As observed by the Audit Teams, the above-mentioned monitoring and evaluation reports were not prepared.

15.21. Moreover, post evaluation, although required to be submitted by the ROs based on Project Guidelines, was not conducted; hence, performance/success indicators were not measured.

15.22. It is noteworthy to mention that continuous delay in the implementation of projects was observed in the course of audit.

15.23. The non-compliance by the concerned PCDMs of the submission of monitoring and evaluation reports and by the ROs of the timely submission of financial reports and reporting of the status of the implementation of projects could be attributed to the absence of a Unit in the CO to perform the monitoring and evaluation of resources and overall PCA's performance.

15.24. **We recommended that Management:**

- a. **Consider creating a Unit to perform monitoring and evaluation of resources and the Agency's overall performance or tap the IAD to perform such functions as prescribed under PGIAM;**
- b. **Require the Budget Division, Corporate Planning Services and Operations Department to regularly prepare, on the manner prescribed, the consolidated BEDs and BFARs and submit these reports to concerned offices as required under DBM Circular Letter No. 2016-9 dated October 27, 2016 and COA-DBM Joint Circular No. 2014-1 dated July 2, 2014; and**
- c. **Instruct the ROs/Centers to regularly submit the monitoring and evaluation reports to the CO for review and as inputs in planning and decision making.**

15.25. During the exit conference Management admitted that there is no specific Unit that performs monitoring and evaluation of resources as well as the overall performance of PCA. They will consider creating a Unit to perform such functions.

Kasaganahan sa Niyugan ay Kaunlaran ng Bayan (KAANIB) Enterprise Development Project (KEDP)

16. In RO Nos. VII, IX and X, various machineries and equipment distributed to Coconut Based Organizations (CBOs) and Micro, Small and Medium Enterprise (MSMEs) for livelihood projects under the KEDP-Community/Household-Level Coconut Processing Project (CHLCP) were either non-operational, idle or not fully utilized due to inadequate evaluation of the project proposals, thus, resulting in non/delayed attainment of the objectives of the project of increasing farmers' income and improving their entrepreneurial skills.

16.1. PCA Memorandum Circular (MC) No. 02, series of 2014, the Revised KEDP Implementing Guidelines, states the project description, viz.:

The project [CHLCP] aims to promote coconut processing and value-adding in identified KANIB sites for increased productivity and income. It aims to foster the entrepreneurial skills of the community or household members of the community through value-adding.

The project offers a wide range of livelihood activities in which the community could engage into, such as: coir-based products from husk, charcoal briquette from shell, VCO and food confectioneries from meat, vinegar and coco sauce from coco water, among others.

16.2. Moreover, the guidelines also provided various survey/study conducted to identify KANIB participant and Enterprise, enumerated as follows:

a. *Community profiling – involved the collection of basic information on the economic and social profile of the community using the Participatory Rural Appraisal (PRA). PRA is a set of tools and techniques to gather and analyze information on community resources, problems, potentials and needs.*

b. *In Selection of participant survey should be made to determine the willingness of the would be participants to undergo training and willing to adopt farm diversification through xxx viable enterprises and willing to provide his family's labor as needed in the project.*

c. *Once an enterprise has been identified, further planning and analysis should be done using the Rapid Marketing Appraisal (RMA) Tool. The RMA shall aid [Coconut Based Organization] CBOs and [Micro, Small and Medium Enterprise] MSMEs make an informed decision in identifying viable agribusiness enterprise. Xxx. The following information may be derived from the conduct of marketing survey:*

- *Target market*
- *Buyer's preference in terms of quality and product form*
- *Volume or quantity that the market can absorb*
- *Timing of production*
- *Where to sell the products*
- *Price that the buyers are willing to pay of the products*

d. *To avail of the KANIB assistance, the CBOs/MSMEs must accomplish an expression of interest Form and Business Plan and Project Implementation Plan.*

16.3. Verification of the status of implementation of the KEDP-CHLP in the ROs disclosed that the establishment of household processing enterprises was not efficiently carried out in RO Nos. VII, IX and X, as discussed below.

a. In RO No. X, the establishment of livelihood enterprises for five CBOs which started in CY 2017 costing P5.211 million were not yet operational; the status of the projects are as follows:

a.1 The construction of kiln and working shed for the Sanjuro Agrarian Reform Communities (ARC) and the Zambacups ARC had been completed, but the machineries are not yet installed.

a.2 The Salimpono Coconut Farmers Organization (SCFO) has not produced yet coco fiber twines due to the lack of funds, labor force and established market.

a.3 The delivered machineries and equipment totalling P2.311 million, (Table 31) were not yet used and kept under the custody of Paglaum Multipurpose Cooperative.

Table 31 - Machineries and Equipment Procured

Equipment	No. of Units	Amount
Mobile Decorticating Machine	4	P 1,914,800
Sewing Machine (hand powered)	4	64,000
Weaving Machine	8	200,000
Twinning Machine	24	70,800
Manual Portable Baling Machine	1	35,000
Platform Weighing Scale	1	26,000
		P 2,310,600

b. In RO VII, six CBOs-beneficiaries received livelihood machineries and equipment despite non-submission of the complete report on the survey/study as required under the KEDP guidelines; thus, the required evaluation to determine if the CBOs are ready to become partners in the development and promotion of viable coconut-based business enterprise was not conducted by RO No. VII. Each CBO was allocated with decorticating machine, looming machine, twinning machine, sieving machine and shredding machine.

In the absence of evaluation, interview with the personnel in charge of the KEDP and various Contractual Coconut Development Officers (CCDOs) in RO No. VII revealed that in two CBOs, two machines were not utilized/fully utilized due to the lack of capitalization and no permanent site, while in one CBO, only one decorticating machine is being utilized, the four other machines are not installed yet due to space constraint.

c. In RO No. IX, three sets of charcoal briquetting machines provided to the CBOs, particularly in Sergio Osmeña and Polanco, Zamboanga del Norte were non-operational and remained idle due to absence or non-preparation of Rapid Marketing Tool (RMAT) and Business Plan before the project was set-up. According to the CBOs, they could not use the machines due to lack of market/customers to sell the end products.

16.4. Further, it was noted that the PCDM of Cebu Provincial Office did not prepare status report on the project to be submitted to RO No. VII, as required under Item XIV of PCA MC No. 02, series of 2014, viz.:

The Community Coordinator in coordination with the Senior Agriculturist and the PCDM shall monitor and report on a monthly basis the status of the project to the Regional Office using the PCA prescribed monitoring form.

16.5. It is worthy to note that the ownership of the machineries and equipment has not been transferred to CBOs/MSMEs, but the accountability remains with PCA. However, there are no specific guidelines with regard to this matter.

16.6. **We recommended that Management require the concerned ROs to:**

- a. Strictly comply with PCA MC No. 02, series of 2014, in selecting KEDP participants and Enterprise and, conduct adequate review of the project proposals to ensure sustainability of the project;**
- b. Closely monitor the implementation of the livelihood projects to ensure attainment of objectives and require the CBOs and the PCDMs to timely submit the required periodic status reports for RO's evaluation; and**
- c. Establish control measures with regard to responsibility/accountability, care and maintenance of the machineries and equipment.**

16.7. RO No. X is amenable to the above recommendations and further proposed to transfer identified idle equipment/machineries to areas where it could be utilized. Further, they are still on the process of evaluating the KEDP projects and market suitability as well as the CBOs' capacity to implement the project in each provinces.

16.8. As a rejoinder, to ensure sustainability of KEDP-CHLP, the Audit Team maintains its recommendation that Management closely monitor the status and progress of project implementation by the ROs and to call their attention whenever there are deviations and impose sanctions, in case they are found remiss in discharging their duties and responsibilities.

17. In RO No. X, the inability of the Supplier to deliver cacao seedlings to the farmers-beneficiaries resulted in non-utilization of 1,320 bags of Wellgrow Organic Fertilizer costing P0.525 million that were not provided with proper storage causing deterioration, to the disadvantage of farmers-beneficiaries of KEDP-Coconut Intercropping Project (CIP).

17.1. One of the components of KEDP is the CIP, which involves intercropping of crops, such as, corn, coffee, cacao, banana, among others.

17.2. On March 6 to 7, 2017, 1,320 bags of Wellgrow Organic Fertilizer costing P0.527 million were delivered to various Drop-Off Points (DOPs) in RO No. X, as shown in Table 32.

Table 32 – Deliveries of Wellgrow Organic Fertilizers in RO No. X

DOPs	No. of Bags Delivered	Amount
Upper Rizal, Oroquieta City, Misamis Occidental	300	P 119,400
Mamanga Daku, Plaridel, Misamis Occidental	300	119,400
Liposong, Ozamis City, Misamis Occidental	300	119,400
Calube, Sultan Naga Dimaporo	140	55,720
Buenavista, Kapatagan	140	55,720
Manga, Kolambugan	140	55,720
	1,320	P 525,360

17.3. On August 4, 2017, ocular inspections in various DOPs in Misamis Occidental on the delivery of organic fertilizer were conducted, and the following were observed:

a. The organic fertilizers were not distributed yet to the intended beneficiaries; instead, these were kept in various places. For the DOP in Mamanga Daku, Plaridel, Misamis Occidental, the organic fertilizers were stored in the house of barangay officials or coop chairman, which was allowed by RO No. X as it does not have a warehouse.

b. Some of the sacks were already busted and need replacements to preserve the organic fertilizers.

17.4. Inquiry with RO No. X officers and employees and the farmer-beneficiaries as to the reason(s) why the fertilizers were not distributed yet, the Audit Team was informed that:

a. The organic fertilizers were intended for the cacao seedlings; however, the seedlings were not delivered by the Supplier.

b. On September 13, 2017, 900 bags of organic fertilizer were distributed to the farmer-beneficiaries. These were only acknowledged by farmer-beneficiaries as received, but were not utilized/applied yet, since the cacao seedlings were not delivered and received at their end. For liquidation purposes, RO No. X had the fertilizers received by the farmers.

17.5. Also, on the ocular inspection conducted in Mamanga Daku, Plaridel, Misamis Occidental, it was found out that one farmers-beneficiaries cooperative had plenty of supply of cacao seedlings which it received from the DA; this indicated that the said cooperative was also a beneficiary of similar program being implemented by DA.

17.6. Meanwhile, presented in Table 33 are the Audit Team's observations during the ocular inspection at the three DOPs in Lanao del Norte areas.

**Table 33 - Observations noted during the ocular inspection at the DOPs
in Lanao del Norte**

DOPs	No. of Bags Delivered	Observations	No. of bags unutilized and not yet distributed to the farmers	Location Safekeeping unutilized fertilizers	of of cacao
Calube, Sultan Naga Dimaporo	140	8 bags were distributed to farmers and were applied to their crops	132 (busted and exposed to heat)	Goat house of the Coop Chairman near the Coop's office	
Buenavista, Kapatagan	140	122 bags were distributed to farmers and were applied to banana	10 (busted)	Farmer's coconut dryer	
			8 (busted)	Farmer's house	
Manga, Kolambugan	140	130 bags were distributed to farmers and were applied to banana, coffee and flowers	10 (busted)	Warehouse of the fertilizers of the Coop, near the Coop's office	
	420		160		

17.7. In view of the foregoing, the KEDP-CIP of PCA might not have assisted the farmers-beneficiaries in terms of increased farm productivity and income.

17.8. **We recommended that Management, require RO No. X to:**

a. Plan properly the procurement of agricultural inputs, such as fertilizers and cacao seedlings to ensure timely delivery and use thereof by the farmers-beneficiaries to prevent wastage of government resources; and

b. Design ways that greater number of poor marginalized Coconut farmers can avail of the livelihood projects provided by the PCA and institute control mechanism in screening the farmers-beneficiaries to avoid duplication of provision of same benefits to same farmers by other government agencies that have similar program with that of the PCA.

17.9. Management of RO No. X commented that the procurements for the fertilizers and planting materials were done simultaneously in CY 2016. Unfortunately, the supplier for the cacao seedlings, a sole bidder, could not fulfill delivery because of the damages it suffered during a flash flood in Davao City which resulted in a mutual termination of the contract.

17.10. As a rejoinder, it is noteworthy to mention that the Audit Team was informed by RO No. X that the bidding for the cacao seedlings had already proceeded and a Notice to Proceed was issued on June 8, 2018. Management's effort to finally proceed with the procurement of cacao seedlings is acknowledged; however, it is emphasized that it took more than a year for RO No. X to conduct the procurement of cacao seedlings after the termination of the contract with the supplier. The lapse of more than one year may be considered inefficiency on the part of the RO.

Coconut Fertilization Program (CFP)

18. In RO No. XIII, the inadequacy in monitoring the distribution and utilization of fertilizers under the CFP resulted in non-utilization of 3,960 bags of procured Coco peat fertilizers without proper storage, thereby exposing these agricultural inputs to damage and pilferage to the detriment of the farmers-beneficiaries.

18.1. Section 2 of PD No. 1445 provides that:

It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to ensuring efficiency, economy and effectiveness in the operations of government. The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned.

18.2. The PCA MC for CFP provided the procedures in monitoring of the delivery and distribution of fertilizers which include submission of weekly report indicating the: (a) total number of bags received by destination, (b) the total quantity delivered to the final municipalities and farmer-participants, and (c) the balance on hand. Also, the Regional Managers are required to prepare comparison report on the quantity of fertilizer applied against the quantity received.

18.3. The Audit Team of RO No. XIII conducted verification/inspection on the supply and delivery of Coco peat fertilizer contracted in CY 2016 with Red Hog Corporation. The inspection was conducted to verify the completeness of the delivery of 3,960 bags out of 16,000 bags allocation intended for the Province of Agusan del Norte, particularly in the Municipalities of Carmen, Nasipit and Buenavista, Agusan del Norte.

18.4. The result of inspection disclosed the following observations: (a) the fertilizers were exposed to rain, flood and theft; (b) there was no proper piling system; and (c) some bags were damaged.

18.5. The Audit Team could not verify/account for the disposition of the delivered 3,960 bags due to inadequate records, absence of monitoring reports and non-conduct of physical count. Also, the Audit Team could not count the fertilizers on hand during the inspection since these were scattered on the ground and some were already distributed by CCDOs.

18.6. In addition, based on the interview with the CCDO assigned in Barangay Sangay, there were some bags of Coco peat fertilizers from the previous project that remained undistributed and merged with the CY 2016 project. This would indicate that monitoring was inadequate since the RO did not consider the undistributed and unutilized fertilizers in the subsequent procurement of fertilizers, resulting in accumulation of stocks without proper storage. This situation also showed that assets were not properly managed and safeguarded against loss and wastage.

18.7. We recommended that Management require RO No. XIII to instruct the Coconut Development Officer (CDO) to:

- a. Strictly comply with the PCA MC and conduct adequate monitoring of the distribution and application/utilization of fertilizers and submit the required reports on a timely basis to aid the RO in planning the procurement of the fertilizer;**
- b. Cause the application of the fertilizers, if needed, or the protection thereof from further damage and loss; and**
- c. Submit immediately to RO records and reports supporting the receipt and issuances of the 3,960 bags of fertilizers, copy furnished COA, for monitoring and audit purposes.**

18.8. Management of RO No. XIII commented that it is unavoidable that fertilizers were stored in an unsafe warehouse because PCA has no rented warehouse in every DOP. The barangay covered courts which were previously used are no longer available because fertilizers were found to be destructive of cement floors based on experience. Allocations for CY 2015 were delivered almost at the same time making it difficult for the Agriculturists to provide proper shelter due to big volume. Nevertheless, the subject fertilizers have been distributed already to the farmer-recipients.

18.9. As a rejoinder, the Audit Team has still to validate the comment of RO No. XIII that the fertilizers were already distributed to farmer-recipients.

Accelerated Coconut Planting and Replanting Project (ACPRP)

19. Efficiency and economy in the implementation of ACPRP in the total amount of P14.865 million in RO Nos. IV-A, I-IVB, VIII, IX and XIII were not assured in view of various deficiencies, such as, among others: (a) incomplete and delayed delivery of 377,000 coconut seedlings amounting to P9.987 million under ACPRP - Indigenous People's Outreach Program (IPOP); (b) payment of incentives totalling P4.000 million to farmers-participants who did not meet the pre-condition requirement of the Participatory Coconut Planting Project (PCPP); (c) doubtful validity of payment of cash incentives in the total amount of P498,062 and distribution of coconut seedling in the amount of P54,730; and (d) distribution of 9,507 seedlings without soil assessment that resulted in mortality of the seedlings costing P254,046.

19.1. The ACPRP is a combination of two approaches, namely: the participatory and incentive-based approach under PCPP and seedlings dispersal under Coconut Seedlings Dispersal Project (CSDP).

19.2. The PCPP espouses a participatory and incentive-based systems approach to encourage coconut farmers and would-be coconut farmers to plant more coconut trees to sustain coconut planting and replanting of coconut farms for ensuring long-term reliability of the supply of coconuts in the country. The project involves two Options and the amount of incentive is P40 per tree. Under Option 1, the incentives shall be paid in

two tranches: Phase I, when the farmers have produced their own seednuts at the nursery until the seedlings grow to at least one foot high with full developed leaves; and Phase II, when the farmers have transplanted and stabilized the seedlings on the ground for about three to four months and the amount of incentive is P40 per seedling. Payments of incentives are illustrated in Table 34.

Table 34 - Incentives under Options 1 and 2 of PCPP

Option/Phase	Quantity of Seedlings (in pieces)		Cost per Unit	Total Amount	
	0.5 has	1.0 ha.*		0.5 ha.	1.0 ha.
Option 1					
I (Nursery)	50	100	P 18	P 900	P 1,800
II (Transplanting)	50	100	22	1,100	2,200
			P 40	P 2,000	P 4,000
Option 2					
II (Stabilized)	50	100	P 40	P 2,000	P 4,000

* Farmer-participants allowable incentive is equivalent to P4,000 or 100 coconut seedlings per hectare @ P40

19.3. On the other hand, CSDP is implemented to make good quality of seedlings readily available to coconut farmers and would-be coconut farmers. This requires procurement of seedlings from PCA registered seedling producers and suppliers thru competitive bidding. Also, this is implemented in partnership with Local Government Units (LGUs), Non-governmental Organizations (NGOs) and Government Agencies (GAs), referred as partner agencies/entities or proponents of the project thru execution of a Memorandum of Agreement (MOA).

19.4. While the IPOP is designed to encourage the indigenous people (IPs) to participate in the coconut planting and replanting program either through PCPP or CSDP approaches and schemes depending on their capability and availability of sources of planting materials.

19.5. Review of the implementation of the ACPRP in CY 2017 disclosed that the implementation thereof was not efficiently and economically carried out in RO Nos. IV-A, I-IVB, VIII, IX and XIII. The deficiencies noted in the implementation of the Project are discussed in the succeeding paragraphs.

Incomplete/delayed delivery of 377,000 coconut seedlings amounting to P9.987 million under ACPRP - IPOP in RO No. XIII

19.6. The contract for the supply and delivery of 377,000 coconut seedlings in the amount of P9.987 million intended for the implementation of ACPRP-IPOP CY 2015 in the Region XIII was awarded on October 8, 2015. As stipulated in the contract the seedlings were to be delivered in designated drop off points (DOPs) within six months from receipt of the Supplier of the Notice of Award, which was up to April 9, 2016. However, the Supplier requested two time extensions of the delivery period or up to June 30, 2017 citing various reasons which were approved by the Regional Manager. Despite the two time extensions of the delivery date, the Supplier had only delivered 185,075 seedlings or 49.09 per cent of the total seedlings to be delivered under the contract. Delivery of 3,000 seedlings was made after the approved time extension. As at audit date, no additional delivery was made. The delay in the delivery of the seedlings

adversely affected the attainment of the objective of the program which is to increase coconut seedlings planted.

Payment of incentives totalling P4.000 million to farmers-participants who did not meet the precondition requirement of the PCPP in RO No. IX

19.7. Section 4.0 of PCA MC No. 04, series of 2012 provides that:

4.1 The PCA Agriculturists/CDOs shall conduct a registration of prospective participants in the barangay or municipality on the first month of the year in coordination with the Barangay Officials, Municipal Officials or CFOs/Cooperatives. The farmers may also opt to register at the nearest PCA municipal or provincial office. They must present xxx proof of identity or land ownership xxx.

19.8. Item 2.1 of the General Provisions of PCA MC No. 06, series of 2015 on the Amended Guidelines on ACPRP, states that:

As a precondition for participation to the project, farmers must have the land for planting properly verified and inspected and documented by the PCA Agriculturist. The land must be assessed according to agronomic suitability factors using the standard Farmer's interest and Farm Suitability Survey Form.

19.9. Audit disclosed that in the Province of Zamboanga del Sur, RO No. IX, 755 registered participants were paid cash incentive in the total amount of P4.000 million for the 100,000 seedlings planted in 1,000 hectares of land, without any proofs of land ownership as required in the afore-mentioned PCA MC. Moreover, the PCA Agriculturist did not conduct verification and inspection of the subject lots to assess their agronomic suitability of planting coconut seedlings. The absence of any proof of land ownership casts doubt whether the farmer-beneficiaries are legitimate, while in the absence of agronomic suitability assessment the expected rate of survival of the seedlings is not assured.

Doubtful validity of payment of cash incentives of P498,062 and distribution of coconut seedling of P54,730

19.10. Confirmation, inspection and review of the payment of cash incentives under the PCPP and the distribution of coconut seedlings under CSDP disclosed the following deficiencies:

a. In Region No. IV-A, signatures of 105 farmers-participants in the payroll sheets, paid with incentive of P420,700, differed with the signatures in the identification cards they presented and their reply in the confirmation letters. The noted disparities in the signatures of the recipients in the submitted supporting documents rendered the validity of the transactions doubtful.

b. In RO Nos. I-IV-B, payment of cash incentives to farmers-participants exceeded the maximum limit of P20,000 [100 seedlings per hectare at maximum hectareage of 5 hectares = 500 seedlings x P40.00]; the amount paid was P30,000 resulting in excess payment of P10,000. Likewise, six recipients of cash incentives in the total amount of P60,000 were not bonafide farmers as they were just caretakers of the land owner.

c. In RO No. VIII, 12 farmers-participants who claimed PCPP cash incentive amounting to P29,700 covering land area of 16.5 hectares, but the actual area planted was 11.33 hectares only, thereby showing a deficient of 4.09 hectares and excessive claim of P7,362.

d. Incentives were paid in full to farmers-beneficiaries despite the mortality of the majority of coconut trees planted in the mountainous area in Bgy. Estanza, Bolinao, Pangasinan, contrary to the PCPP guidelines which requires that seedlings must be stabilized for about three to four months before paying the cash incentive.

e. In RO No. I, farmers-participants in Ilocos Norte, only received 870 seedlings compared to the reported 2,475 seedlings in the *Masterlist of Approved Participants who have Actually Planted the Seedlings* (MAPAPs) and Acknowledgement Receipts (AcR), and the signatures appearing therein are not their real signatures. Thus, the distribution of 1,605 seedling costing P41,730 is of doubtful validity.

f. Recipient of the 500 seedlings in the amount of P13,000 was not farmer-participants but school.

19.11. In view of the foregoing, the payments of incentives not only of doubtful validity, but might result in wastage of government funds.

Distribution of seedlings without soil assessment resulted in mortality of the seedlings costing P254,046

19.12. Section 4.1 of the General Provisions of PCA MC No. 2, series of 2012, dated January 9, 2012 states that:

The PCA Agriculturist/CDOs shall conduct suitability survey of farms based on approved target and as proposed by the partner agencies/entities to assess the area according to agronomic suitability factors and the degree of interest (commitment) of would-be beneficiaries of the project.

19.13. Verification and confirmation from the selected farmers-participants of the coconut seedlings distributed under the CSDP in Region Nos. I-IV-B disclosed that survey and assessment on farmers-beneficiaries' land and interest were not conducted casting doubt on the land suitability for coconut trees and the commitment of the beneficiaries that resulted in the following:

a. Almost all of the distributed 7,800 coconut seedlings amounting to P209,664 to farmers-participants in Macabebe, Pampanga, died since these were planted in a swampy area. The seedlings were submerged in water during high tide.

b. A total of 1,707 seedlings costing P44,382 died out of the 2,475 seedlings received by the farmers-participants in Sta. Maria, Ilocos Sur, due to lack of care as: (a) some were just planted and was left to grow without watering, and (b) some were eaten by animals like goats, cows and carabaos due to absence of fence as protection.

Other deficiency -

19.14. Item No. 3 of PCA MC No. 03, series of 2012 – Guidelines on the Implementation of the Indigenous People Outreach Program (IPO), provides that:

Strategies/Activities for IPs Participation:

3.1.1. The PCA-Regional Office should properly coordinate with the National Commission on Indigenous People (NCIP) through its Regional Office in identifying IP communities that could be tapped to participate in the coconut planting project.

3.1.2. The barangay or municipal tribal community council of the identified indigenous peoples should be properly consulted about the project. Recognizing that the IPs have their customs and traditions, such consultations should be carried out according to their requirements. The NCIP-Regional Office or its duly designated representative should be invited in the meeting or consultation.

19.15. Audit disclosed that some farmers-recipients and barangays that were tapped to participate in the ACPRP-IPOP in Region No. XIII were not among the identified beneficiaries in the final master list of Surigao del Norte. The program beneficiaries identified by PCA in the following barangays: Tres de Mayo, Bad-as in Placer, Camboayon in Bacuag and Mat-i in Surigao City, were not indigenous people (IPs). Thus the objective of the program of encouraging the IPs to participate in coconut development program through planting and replanting were not fully achieved.

19.16. The Provincial Agriculturists of Surigao del Norte and Surigao del Sur admitted that they did not coordinate with the NCIP through its region in identifying the IPs communities and that they conducted meetings and consultations in coordination with the barangay governments and farmers organization relative to the planting of coconut seedlings at their ancestral domain. The consultations in coordination with the barangay governments and farmers organization were conducted to encourage them in planting coconut seedlings at their ancestral domain.

19.17. **We recommended that Management require the concerned ROs to:**

- a. Cause the immediate delivery of the remaining seedlings from the supplier and impose liquidated damages thereon due to delay in the delivery;**
- b. Ensure that Provincial Agriculturist/PDCMs strictly comply with the project's guidelines in the evaluation of the eligibility of the farmer-participants to receive cash incentives and coconut seedlings; and**
- c. Require the Coconut Development Officers (CDOs) to explain the deficiencies noted in the: (i) payments of cash incentives and (ii) distribution of coconut seedlings with doubtful validity and without conduct of soil suitability assessment. Hold them accountable, if warranted.**

19.18. Hereunder are the comment of Management:

- a. RO No. XIII explained that after a judicious, comprehensive review and assessment of the supplier's compliance with its contractual obligations under CY 2015 IPOP, Notice to Terminate has been served as a preliminary measure to commence the recommendation for blacklisting.
- b. RO Nos. IV-A and I-IV-B committed that investigation will be conducted on the deficiencies noted by COA in the payment of incentives to dubious claimants.
- c. Acting Regional Manager of RO No. VIII explained that they have created a task force to manage PCPP implementation in order to minimize lapses. He further informed that a specific personnel has been assigned to oversee the proper implementation of the project and; standard operating procedures (SOP) for PCPP management and implementation have been formulated.
- d. RO No. IX informed that the Coconut farmers were required to submit proof of ownership for land owners and owners' consent for tenant recipients and Barangay Chairman's Certification in the absence of all other required documents and submit suitability survey to establish if the area is suitable for coconut planting. However few had complied due to: (i) some owners of the land were not residing in the place where the project was implemented, others are working outside the country; (ii) some recipients partly owned the land being heirs of the property which were not yet subdivided, (iii) temporary ownership since the land were just mortgaged and others were being encumbered; and (iv) some were considered tenants of the land they cultivate, since they do not have the necessary proof of ownership only agreement that they bought the land. Barangay Certifications are now in the hands of the CDOs and were not submitted to the Provincial Office yet.

19.19. As a rejoinder, the Audit Teams would like to emphasize that the success of the projects lies on the compliance of the key players with various projects' guidelines as these were issued to provide control measures to ensure economy, efficiency and effectiveness in the implementation of the various projects of PCA.

SUMMARY OF UNSETTLED AUDIT DISALLOWANCES, CHARGES AND SUSPENSIONS

20. As of December 31, 2017, unsettled audit disallowances and suspensions amounted to P71.539 million and P5.199 million, respectively; while no unsettled charges at year-end. The details and status of the unsettled disallowances and suspensions are presented in Annex B, Part IV of this Report.

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 142 audit recommendations embodied in the previous years' Annual Audit Reports (AARs), 54 were fully implemented, 54 were partially implemented and 34 were not implemented. The summary is shown below.

Observations and Recommendations	Actions Taken / Comments
<u>CY 2016 AAR</u>	
1. The accuracy, completeness, reliability and existence of the Property, Plant and Equipment (PPE) with a total carrying amount of P636.145 million could not be established in view of, among others: (a) unaccounted discrepancies aggregating P56.261 million due to noted errors in the beginning balances of the subsidiary ledgers (SLs) carried forward since calendar year (CY) 2012, variance between general ledgers (GLs) and Report on the Physical Count of PPE (RPCPPE); (b) misclassification of buildings and parcels of land totalling P102.891 million as PPE instead of Investment Property (IP), thereby overstating and understating, respectively, the said accounts; (c) absence of SLs for PPE items totalling P81.092 million and (d) overstatement of PPE of at least P6.734 million for items acquired in prior years with unit costs less than the capitalization threshold of P15,000 due to non-classification to Semi-expendable Inventory account.	Updated and reiterated in Part II - Observation and Recommendation No. 1 of this Report.
We recommended that Management direct the:	
a. Accounting Division of CO and Accounting Units of the concerned ROs to:	
a.1. Prepare and maintain complete SL for all PPE accounts under various funds;	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
a.2. Examine and reconcile the discrepancies noted: (i) between the GLs and SLs balances; and (ii) CY 2012 beginning SLs balance against recomputed beginning balances;	Partially Implemented.
a.3. Prepare the necessary adjusting entries to reclassify items with unit cost below P15,000 to semi-expendable inventories, and land and buildings or portions thereof under operating lease or intended to be leased out to IP account and corresponding accumulated depreciations of the affected accounts;	Partially Implemented.
a.4. Adopt strictly the decentralized accounting system by aptly transferring the recording of land to the books of accounts of the RO No. IV-A;	Partially Implemented.
a.5. Record the two transferred motor vehicles in the books of RO No. VI;	Fully Implemented.
b. Administrative and General Services Division (AGSD), CO and Property Unit of concerned ROs to provide adequate measures in the inventory count and safeguard on PPE by :	
b.1 Preparing, submitting and reviewing RPCPPE timely to ensure it is free from mathematical errors, and that account titles, description, and composition of PPE are compatible with the Accounting Division to facilitate reconciliation with property and accounting records; and	Partially Implemented.
b.2 Preparing timely Inventory and Inspection Report of Unserviceable Property (IIRUP) to facilitate disposal of unserviceable properties.	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>2. Procurement of fertilizers in the total amount of P337.840 million, through the Philippine International Trading Corporation (PITC) where PCA incurred service fees (SFs) aggregating P11.202 million, yet it has not hastened the implementation of projects as intended by Section 53.6 of 2009 Revised Implementing Rules and Regulations (IRR) of Republic Act (RA) No. 9184, thus, depriving the beneficiaries of the timely benefits due them. Besides, non-recording of deliveries and distribution of fertilizers, as well as, interests income earned on fund transfers and expenses incurred on the procurement services due to non-liquidations by the PITC of the fund transfers had overstated Due from Government Owned and Controlled Corporations (GOCCs)-PITC account by P238.765 million and understated both the Inventories and Expense accounts by P136.398 million and P102.367 million, respectively. Moreover, there was discrepancy of 400 bags of agricultural grade salt fertilizers (AGSF) costing P0.115 million between total delivered of 826,136 bags at drop-off-points (DOPs) against total contracted of 826,536 bags.</p> <p>We recommended that Management direct the:</p> <p>a. Operations Department to hasten the distribution of the fertilizers to the intended beneficiaries and submit the following documents for audit purposes:</p> <p>a.1 Reconciliation statement on the discrepancy noted between the number of bags of AGSF per contract against actual deliveries at the DOPs; and</p> <p>a.2. Status report on the procurement of MNF for Coconut Scale Insect infestation and typhoon Pablo rehabilitation projects</p>	<p>Updated and reiterated in Part II - Observation and Recommendation No. 2 of this Report.</p> <p>Partially Implemented.</p> <p>Partially Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
b. Accounting Division to:	
b.1 Demand from PITC liquidation reports and supporting and proof of demand from government procurement agent for the monthly and/or full liquidation of fund transfer;	Partially Implemented.
b.2 Prepare adjusting entries to record the deliveries and distribution of AGSF, as well as, the SF and interests earned on the fund transfer and the expense incurred on the procurement services; and	Not Implemented.
b.3 Demand from PITC the immediate refund of unexpended balance of fund transferred for procurement of AGSF and the interest earned on the fund transfer and negotiate for the possible recovery of a portion of the paid SF in view of the delay incurred in the procurement.	Not Implemented.
We further recommended that Management review all the liquidation reports and supporting documents to ensure their authenticity/validity.	Partially Implemented.
3. Validity, accuracy, and reliability of the liabilities of CO and RO Nos. I-IV-B aggregating P343.104 million which represented 49.40 per cent of P694.479 million Accounts Payable's (AP) year-end balance could not be ascertained due to lack of valid basis in the accrual of current and prior's expenses and absence of complete supporting documents contrary to pertinent provisions of PD No. 1177, and COA Circular No. 99-004 and PPSAS 19, thereby significantly affecting the fair presentation of AP and Accumulated Surplus accounts in the Financial Statements (FS). Further, payment in the amount of P1.450 million, which was cancelled as it was discovered that the	Related discussion in Part II - Observation and Recommendation No. 4 of this Report.

Observations and Recommendations	Actions Taken / Comments
<p>supplier was already paid, was erroneously reverted back to Unliquidated Obligations (UO)-MOOE sub-account, thus, understating the Accumulated Surplus account by P1.450 million and overstating the UO-MOOE sub-account by the same amount.</p>	
<p>We recommended that Management require the Accounting Division, CO and Accounting Unit, RO Nos. I-IV-B to prepare the necessary adjustments in the AP account and refrain from recording transactions, including claims, which are not valid and not supported with complete and proper documentation including goods/services that have not been received and accepted.</p>	Partially Implemented.
<p>4. The accuracy and reliability of the year-end balance of Cash and Cash Equivalents of RO Nos. V, VI, XII, XIII and DRC amounting to P186.140 million or equivalent to 14.28 per cent of the P1.304 billion Cash and Cash Equivalents balance as at December 31, 2016 could not be ascertained due to: (a) delayed and non-submission of Bank Reconciliation Statements (BRS), (b) non-restoration to CIB account of stale checks, and (c) non-maintenance of SLs. On the other hand, the DRC did not remit to CO its collections from income generating activities amounting to P10.353 million, contrary to PCA Board Resolution (BR) No. 026-2008.</p>	
<p>We recommended and Management of the concerned ROs and Center agreed to:</p>	
<p>a. Require the Accounting Unit to prepare BRS timely, prepare necessary adjustments to revert the 'stale' check to CIB and other affected accounts and maintain SLs for each collecting officer;</p>	Fully Implemented.
<p>b. Require the concerned accountable officers to deposit all their collections</p>	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
intact and daily or not later than the next banking day;	
c. Require the Cashier to maintain cashbook for check disbursements to facilitate reconciliation of the accountability of the Cashier with the accounting records; and	Partially Implemented.
d. Secure a post-facto approval from CO for disbursements of DRC's collections and henceforth, remit timely to CO all collections from income generating activities.	Not Implemented.
We further recommended that Management investigate and impose appropriate sanctions against the concerned officer and employees of DRC for utilizing the collections without authority from PCA Administrator or his duly authorized representative.	Not Implemented.
5. Accuracy, reliability, and validity of year-end balance of Due to National Government Agencies (NGAs) account amounting to P38.523 million representing fund transfers from different source agencies (SAs) for the implementation of 41 programs/projects by ROs/Centers were doubtful due to: (a) late or non-submission of Report of Disbursements (RDs), (b) inconsistent presentation of fund utilization/liquidation in the Statement of Cash Flows (SCF), and (c) unreconciled net discrepancies of P21.301 million between the records of PCA and SAs. Delays were also incurred in the implementation of 21 programs/projects with fund balances of P17.043 million, thus might cause a credibility concern to the stakeholders of PCA.	Updated and reiterated in Part II - Observation and Recommendation No. 5 of this Report.
We recommended that Management:	
a. Require the Division Chief III, CO Accounting Division to:	

Observations and Recommendations	Actions Taken / Comments
a.1. Prepare and submit separate RD on the expenditures incurred by CO, require Accountants of concerned RO and Center to submit their respective RDs to support timely liquidations of fund transfers to SAs;	Not Implemented.
a.2. Conduct regular and periodic verification and analysis of fund transfers to ensure that outstanding balances are reconciled with SAs' records and utilizations are correctly and properly presented in the SCF; and	Not Implemented.
b. Direct the concerned RO/Center and Office, CO to implement strictly the programs/projects in accordance with the agreed timelines to avoid delay in the implementation of the programs/projects.	Not Implemented.
6. Outstanding balances of fund transfers and other receivables accumulating to P11.921 million and P1.396 million, respectively, have been dormant/non-moving for over 1 to 31 years. Also, said dormant fund transfers with unutilized balances aggregating P1.237 million have not been refunded/returned to the concerned SAs, contrary to COA Circular Nos. 97-001 and 94-013.	
We recommended that Management direct the:	
a. Division Chief III, CO Accounting Division to:	
a.1 Conduct verification, analysis, validation and reconciliation of the existence of the dormant fund transfers; and	Not Implemented.
a.2 Cause the remittance to SAs of the unexpended balances of dormant/non-moving funds for completed/abandoned programs/projects and revert the unreturned amount of fund transfers from AP to	Not Implemented.

Observations and Recommendations	Actions Taken / Comments
Due to NGAs account;	
b. Regional Manager, RO No. IV-A to:	
b.1. Maximize efforts on the possible collections of receivables; and	Partially Implemented.
b.2. Re-submit the request for write-off duly supported with complete documentary requirements pursuant to COA Circular No. 2016-005 dated December 19, 2016.	Partially Implemented.
7. In DRC, coconut palms and other fruit bearing trees numbering 13,842 and its agricultural produce or products of undetermined fair value are not recognized in the books as either Biological Assets, PPE or Inventories contrary to PPSAS 27, 17 and 12, thereby understating the total assets of undetermined amount as at reporting date.	Updated and reiterated in Part II - Observation and Recommendation No. 6 of this Report.
We recommended and Management agreed to require the Center Manager to determine the fair value of the biological assets including its agricultural produce or products and instruct the Accountant to recognize the same to appropriate accounts pursuant to PPSAS 27, 17 and 12.	Not Implemented.
8. The grant of Collective Negotiation Agreement (CNA) incentives to officers and employees for Fiscal Year (FY) 2015 accumulating to P11.475 million was not fully compliant with the pertinent procedural guidelines and conditions prescribed under DBM Budget Circular (BC) No. 2015-2 dated November 23, 2015, thus considered irregular expenses.	
We recommended that Management submit a justification as to why the payment of FY 2015 CNA incentives in the total amount of P11.475 million should not be disallowed in audit, duly	

Observations and Recommendations	Actions Taken / Comments
supported with, but not limited to, the following:	
a. Proof that efforts in renegotiation or concluding a new CNA were undertaken prior to the expiration of the current CNA pursuant to PSLMC Resolution No. 1 dated March 14, 2014;	Fully Implemented.
b. Copy of CSC Certificates of Registration of: (i) PCAEA prior to the execution of CY 2012 CNA; and (ii) CY 2012 CNA prior to the payment of FY 2012 CNA;	Fully Implemented.
c. Documents showing the rates of FY 2015 CNA incentives and payment thereof sourced from the allowable MOOE allotments, as determined and approved, respectively, by the DBM; and	Not Implemented.
d. FURs for CYs 2014-2015 and every year thereafter.	Not Implemented.
We further recommended that Management direct the Accountants of RO No. IX and ZRC and Division Chief III of CO Accounting Division to:	
a. Effect the necessary adjustments for the overstatement of Other Bonuses and Allowances-CNA and AP-UO-PS accounts, as well as, the net understatement of Due from RO account in the books; and	Fully Implemented.
b. Furnish the Audit Team of a copy of the duly-issued Journal Entry Vouchers on the adjustments made.	Fully Implemented.
9. Procurement of food and cellular cards in the amounts of P2.623 million and P0.670 million, respectively, or total of P3.293 million for CYs 2015-2016 were awarded to favored suppliers and with conflict of interest as price quotations (PQs) were fabricated/fictitious while the suppliers have access to information or influence the decision of PCA, thus,	

Observations and Recommendations	Actions Taken / Comments
<p>contrary to applicable provisions of 2009 and 2016 Revised IRR of RA No. 9184. Further, food procurements were made through small value procurement (SVP), notwithstanding that the amount involved exceeded the thresholds provided under Annex “H” of 2009 Revised IRR of RA No. 9184. Hence, there is no assurance that PCA obtained the most advantageous cost for the goods procured.</p>	
<p>We recommended and Management agreed to:</p>	
<p>a. Instruct GSD to :</p>	
<p>a.1 Comply with Section 10 of 2016 Revised IRR of RA No. 9184 in the procurement of goods and services including meals should the total amount thereof exceeds the threshold provided in Annex “H” of the same Revised IRR of same RA;</p>	<p>Partially Implemented.</p>
<p>a.2 Stop procuring from suppliers with conflict of interest, as prohibited under Section 47.2 of 2016 Revised IRR of RA No. 9184; and ensure that actual request for PQs is made from supplier of known qualifications in accordance with the applicable provisions of 2016 Revised IRR of RA No. 9184;</p>	<p>Fully Implemented.</p>
<p>a.3 Ensure proper procurement planning such that proposed and approved budgets are realistic and PRs are prepared and submitted by end-users before actual procurement; and</p>	<p>Partially Implemented.</p>
<p>b. Require the Chief of Collection and Disbursements Division to issue checks strictly under the name of the creditor to whom the money is due, pursuant to Section 93 of PD No. 1445.</p>	<p>Fully Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>We also recommended that Management conduct investigation and hold liable the officials and employees who participated in producing fictitious/fabricated PQs and facilitated the payment of irregular transactions for procurement of foods and cellular cards.</p>	Not Implemented.
<p>10. In RO Nos. VII, XI, XIII and Davao Research Center (DRC), PPE aggregating P97.906 million are not insured with Government Service Insurance System (GSIS) contrary to Section 5 of RA No. 656, the Property Insurance Law, thus exposing PCA to risk of non – indemnification in case of damage to or loss of uninsured properties due to fire, earthquake, storm or other fortuitous event.</p>	Related discussion in Part II - Observation and Recommendation No. 10 of this Report.
<p>We recommended and Management agreed to: (a) insure all properties of the concerned ROs/Center with GSIS to protect and recover the costs in case of damage to or loss of uninsured properties due to fire, earthquake, storm or other fortuitous event; and (b) require the Budget Division to provide budget allocations for insurance coverage of the PPE of the concerned ROs/Center.</p>	Partially Implemented.
<p>11. Accounting records and reports, i.e., FSs, Trial Balances (TrBs), General Journals (GJs), DVs, and JEVs were either submitted/provided late ranging from 68 to 247 days, or not submitted/provided at all, notwithstanding the fact that the FS were already submitted/rendered, contrary to Section 7.2 of the 2009 Rules and Regulations on Settlement of Accounts (RRSA) and Section 122 of PD No. 1445, thus precluding timely audit of the accounts and operations of PCA. Meanwhile, the GL and SL balances were not used as the bases in the preparation of TrBs and FSs, contrary to Section 114 of PD No. 1445, thereby casting doubt on the correctness,</p>	

Observations and Recommendations	Actions Taken / Comments
<p>completeness, reliability, and validity of the year-end account balances.</p>	
<p>We recommended and Management agreed to require the Manager of the Finance Department to:</p>	
<p>a. Submit complete accounting records and reports within 10 days of the ensuing month, pursuant to Section 7.2 of the 2009 RRSA, as well as, e-copy of the same to facilitate timely review/audit thereof;</p>	Not Implemented.
<p>b. Maintain printed and duly certified GJs to ensure that the same are valid and are readily available; and</p>	Fully Implemented.
<p>c. Instruct accounting staff to promptly post journal entries to the GLs and SLs to ensure that balances of the accounts are correctly forwarded to the TrB.</p>	Partially Implemented.
<p>12. In CO and four ROs, at least 82 contracts and 923 POs for procurement of goods and services aggregating P761.316 million were: (a) either unsubmitted or submitted late which ranged from 1 to 188 days and with incomplete supporting documents; (b) having invalid post qualification requirements; and (c) without notices of deliveries (NoDs) and inspection and acceptance reports (IARs) contrary to COA Circular Nos. 2009-001 and 2009-002 dated February 12, 2009 and May 18, 2009, respectively, and Section 34, Rule X of the IRR of RA No. 9184, thereby precluding the Audit Team from conducting a timely and complete review to establish the propriety and validity of the covered transactions.</p>	
<p>We recommended that Management require the BAC of CO and concerned ROs to:</p>	
<p>a. Ensure the timely submission of contracts, POs, as well as, NoDs, and</p>	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>IARs and all supporting documents as required in COA Circular Nos. 2009-001 and 2009-02 dated February 12, 2009 and May 18, 2009, respectively, to give ample time to the Audit Teams in conducting review and evaluation of the procurements made by the Agency.</p>	
<p>b. Disqualify the award of the contract to the bidder who fails to submit any required document during post qualification and/or those who submit invalid documents, pursuant to Section 34.5 of the Revised IRR of RA No. 9184; and</p>	Fully Implemented.
<p>c. Issue the Notice of Post Qualification to the Lowest Calculated Responsive Bid/Single Calculated Responsive Bid pursuant to Section 34.4 of the Revised IRR of RA No. 9184.</p>	Fully Implemented.
<p>13. In RO Nos. VI and VIII the conduct of the pre-procurement conference by the BAC prior to the advertisement or issuance of the Invitation to Bid (ITB) for 35 contracts of YRRP and Coconut Fertilization Project totaling P227.504 million as required under Section 20 of the Revised IRR of RA No. 9184 could not be established due to the absence of the minutes of meeting, thus, there was no evidence as to what have transpired during the conference especially on significant matters that are necessary in the next phase of the procurement process. Also, in RO No. XIII, the BAC did not prepare and submit Procurement Monitoring Report (PMR) to the Government Procurement Policy Board (GPPB), as required under Section 12.2 of the IRR of same RA, thus, there was no assurance that all procurement activities have been conducted as scheduled and pursuant to the provisions of the law and its IRR.</p>	
<p>We recommended that Management require the BAC and Technical Working</p>	

Observations and Recommendations	Actions Taken / Comments
Group (TWG) of the concerned ROs to:	
a. Hold pre-procurement conference and prepare and submit duly approved PMR to GPPB in compliance with the provisions of Sections 12.2 and 20 of the Revised IRR of RA No. 9184; and	Fully Implemented.
b. Submit an explanation why there were no pre-procurement conferences conducted for 35 contracts with an aggregate cost of P227.504 million.	Partially Implemented.
14. Payrolls used by CO for the payments of salaries, wages, and other emoluments of its officers and employees in the total amount of P55.924 million were not in the prescribed 'general payroll' form under Appendix 33, Government Accounting Manual (GAM), Volume II, thus payments were not certified as to availability of funds, completeness and propriety of supporting documents, and services rendered; not approved by Agency Head or his authorized representative, contrary to applicable provisions of PD No. 1445 and COA Circular No. 2012-001.	
We recommended and Management agreed to:	
a. Require the Division Chief III, CO Accounting Division to:	
a.1 Use the prescribed 'general payroll' form to ensure that the payments are duly certified as to the availability of cash, propriety, and completeness of supporting documents and that the services are actually rendered, and duly approved by the Agency Head or authorized representative;	Fully Implemented.
a.2 Maintain and update the IoPs and SLs for every payment made to each employee; and	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
a.3 Establish/strengthen internal control in the preparation and processing of payrolls;	Fully Implemented.
b. Instruct/advise the Payroll Clerk to:	
b.1 Prepare two sets of payroll, one for the first half of the month and another one for the second half of the month and that the same are in the prescribed format; and	Not Implemented.
b.2 Set a cut-off date in the preparation and processing of payroll and avoid accommodation of last-minute changes affecting the net pay of the employees concerned.	Fully Implemented.
<p>15. Quarterly reports on the grant received from Government of Japan through the Japan Asean Integration Fund (JAIF) amounting to USD758,294 or P33.828 million and expenditures or disbursements thereon were neither submitted to the Audit Team nor posted on the Agency's website, contrary to Section 6 of General Appropriations Act (GAA) of FY 2016, thereby, precluding expeditious and complete review, as well as, transparent reporting of the Grant. Further, no report of expenditures had been maintained by PCA on its counterpart fund of USD25,800, which would indicate that PCA has not adopted the counter-parting scheme aimed to foster project ownership, hence, inconsistent with Item 2.B.4 of the Project Document of the Grant.</p> <p>We recommended that Management direct the concerned personnel to prepare and submit the following supporting documents to the respective Audit Teams of CO and concerned ROs for audit purposes:</p>	
a. Quarterly reports on grant/donation received and expenditures or	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
disbursements thereon and ensure the posting thereof on the website of PCA, pursuant to Sections 5, 4 and 6 of GAAs for FYs 2014, 2015 and 2016, respectively;	
b. Report of disbursements on PCA-counterpart fund of USD25,800; and	Not Implemented.
c. Budget realignment duly approved by the Government of Japan.	Not Implemented.
We further recommended that Management, henceforth, ensure that realigned project funds be duly approved by the source/donor agency prior to obligation and disbursement thereof and strictly comply with the conditions and requirements set in the MOA.	Not Implemented.
16. Shares of the municipalities/barangays from permit fees collected by RO Nos. IV-A and I-IV-B from the cutting of coconut trees totalling P5.842 million remained unremitted to the concerned local government units (LGUs), while the amount of P2.706 million was remitted late by RO No. V, contrary to the provisions of RA No. 8048, thereby denying the concerned LGUs with the immediate use of said funds for purposes embodied under the said Act. Likewise, remittances by RO No. V amounting to P3.810 million were not supported with Official Receipts (ORs), thus validity of remittance could not be ascertained.	Related discussion in Part II - Observation and Recommendation No. 8 of this Report.
We recommended that Management require the Accountants and PCDMs of concerned ROs to:	
a. Maintain SLs for Due to LGUs account and remit the LGUs' shares to concerned municipalities and barangays within three months from the receipt of the cutting permit fees, in compliance with Section 2 of RA No. 10593 and Section 34(c), Article VII of AO No. 1,	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
Series of 2013; and	
b. Submit the Quarterly Coconut Cutting Reports on timely manner to ensure prompt remittance to the concerned LGUs, to augment their financial needs for the replanting programs and repair/rehabilitation of their roads which have been damaged by the heavy vehicles used for transporting coconut lumber, in accordance with RA No. 8048.	Partially Implemented.
17. Collections of RO No. IV-A totalling P0.628 million were undeposited and unrecorded as at cash examination date on November 9, 2016, due to the failure of the Accountable Officer to comply with Section 69 of PD No. 1445 and Item 32, Chapter II of the Revised Cash Examination Manual; thus, resulting in a cash shortage.	
We recommended that Management: (a) file immediately appropriate charges against the concerned PCDM; and (b) instruct the Regional Manager, RO No. IV-A to require the new PCDM, Laguna PrO to maintain cashbook, deposit all collections intact and daily, perform the cashiering functions instead of delegating to CS personnel, and prepare MRAAF.	Fully Implemented.
18. Government resources allotted for the YRRP amounting P2.453 billion were not properly accounted for and safeguarded due to: (a) absence of fund utilization reports (FUR); (b) prioritization of other projects over YRRP projects; (c) utilization of YRRP fund for non-YRRP activities; (d) availment of the services of PITC, as procurement agent, and non-provision in the MOA of specific timelines in the procurement; (e) lack of monitoring in the implementation of projects with partner agencies; and (f) poor planning which consequently resulted in delayed implementation and	Related discussion in Part II - Observation and Recommendation No. 15 of this Report.

Observations and Recommendations	Actions Taken / Comments
<p>low implementation rate of projects, thus, deprived the intended beneficiaries of the timely benefits that should have been derived from these projects. In addition, payments of cash for work incentives by RO Nos. VII and VIII amounting P0.130 million and P5.814 million, respectively, or totaling P5.944 million were highly questionable since the recipients farmer-beneficiaries are dubious.</p> <p>We recommended that Management:</p> <p>a. Stop charging expenses for non-YRRP projects/activities against the YRRP fund;</p> <p>b. Direct the Accounting Division of the CO to prepare/submit the following:</p> <p>b.1. Detailed FUR for YRRP fund;</p> <p>b.2. Status reports on the borrowings of P795.546 million from YRRP fund;</p> <p>b.3. Accomplishment Reports for CY 2016 and service contracts for the month of July 2016 of the 11 project personnel whose professional service expenses were charged to YRRP fund;</p> <p>b.4. Proof of monitoring of liquidations of fund transferred to the PGs of Biliran and Samar pursuant to COA Circular No. 94-013;</p> <p>b.5 RDs and other pertinent documents for the liquidations of funds transferred to PGs of Biliran and Samar;</p> <p>c. Require the Operations Department to:</p> <p>c.1. Fast track the full implementation of YRRP and set specific timelines for the</p>	<p>Partially Implemented.</p> <p>Not Implemented.</p> <p>Not Implemented.</p> <p>Fully Implemented.</p> <p>Not Implemented.</p> <p>Partially Implemented.</p> <p>Not Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
implementation of fertilization component of YRRP;	
c.2. Submit status report on the procurement of MNF from PITC; and	Not Implemented.
d. Direct the Regional Manager of RO Nos. VII and VIII to conduct investigation to determine: (i) the cause/s of the irregularities in the payments of cash for work incentives as well as distribution of fertilizers and (ii) employees/personnel who participated in the irregularities and file appropriate charges against them, if warranted.	Partially Implemented.
19. Documents supporting payments made to a service provider for the treatment of coconut scale insect-infested trees in the total amount of P103.591 million were used twice or thrice, thus, resulted in overpayment of P2.492 million and contrary to Sections 4(6) and 46 of PD Nos. 1445 and 1177, respectively.	
We recommended that Management direct the concerned personnel to recover all the overpayments made to the Service Provider and hold liable the officials and employees who facilitated the double/triple payment of P2.492 million to the Service Provider.	Not Implemented.
20. Treatment on CSI-infested coconut trees in Basilan Province incurred unnecessary expenses of P8.437 million as 421,337 severely infested coconut trees treated with leaf pruning and trunk injection, 403,893 thereof progressed from moderate to severe status, while 17,444 treated trees died.	
We recommended that Management:	
a. Direct the Office of the Research and Development Center, CO and other line agencies to provide results of analysis on the assessment of treatment procedures conducted in the field by RO	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>No. XIV to come up with more detailed and specific solution in the implementation of the CSIEAP; and</p>	
<p>b. Reassess and meticulously evaluate treatment procedures of the CSI infestation in the Basilan Province and oblige all affected coconut farmers to apply cutting procedures for untreatable infested coconut trees for replacement with new ones to avoid further escalation and incurrence of unnecessary expenses which may result in wastage of government resources.</p>	Partially Implemented.
<p>21. In RO No. VIII, payment of incentives was of doubtful validity under the Participatory Coconut Planting Project (PCPP), while in RO Nos. I-IV-B, there was no proof of land ownerships; farmer-beneficiaries lands agronomic suitability and their interests were not determined at the onset due to non-conduct of survey; seedlings were distributed to non-coconut farmers which were planted for beautification purposes; and excessive quantities of coconut seedlings were given to farmer-beneficiaries under Coconut Seedlings Dispersal Project (CSDP), affected the efficient and effective implementation of ACPRP by said ROs.</p> <p>We recommended that Management require the Regional Managers of RO Nos. VIII and I-IV-B to:</p> <p>a. Conduct inquiry/investigation to determine the cause/s of:</p> <p>a.1. Granting of PCPP incentives to those who are not coconut farmers;</p> <p>a.2. Non submission of any proof of ownership and non-conduct of survey on farmers' interest and farms suitability;</p>	<p>Related discussion in Part II - Observation and Recommendation No. 19 of this Report.</p>

Observations and Recommendations	Actions Taken / Comments
a.3. Excessive grant of incentives and coconut seedlings to farmer-beneficiaries who received more than 100 pieces allowed for every hectare;	Partially Implemented.
a.4. Granting of coconut seedlings to LGUs and school and allowing to plant the seedlings along the road for beautification purposes;	Partially Implemented.
a.5. Allowing the suppliers of the proponent LGU to identify the farmer-beneficiaries and distribute to them the coconut seedlings without the presence of the concerned CDO in the Municipality of Sofronio Espanola;	Partially Implemented.
b. Consider reprimanding the concerned employees, if found remiss in the discharge of their duties and responsibilities in the implementation of the projects; and	Fully Implemented.
c. Henceforth, strictly observe the Guidelines on PCPP and CSDP under various PCA MCs to ensure that all procedural and documentary requirements are complied with for efficient and effective implementation of the project.	Fully Implemented.
22. The purpose of CSDP to make good quality of seedlings readily available for coconut farmers was not assured to have been efficiently and effectively attained in RO Nos. I-IV-B, since 927,872 coconut seedlings costing P25.149 million or 28.42 per cent of 3,264,499 coconut seedlings procured were undelivered by the proponents/suppliers, due to non-submission of MAPs and MAPAPS/AR as well as absence of PCA Governing Board's approval on price adjustments from P27 to P30 per coconut seedling.	Related discussion in Part II - Observation and Recommendation No. 19 of this Report.

Observations and Recommendations	Actions Taken / Comments
<p>We recommended that Management direct the Regional Manager of RO Nos. I-IV-B to:</p>	
<p>a. Require the proponents to deliver immediately the coconut seedlings, otherwise, terminate the MOA/Contract of the proponents/private suppliers, and blacklist the private suppliers pursuant to Guidelines of Termination of Contract of the IRR of RA No. 9184 and Paragraph 23.1.a of Section IV of the General Conditions of Contract;</p>	Fully Implemented.
<p>b. Direct the Regional Technical Staff to submit immediately the MAPs of the Provinces of Abra, Ifugao, Ilocos Sur, La Union, Cagayan, Pangasinan and Isabela and MAPAPS/AR as well as Summary of MAPAPS/AR of the Provinces of Bataan, Bulacan, Pampanga, Zambales, Mindoro Occidental and Oriental; and</p>	Partially Implemented.
<p>c. Henceforth, observe Item 13.1.4 of PCA MC No. 02, series of 2012, dated January 9, 2012 prescribing the standard unit price of coconut seedlings.</p>	Fully Implemented.
<p>We further recommended that Management require the RO Nos. I-IV-B to carefully evaluate the qualification of the prospective suppliers to ensure that they have the capability to supply the goods.</p>	Fully Implemented.
<p>23. Payment of P1.860 million by RO Nos. I-IV-B to the Provincial Government of Palawan (PGP) for the 61,950 seedlings delivered by two unregistered suppliers and absence of PCA representative during the delivery were not in accordance with Items 2.6 and 3.7.21 of PCA MC Nos. 02, Series of 2012 and 02, Series of 2013, respectively, resulting in high mortality of seedlings, since these have not been inspected for quality standards, consequently disadvantageous to the government.</p>	

Observations and Recommendations	Actions Taken / Comments
<p>We recommended that Management direct the Regional Manager, RO Nos. I-IV-B to:</p>	
<p>a. Demand from PGP replacements of coconut seedlings delivered by the unregistered suppliers which did not survive;</p>	Partially Implemented.
<p>b. Conduct investigation why non-PCA registered suppliers were allowed to supply coconut seedlings, no PCA representatives were present during deliveries to receive and inspect the coconut seedlings and determine the officers and employees who were remiss in the discharge of their duties and responsibilities; and</p>	Fully Implemented.
<p>c. Henceforth, comply strictly with Item 2.6 of PCA MC No. 02, Series of 2012 and Item 3.7.21 of PCA MC No. 02, Series of 2013 to ensure good quality of seedlings for planting materials.</p>	Fully Implemented.
<p>24. The implementation of the KEDP in Regions IV-A, VII, VIII, XI, and XIV was not efficiently and economically carried out while effectiveness thereof could not be established due to: (a) delayed releases of funds amounting to P124.672 million which deferred project implementation by the ROs; (b) late deliveries of agricultural inputs aggregating P4.261 million by suppliers while some deliveries of livestock costing P2.107 million were not in accordance with specifications; (c) non-utilization/ operationalization of the equipment with total costs of P4.408 million due to absence of test run/training; and (d) non-conduct of monitoring and evaluation that precluded the determination of the projects' status as at a given period and prompt application of remedial actions to address problems and issues in the implementation, thus affecting the sustainability of the livelihood projects in increasing farmer-beneficiaries' income</p>	<p>Related discussion in Part II - Observation and Recommendation No. 16 of this Report.</p>

Observations and Recommendations	Actions Taken / Comments
<p>and resulting in wastage of government funds.</p>	
<p>We recommended that Management require the concerned Offices in the CO and ROs to:</p>	
<p>a. Process and release funds to ROs judiciously for implementation of the projects to ensure that farmer-beneficiaries receive benefits timely;</p>	Partially Implemented.
<p>b. Disqualify the ineligible suppliers from joining any future bidding on the supply and delivery of agricultural inputs;</p>	Fully Implemented.
<p>c. Undertake remedial actions to immediately address issues and problems on non-operational equipment taking into consideration the objectives of the project in order to ensure that funds are expended for the purpose these are granted; and</p>	Not Implemented.
<p>d. Oblige the Community Coordinator in coordination with the Senior Agriculturist/PCDM to monitor and report on a monthly basis, the status of all projects to the RO and regularly furnish the Audit Team with the said reports, otherwise, hold the concerned PCA employees accountable for non-monitoring and evaluation of the status of the implementation of the livelihood projects.</p>	Partially Implemented.
<p>25. Economy, efficiency and effectiveness in the implementation of the CFP in Regions V, VII, XI and XIII, could not be ascertained in view that: (a) there were 37,685 bags fertilizers undistributed due to unavailability of vehicles to transport these from DOPs to beneficiaries' farms hindering timely application of fertilizers; (b) warehouses are vulnerable to rain, flood and pilferage which resulted in losses and wastage of government funds; (c) additional expenses were incurred for hauling and warehousing for</p>	<p>Related discussion in Part II - Observation and Recommendation No. 18 of this Report.</p>

Observations and Recommendations	Actions Taken / Comments
<p>prolonged storage of fertilizers; (d) legitimacy of farmer-participants was doubtful since fertilizers were distributed to farmers not in the Masterlist of Farmer-Participants (MLFP) and replacements of farmer-beneficiaries during actual distribution were unauthorized; and (e) receipt of fertilizers could not be validated due to non-submission of AcRs.</p> <p>We recommended that Management direct the concerned Regional Managers to:</p>	
<p>a. Distribute immediately the fertilizers to the farmer-participants to avoid further delay in the project implementation;</p>	Fully Implemented.
<p>b. Provide safety measures in the warehousing of fertilizers to avoid any losses due to theft and deterioration;</p>	Fully Implemented.
<p>c. Designate DOPs such as municipalities and barangays accessible to transportation to facilitate immediate distribution to intended farmer-beneficiaries and to avoid incurrence of additional costs for hauling and warehousing;</p>	Fully Implemented.
<p>d. Submit immediately the AcRs to the concerned Audit Teams for audit purposes; and</p>	Fully Implemented.
<p>e. Henceforth, distribute strictly the salt fertilizers only to the farmers listed in the MLFP and request approval from the concerned CO officials for changes in the MLFP as to farmer-beneficiaries and allocation of salt fertilizers.</p>	Partially Implemented.
<p>We further recommended that the concerned RO carefully identify the DOPs that are accessible to the farmer-beneficiaries to avoid changes in DOPs of fertilizers.</p>	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>26. In RO Nos. V and XIII, the procedural guidelines and conditions for the inspection and acceptance of the delivery of fertilizers set forth under PCA MC No. 01, Series of 2015, dated January 9, 2015 and Terms of Reference of the Contract were not strictly observed, thereby casting doubt on the correctness of the quantities and on technical specifications of the fertilizers delivered.</p>	
<p>We recommended that Management direct the concerned Regional Manager, RO No. V to:</p>	
<p>a. Submit justification for the deficiencies noted and why the persons responsible should not be held liable for the losses that maybe incurred by the PCA;</p>	Fully Implemented.
<p>b. Require the PCDM to verify and conduct regular monitoring of the tasks of his authorized representative in the field to ensure that the activities/processes in every project are carried out consistently well and compliant with existing laws, rules and regulations; and</p>	Fully Implemented.
<p>c. Ensure, henceforth, that persons-in-charge of receiving deliveries of fertilizers are strictly adhering to the existing guidelines/procedures on the inspection and acceptance thereof.</p>	Fully Implemented.
<p>27. In RO No. XII, the legitimacy and existence of farmer-beneficiaries who were recipients of 25,600 oil palm seedlings with total cost of P6.272 million under the SOPDP could not be established due to non-submission of Terminal Report consisting of the AcRs.</p>	
<p>We recommended and Management agreed to direct the Regional Manager of RO No. XII to submit the Terminal Report together with the AcRs to attest</p>	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
actual receipt of the oil palm seedlings by the intended beneficiaries.	
28. The GAD Plan and Budget (GPB) and the corresponding GAD Accomplishment Report (AR) for CY 2016 were not endorsed to the Philippine Commission on Women (PCW), thus the Agency was not assured that the GAD projects/activities undertaken were responsive to the identified gender issues, and that gender issues were fully addressed during the year.	Updated and reiterated in Part II - Observation and Recommendation No. 14 of this Report.
We recommended that Management direct the GAD Focal Point System of PCA to prepare and endorse the GPB and AR to PCW for review on timely manner to ensure that GAD programs/projects/activities address gender sensitivity.	Not Implemented.

CY 2015 AAR

29. The balance of Deferred Credits account in the amount of P102.553 million had remained outstanding in the books, notwithstanding that the fertilizers and other intercropping agricultural supplies have already been distributed to beneficiaries, due to non-submission/incomplete supporting documents while the balance of Inventories account amounting to P142.424 million included the costs of said agricultural supplies, resulting in the overstatement of the said accounts as well as the Agency's reported total assets and liabilities by P102.553 million.
- We recommended that Management direct the:
- a. Provincial Offices (PrOs) to exhaust efforts to immediately comply with the documentary requirements to support the distribution and/or issuance of agricultural and non-agricultural supplies;

Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
and	
b. Accounting Division of CO and Accounting Units of ROs/Centers to:	
b.1 Conduct verification, analysis, and reconciliation between long/non-moving Agricultural and Marine Supplies Inventory and Deferred Credits accounts;	Partially Implemented.
b.2 Effect the necessary adjusting journal entries upon verification and validation of documents supporting the distribution of agricultural and non-agricultural supplies; and	Partially Implemented.
b.3 Henceforth, stop the practice of using Other Deferred Credits accounts, instead adopt asset method of recording inventories.	Partially Implemented.
30. The Statement of Cash Flows (SCF) could not be relied upon, since Maintenance and Other Operating Expenses (MOOE) reported therein for CY 2015 amounting to P2.843 billion exceeded the amount indicated in the Statement of Financial Performance (SFP) amounting to P2.340 billion, or by P0.503 billion. Also, the unreconciled discrepancy of P121.018 million and P8.152 million in CYs 2014 and 2015, respectively, after elimination of intra-agency fund transfers/remittances were reported in the SCF while return of unutilized DAP fund balance of P274.455 million to the BTr was not reflected therein. Thus, affecting the correctness of Cash and Cash equivalents account of P1.816 billion at year-end.	
We recommended that Management direct the Accounting Division of CO to analyze, reconcile the discrepancies/inconsistencies, adjust the affected accounts, and revise the SCF accordingly.	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>31. Validity, accuracy and reliability of the net realizable value (NRV) of Accounts Receivable (AR)-PCA Fees of P491.173 million are doubtful due to unsubstantiated adjustments of P124.683 million, inclusion of long outstanding receivables with uncertain recoverability of P483.720 million and non-disclosure of its status, charging of interest of P6.859 million on receivables with uncertain recoverability/zero principal balances, and discrepancy of P5.808 million between confirmed and recorded balances.</p> <p>We recommended that Management direct the:</p> <p>a. Accounting Division to:</p> <p>a.1 Reconcile its records on AR-PCA Fees with AMS records;</p> <p>a.2 Duly support all recorded transactions including the unsubstantiated net adjustments of P124.683 million;</p> <p>a.3 Accrue receivables based on billing statements issued;</p> <p>b. Assessment and Monitoring Service (AMS) to submit justifications on the following: inconsistencies in the implementation of sanctions for arrearages and continuous charging of interest for accounts which are subject for write-off and with zero principal balances; and</p> <p>c. Legal Affairs Office (LAO) to intensify and exhaust efforts to recover/collect long outstanding AR-PCA Fees and submit duly-supported latest status of action/s taken thereon.</p>	<p>Partially Implemented.</p> <p>Partially Implemented.</p> <p>Not Implemented.</p> <p>Fully Implemented.</p> <p>Fully Implemented.</p>
<p>32. In Zamboanga Research Center (ZRC) and Davao Research Center (DRC), inventories in the aggregate amount of</p>	

Observations and Recommendations	Actions Taken / Comments
<p>P16.816 million were no longer found on hand but still recorded as assets, thus, misstating the affected Inventories by the same amount while existence of other inventories totaling P4.347 million could not be ascertained in view of absence of inventory report, contrary to Section 65 of NGAS Manual, Volume II.</p>	
<p>We recommended and Management agreed to require the Supply Officer and Accountants of ZRC and DRC to reconcile their records and effect necessary adjustments in the books.</p>	<p>Partially Implemented.</p>
<p>33. Accuracy and reliability of the intra-fund accounts could not be ascertained in view of variances between intra-fund accounts of P11.628 million which had been unreconciled for over 16 to 36 years.</p>	<p>Updated and reiterated in Part II - Observation and Recommendation No. 3 of this Report.</p>
<p>We reiterated our prior years' recommendation that Management direct the Accounting Division of CO and Accounting Units of ROs/Centers concerned to:</p>	
<p>a. Exhaust extensive efforts to analyze, review, and reconcile the intra-fund accounts; and</p>	<p>Not Implemented.</p>
<p>b. Submit to the Audit Team status of actions taken on the variances for audit purposes.</p>	<p>Not Implemented.</p>
<p>34. One hundred twenty-three (123) units of chainsaws costing P7.759 million were missing and not accounted for, contrary to Section 102 of PD No. 1445, thereby resulting in loss of government properties.</p>	
<p>We recommended that Management direct the:</p>	
<p>a. Regional Manager to: (i) conduct an investigation on the tampered and</p>	<p>Fully Implemented.</p>

Observations and Recommendations	Actions Taken / Comments
<p>missing chainsaws, (ii) require a report thereon to pinpoint responsibility and accountability for the destruction and loss of government properties, and (iii) require the responsible persons to replace or refund the cost of the chainsaws, if warranted;</p>	
<p>b. Head of the Property Division to recount and inspect the chainsaws to determine which units are still serviceable and to register the same with the Department of Environment and Natural Resources (DENR); and</p>	Fully Implemented.
<p>c. Property/Supply Officer to issue all recipients of the chainsaws with Acknowledgement Receipt for Equipment (ARE).</p>	Fully Implemented.
<p>35. Splitting of contracts for the procurements of 10 units of farm tractors and 219,533 sets of assorted vegetable seeds packs amounting to P34.725 million under emergency mode resulted in forgone discounts on volume purchases and circumvented control measures contrary to Section 54.1 of the IRR of RA No. 9184 and COA Circular No. 76-41 dated July 30, 1976.</p>	
<p>We recommended that Management hold the concerned officials and employees accountable and responsible for splitting the procurements; and henceforth, all procurements should be conducted through public bidding unless the use of alternative mode of procurement is duly justifiable.</p>	Partially Implemented.
<p>36. There is no assurance that the 120,000 sets of assorted vegetable seeds packs costing P5.443 million procured in CY 2014 through emergency mode were of good quality due to absence of Certification from the National Seed Quality Control Services (NSQCS) of the Bureau of Plant Industry (BPI) that the suppliers are accredited seed growers</p>	

Observations and Recommendations	Actions Taken / Comments
<p>and seeds have passed the quality test and standards.</p>	
<p>We recommended that Management submit for audit purposes the Certifications from NSQCS of the BPI that the suppliers are accredited seed growers/producers and vegetable seeds delivered have passed the required quality standards.</p>	<p>Partially Implemented.</p>
<p>37. Affected farmers of the Typhoon 'Yolanda' in the municipalities of Northern Cebu had not been paid of total benefits/incentives of P13.741 million due to late submission of the Inspection and Evaluation Reports, tedious claims review processing, and lack of personnel, thereby, defeating the objectives of the YRRP.</p>	
<p>We recommended that Management:</p>	
<p>a. Require the CDOs to submit immediately to the Cebu PrO the required Inspection and Evaluation Report;</p>	<p>Partially Implemented.</p>
<p>b. Require the Cebu PrO and RO No. VII concerned personnel to fast track the processing of claims; and</p>	<p>Partially Implemented.</p>
<p>c. Hire additional job order personnel and assign them in Cebu PrO to assist in the processing of claims.</p>	<p>Fully Implemented.</p>
<p>38. The existence and transfer of accountability of the chemical pesticides, materials, and tools/equipment totalling P62.123 million could not be ascertained in view of: (a) absence of a certification by the agency head to the effect that the work has been performed in accordance with contract's terms and duly inspected and accepted, (b) inconsistencies on the dates between that in the certificates and reports of inspection and acceptance, (c) absence of notification of the scheduled deliveries, contrary to COA</p>	

Observations and Recommendations	Actions Taken / Comments
<p>Circular No. 96-010 dated August 15, 1996, and (d) absence of proof of transfer of accountability, thereby casting doubt as to whether the quantity of items procured were utilized according to their intended purpose.</p>	
<p>We recommended that Management:</p>	
<p>a. Direct the concerned personnel to: (i) submit a justification for the incomplete compliance with the provisions of the contract and of COA Circular No. 96-010 dated August 15, 1996; (ii) reconcile the inconsistencies between the IAR and CAI; and (iii) obtain proof of procurement made by PACPA on the materials and tools / equipment provided to PCA;</p>	Fully Implemented.
<p>b. Impose disciplinary actions to all concerned who had been remiss in the discharge of their duties; and</p>	Fully Implemented.
<p>c. Henceforth, ensure strict compliance with Item A.2 of COA Circular No. 96-010 dated August 15, 1996.</p>	Fully Implemented.
<p>39. Efficiency and effectiveness of the chemical treatment on CSI-infested trees could not be established due to the discrepancy in the reported number of treated trees between AcRs and billings, among others, as well as, absence of proof of assessment on the effect after treatment.</p>	
<p>We recommended that Management submit the following:</p>	
<p>a. Reconciliation report on the discrepancies noted in the reported number of treated trees; and</p>	Not Implemented.
<p>b. Proof of monitoring/assessment made on the effects of chemical treatment on the CSI-infested trees within 30 and 60 days after treatment, otherwise, submit a justification for the non-conduct of the aforementioned</p>	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
activities.	
<p>40. Monitoring and evaluation of actual treatment period rendered by the service provider <i>vis-a-vis</i> the approved work plan could not be established in view of the absence of report on the outcome thereof, thus, resulting in inadequate/inaccurate basis for granting an extension period of 10 days and computation of liquidated damages of P14,980, thereby depriving the PCA from recovering the correct equivalent monetary compensation as a result of unnecessary delay.</p>	
<p>We recommended that Management submit the following:</p>	
<p>a. Recomputation of liquidated damages and proof of demand/collection of the amount of difference, should it be established that PACPA was undercharged of the liquidated damages; and</p>	Not Implemented.
<p>b. Duly supported report and evaluation on the number of treated trees <i>vis-à-vis</i> the work plan of the service provider and filled up CTOM forms.</p>	Not Implemented.
<p>We also recommended that Management hold liable the concerned personnel who had been remiss in the performance of their duties.</p>	Fully Implemented.
<p>41. Validity of budget utilization for quarantine checkpoints/surveillance under the CSIEAP accumulating to P20.732 million could not be established due to absence of proof that required activities were actually implemented, hence, indicating inappropriate use of government resources.</p>	
<p>We recommended that Management direct the concerned personnel to submit duly-supported and duly-summarized proof that activities required under AO</p>	Partially Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>No. 01 dated June 9, 2014 were actually implemented.</p>	
<p>42. Attainment of the objectives of SFP to increase coconut productivity and improve coco resistance to pest and diseases could not be ascertained in view of the absence of periodic coconut yield assessments and evaluation after fertilization as the RO Nos. I-IV-B did not collect coconut yield prior to fertilization from CYs 2008 to 2012 for benchmarking purposes. Results of inspection showed that 152 bags salt fertilizers found at Brgy. Calima, Pola, Oriental Mindoro remained unutilized.</p>	
<p>We recommended that Management direct the Regional Manager of RO Nos. I-IV-B to:</p>	
<p>a. Require the concerned PCDM and the CDO to conduct periodic yield assessment monitoring and evaluation of coconut to determine the effectiveness of SFP and henceforth, strictly observe the provisions of the Guidelines on SFP under various series of MCs; and</p>	Fully Implemented.
<p>b. Conduct investigation and submit to the Audit Team report on non-distribution/application of 152 bags salt fertilizers.</p>	Fully Implemented.
<p>43. Splitting of requisitions, purchase orders and disbursement vouchers for the procurement of livestock, agro-inputs and planting materials with aggregate amount of P18.027 million resulted in foregone discounts on volume purchases and circumventing control measures contrary to Section 54.1 of IRR of RA No. 9184 and COA Circular No. 76-41 dated July 30, 1976.</p>	
<p>We recommended that Management hold the concerned officials and employees of RO Nos. I-IV-B accountable and responsible for splitting the</p>	Not Implemented.

Observations and Recommendations	Actions Taken / Comments
<p>procurements; and henceforth, all procurements should be conducted through public bidding unless the use of alternative mode of procurement is duly justified, as provided under Sections 10, 12.1 and 51 of the IRR of RA No. 9184.</p>	
<p><u>CY 2014 AAR</u></p>	
<p>44. Unutilized balance of Disbursement Acceleration Program (DAP) fund of P274.455 million was only returned to the Bureau of the Treasury (BTr) after almost a year, while related expenses accumulating to P54.418 million were obligated and paid, notwithstanding the decision of the Supreme Court on July 1, 2014 that acts and practices under the DAP are unconstitutional for being contrary to Section 25(5), Article VI of the 1987 Constitution and the doctrine of separation of powers.</p>	
<p>We recommended that Management hold liable the officers and employees who caused the continued utilization of DAP funds and deferred return of the unexpended balance.</p>	Fully Implemented.
<p>45. Two Certificates of Availability of Funds (CAF) in the total amount of P102.630 million charged to the YRRP fund bearing the names of the winning suppliers were issued ahead of the invitation to bid and submission of bid proposals, an indication that there was pre-negotiation with favoured suppliers, thus restricting equal and competitive opportunity to other suppliers who may also be eligible to participate in the bidding, and no assurance that the contract prices are the most advantageous to the government.</p>	
<p>We recommended that Management hold concerned officials and employees accountable and responsible for awarding the procurement to the said</p>	Fully Implemented.

Observations and Recommendations	Actions Taken / Comments
<p> favored suppliers. </p>	
<p> We further recommended that Management initiate the conduct of investigation to determine what have led to the preparation of CAF already bearing the names of the suppliers even prior to the invitation to bid and the submission of bid proposals, and file appropriate charges against those found remiss in the discharge of their duties. </p>	<p> Partially Implemented. </p>
<p> 46. The incapability of the supplier to deliver the remaining 89,345 pieces of coconut seedlings worth P2.093 million which was to be dispersed to estimated 525 hectares in Regions I-IV-B deprived quite a number of farmer-beneficiaries of benefitting from the provision of good quality seedlings under the Coconut Seedlings Dispersal Project (CSDP). Likewise, liquidated damages of P0.469 million have not been imposed against the supplier. </p>	<p> Related discussion in Part II - Observation and Recommendation No. 19 of this Report. </p>
<p> We recommended that Management direct the concerned Regional Manager to disqualify the supplier of coco seedlings from future biddings. </p>	<p> Fully Implemented. </p>
<p> We further recommended that Management immediately issue Blacklisting Order to disqualify the supplier from participating in the bidding of all government projects upon termination of the contract and submit the same to the Government Procurement Policy Board (GPPB) within 7 calendar days from the issuance thereof, as provided under Sections 6 and 9.1(a) of Appendix 11 of the IRR of RA No. 9184. </p>	<p> Fully Implemented. </p>
<p> 47. Salt fertilizers may have been distributed to farmers who are not qualified as they are not in the masterlist, and if listed therein, their first names or the respective barangays were not indicated, there were unauthorized changes in </p>	

Observations and Recommendations	Actions Taken / Comments
<p>Drop off Points (DOPs) and recipients, the number of beneficiaries was based on target and not on the masterlist, unclaimed fertilizers were given to other interested farmers, among others, thus may affect the efficient and effective implementation of the Salt Fertilization Project.</p>	
<p>We recommended that Management require the Regional Manager of Regions I-IV-B and IV-A to direct the concerned Coconut Development Officers (CDOs) to distribute strictly the salt fertilizers to the farmers listed in the MLFP and request approval from the Regional Office and concerned Central Office officials for any changes in the MLFP as to beneficiaries and allocation of salt fertilizers.</p>	<p>Partially Implemented.</p>

CY 2013 AAR

48. There were cash advances granted based on excessive or unsupported detailed estimates of expenses and improper utilization and liquidation thereof, contrary to the provisions of COA Circular Nos. 97-002, 96-004, and 2012-003, which could have possibly resulted in wastage of government funds.

We recommended that Management formulate policy guidelines to ensure compliance with existing rules and regulations on the grant, utilization, and liquidation of cash advances.

Partially Implemented.

49. Allocation of funds for three locally-funded projects in the aggregate amount of P1.506 billion was not prioritized to regions with the highest poverty incidence of farmers contrary to Item 7 of the Special Provisions of the FY 2013 General Appropriations Act.

Observations and Recommendations	Actions Taken / Comments
<p>We recommended that Management comply with Item 7 of the Special Provisions of FY 2013 GAA and other applicable laws, rules, and regulations, particularly on budget formulation and allocation of projects of PCA and submit the actual utilization of FY 2013 budget per expenditure and per region to properly assess whether the same was in accordance with Item A.4(B), Section XXXV of FY 2013 GAA.</p>	Partially Implemented.
<p>To be fair in the budget allocation, we recommended for Management to define guidelines in consultation with the ROs regarding the basis for allocating the budget considering that each has its own peculiarities.</p>	Not Implemented.

**Results of Confirmation from SAs of Fund Transfers – PCA vis-a-vis SAs Records
As at October 31, 2017**

SA	Program/Project	Outstanding Balance		Difference (SA-PCA)
		Per PCA	Per SA	
1. DOST-PCAARRD	Tropical Fruits & Coconut Biotechnology Program: Project 5 Coconut Tissue Culture, Protocols for Propagation Study 1: Optimization of protocol callus induction, identification, multiplication and maintenance of highly competent callus lines from coconut inflorescence and plumule explants, Study 2: Characterization of proteins associated with important developmental stages of coconut	P 88,890	P - P	(88,890)
2. DOST-PCAARRD	Expression of genes for Arabinogalactan Protein and Extensin in Coconut Embryos	23,463	-*	(23,463)
3. BAR	Financial Assistance to Research and In-house Review	105,649	-*	(105,649)
4. BAR	Technology Utilization and Commercialization of Makapuno	1,392,750	1,167,406*	(225,344)
5. NAFC	Loay Plant	1,084,663	-***	(1,084,663)
6. BAR	Institutional Development Grant	94,698	-*	(94,698)
		2,790,113	1,167,406	(1,622,707)
7. DOST-PCAARRD	Project 5: Development of Coconut-Based Integrated Income Generating Scheme in Partnership with Local Government Units and Private Sectors to Reduce Poverty in Oriental Mindoro and Albay	1,181,365	3,360,190	2,178,825
8. DOST-PCAARRD	Project 2: Characterization and Conservation of Coconut Genetic Resources for Utilization in the Bicol Region and Coastal Areas	619,887	2,990,309	2,370,422
9. DOST-PCAARRD	Project 3: Carbon Levels of Soil Organic Matter (SOM) in Selected Fertilized and Unfertilized Coconut Ecosystems in Relation with Coconut Farm Productivity and Climate Change Impact/ PSAD	[3,242 248,605]	3,418,032	3,166,185
10. DOST-PCAARRD				
11. DOST-PCAARRD	Project 1: Utilization of Coconut Genetic Resources for High Value and Emerging Projects	19,101	26,400	7,299
12. DOST-PCAARRD	Project 1: Utilization of Coconut Genetic Resources for New and Emerging Projects	1,401	2,579,102	2,577,701
13. DOST-PCAARRD	Development of S and T- Based Control Strategies Against Coconut Scale Insect in CALABARZON	2,925,610	3,814,458	888,848
14. DOST-PCAARRD	Upgrading of the Coconut Tissue Culture Laboratory of the Philippine Coconut Authority – Zamboanga Research Center	239,614	1,457,499	1,217,885

SA	Program/Project	Outstanding Balance		Difference (SA-PCA)
		Per PCA	Per SA	
15. DOST-PCAARRD	Upgrading of the Coconut Tissue Culture Laboratory of the Philippine Coconut Authority –Albay Research Center	2,796,967	4,677,069	1,880,102
16. DOST-PCAARRD	Project 2: Biomarker Development and Molecular Mapping for Coconut Genetic and Varietal Improvement	869,440	3,427,940	2,558,500
17. DOST-PCAARRD	Project 4: Gene Expression Analyses for Oil Biosynthesis, Makapuno and Lono Traits	325,106	1,959,238	1,634,132
18. DOST-PCAARRD	Project 6: Marker-Assisted Breeding in Coconut Targeting Productivity and Major Industrial Traits	1,165,120	2,496,986	1,331,866
19. DOST-PCAARRD	Project 7: QTL Mapping in Coconut for High Yield and Outstanding Quality of Copra Oil and Other Coconut Major By-products	440,052	2,901,658	2,461,606
20. DOST-PCAARRD	Project 8: Development of Web-based Breeding Resources and Eco-Tilling Towards Insect Resistance Breeding	1,492,032	3,083,628	1,591,596
21. DOST-PCAARRD	Project 1: Development of crop care strategies against coconut scale insect	1,654,533	3,411,862	1,757,329
22. DOST-PCAARRD	Project 3: Biological control strategies against coconut scale insect	931,837	3,419,700	2,487,863
23. DOST-PCAARRD	Program Management Component	133,869	2,834,803	2,700,934
24. DOST-PCAARRD	Project 4: Mass propagation and pilot utilization of plumule-derived plantlets of Tall and Dwarf coconut varieties through CSet in Albay, Camarines Sur, and Masbate	10,225,643	18,136,074	7,910,431
25. DOST-PCAARRD	Project 6a: Mass propagation and pilot utilization of plumule-derived plantlets of Tall and Dwarf coconut varieties through CSet in Zamboanga del Norte, ARMM and Region XII	608,513	4,738,859	4,130,346
26. DOST-PCAARRD	Monitoring and Surveillance System for Coconut Scale Insect	895,743	2,348,221	1,452,478
27. DOST	Project 4: Development of an Integrated Pest Management Strategies Against Brontispa Longissima (Gestro), an invasive Pest of Coconut and Other Palm Species	381,266	1,611,813**	1,230,547
28. BAR	Establishment of Core Collection of Tall Coconut Accessions using Microsatellite Marker Technology	1,916	1,484,495*	1,482,579
29. BAR	Commercialization of High Value Coconut Products	599,899	1,293,313*	693,414
30. BAR	Development of Integrated Control Strategies Against Scale Insect and Mealybug Infestation of Coconut Palm in Batangas and Marinduque	89,455	89,455*	-

SA	Program/Project	Outstanding Balance		Difference
		Per PCA	Per SA	(SA-PCA)
31. BAR	Establishment of GMAFV Coconut Seedfarm in Coconut Farming Community using Genetically Enhanced Parental Lines from the PCA Synvar	21,840	500,000*	478,160
32. PCIEERD	Development of a High Electrolyte and Low Glycemic Ready-to-Drink Coconut Water Beverage	-	155,000*	155,000
		27,872,056	76,216,104	48,344,048
Net		P 30,662,169	P 77,383,510	P 46,721,341

* as at September 30, 2017 (completed project for refund)

** as at November 30, 2017 (non-moving)

*** as at November 30, 2014 (no record per SA)

**Details and Status of Unsettled Audit Disallowances and Suspensions
As of December 31, 2017**

I. Notices of Disallowance (NDs)

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
Central Office				
10-02-503 (09)/ 02/16/2010	Members of PCA Governing Board	Excessive payment of food expenses	P 1,949.25	Persons liable were no longer connected with PCA at the time of service of COE on March 18, 2014.
10-09-503 (99)/ 06/03/2010	Members of PCA Governing Board; and Corporate Secretary Staff	- do -	8,244.00	Settled based on Notice of Settlement of Suspension/ Disallowance/ Charge (NSSDC) No. 2018-02 dated January 16, 2018
10-25-503/ 07/09/2010	Manager, Corporate Planning Office	Excessive payment of plane fare and boarding pass	5,418.56	Settled based on NSSDC No. 2018-03 dated January 31, 2018
10-28-503/ 09/09/2010	Members of the PCA Governing Board	Payment of productivity enhancement incentive for CY 2009	47,875.71	Persons liable were no longer connected with PCA at the time of service of COE on March 27, 2014.
2014-002-503/ 02/24/2014	Payee; DM II, FMDS; DA, CSB/ Chairman, Bids and Awards Committee (BAC); DA, Research, Development and Extension Branch (RDEB)/ Member, BAC; OIC- Division Chief (DC) II, Legal Affairs Office/ Member, BAC; OIC-DC III, Administrative and General Services Department (AGSD)/ Member, BAC; DA,FSB/ Member, BAC; Administrator; Members of PCA Governing Board; and Chairman of PCA Governing Board	Excessive payment of security services	194,373.50	ND affirmed under CGS-5 Decision No. 2017-018 dated March 14, 2017.
2015-001/ 07/23/2015	Payee; Former Administrator; Former DA, RDEB; Former OIC, FMDS; Former DC III, Collection and Disbursement Division (CDD)	Failure of the persons responsible to fully comply with the requirements of NS No. 02-09-503(01) dated June 17, 2002. Also, full advance	1,909,600.00	With appeal memorandum/ request for exclusion filed with the Cluster Director (CD) of two persons liable. Appeal of one person-ND affirmed

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
		payment was made to the payee for the services not yet rendered and equipment not yet delivered		under CGS Cluster V Decision No. 2017-032 dated June 16, 2017
2015-02/ 11/ 27/2015	OIC, BD; Former DM II, FD; DC III, AD; DC III-CDD; and DA, OB	Payment of the safety gears out of the Disbursement Acceleration Program (DAP) Fund	184,320.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-03/ 11/ 27/2015	OIC, BD; Former DM II, FD; DC III, AD; Former OIC, AGSD; DC III, CDD; and Former OIC, Administrative and Finance Branch (AFB);	Payment for publication to newspaper out of the DAP Fund	48,292.80	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-04/ 11/ 27/2015	OIC, BD; Former DM II, FD; DC III, AD; Former OIC, AGSD; DC III, CDD; and Former OIC, AFB	Payment for publication to newspaper out of the DAP Fund	51,744.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-05/ 11/ 27/2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; and DA, OB	Payment of manual hand drills out of the DAP Fund	345,866.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-06/ 11/ 27/2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; DA, OB; Former OIC, AGSD; and Former OIC, AFB	Payment of PCA quarantine forms out of the DAP Fund	94,500.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-07/ 11/ 27/2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; and DA, OB	Payment of meals served during the seminars conducted out of the DAP Fund	121,000.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2015-08/ 11/27/2015	OIC, BD; Former DM II, FD; DC III, AD; DC III, CDD; and DA, OB	Payment of 250 units syringe for use in trunk injection operation out of the DAP Fund	9,500.00	With Appeal from ND before the Office of CGS Cluster 5 Director

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-09/ 11/ 27/2015	Administrator; DM II, FD; DC III, AD BO III, BD; DC III, CDD; and DA, OB	Procurement of 20 units Samsung Tablets were not used in the intended purposes.	230,200.00	ND affirmed under CGS-5 Decision No. 2016-024 dated September 19, 2016.
2016-01/ 01/12/2016	Former Acting Head Executive Assistant/Current RM-RO Nos I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and Former OIC-AFB	Payment of meals served during meetings out of the DAP fund	23,200.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-02/ 01/12/2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and Former OIC-AFB	Payment of meals served during meeting out of the DAP fund	14,400.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-03/ 01/12/2016	Former Acting Head Executive Assistant/Current RM-RO Nos I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and DA-OB	Payment of meals served during meeting out of the DAP fund	5,136.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-04/ 01/12/2016	Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and DA-OB	Payment of office supplies out of the DAP fund	6,555.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-05/ 01/12/2016	Former OIC-BD; Former Clerk III/Current OIC-BD; Former DC III-AD; DC III-CDD; and DA-OB	Payment of travelling expenses out of the DAP fund	600.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-06/ 01/12/2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and DA-OB	- do -	11,364.00	With Appeal from ND before the Office of CGS Cluster 5 Director

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-07/ 01/12/2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former OIC-BD; Former Clerk III/Current OIC-BD; Former DM II-FD; Former DC III-AD; DC III-CDD; and Former OIC-AFB	Payment of expenses incurred out of the DAP fund	15,446.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-08/ 01/12/2016	DA-OB; Former Administrator; Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former DM II-FD; and Former DC III-AD	Payment of mobile phones and sim cards out of the DAP Fund	15,215.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-09/ 01/12/2016	DA-OB; Former Administrator; Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former DM II-FD; and Former DC III-AD	Payment of expenses incurred for the implementation of CSIEAP out of the DAP Fund	473,620.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-10/ 01/12/2016	PCDM-Quezon I Provincial Office (PO); RM III- RO No. IV-A; CSI Provincial Focal Person-Quezon I PO; DA-OB; Former DM II-FD; Former DC-AD; DC III-CDD; and Former Administrator	Double payment of claims	232,120.00	Settled based on NSSDC No. 2018-01 dated January 9, 2018
2016-11, Office Order (OO) No. 2015-003/ 08/09/2016	DA-OB; Former DM II-FD; Former DC-AD; and DC III-CDD	Failure of the persons responsible to fully comply with the requirements of NS No. 2016-001 dated January 20, 2016.	262,500.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-12, OO No. 2015-003/ 08/09/2016	DA-OB; Former DM II-FD; Former DC-AD; DC III-CDD; and Former OIC-AFB	Failure of the persons responsible to comply with the requirements of NS No. 2016-003 dated January 20, 2016	19,400.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2016-13, OO No. 2015-003/ 08/09/2016	Former Acting Head Executive Assistant/Current RM-RO Nos. I-IV-B; Former DM II-FD; Former DC-AD; DC III-CDD; and DA-OB	Failure of the persons responsible to comply with the requirements of NS No. 2016-002 dated January 20, 2016	5,650.00	With Appeal from ND before the Office of CGS Cluster 5 Director

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2017-01/ 01/27/2017	OIC-Human Resource Division (HRD); Former OIC-BD; DM II-AGSD; DA-AFB; DC III- CDD; Payees; Former Chairperson PCA Governing Board; Former Member PCA Governing Board; and Members of the PCA Governing Board	Payment of Collective Negotiation Agreement (CNA) not in accordance with the procedural guidelines and conditions per Department of Budget and Management (DBM) Circular	1,650,000.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2017-02/ 01/31/2017	Payee; DA-AFB; Former OIC (now Manager)-FD; Former OIC-BD; DM II-AGSD; DC III- CDD; Former Chairperson PCA Governing Board; Former Member PCA Governing Board; and Members of the PCA Governing Board	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM circular	25,000.00	With Appeal from ND before the Office of CGS Cluster 5 Director
2017-03/ 01/31/2017	Payee; DA-AFB; Former OIC (now Manager)-FD; Former OIC-BD; DM II-AGSD; DC III- CDD; Former Chairperson PCA Governing Board; Former Member PCA Governing Board; and Members of the PCA Governing Board	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM circular	25,000.00	With Appeal from ND before the Office of CGS Cluster 5 Director
			6,038,089.82	
Regions I-IV-B				
2016-001(2012)/ 01/15/2016	Former RM III; Accountant III; Former PCDM; Cashier II; and Accounting Clerk (AC) III	Splitting of purchase orders (POs) and Disbursement Vouchers (DVs) in the procurement of coffee seedlings	535,000.00	With Petition for Review before the COA CP. ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-002(2012)/ 01/15/2016	Former RM III; Accountant III; Former PCDM; Cashier II; and AC III	Splitting of POs and DVs in the procurement of cattle	600,000.00	-do-
2016-003(2012)/ 02/01/2016	Former RM III; Accountant III; PCDM; Former Cashier II/	Splitting of POs and DVs in the procurement of carabaos and cattles	545,000.00	-do-

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
	AO III; AC III; and Project Development Officer (PDO) IV			
2016-004(2012)/ 02/01/2016	Former RM III; Accountant III; Former PCDM; Former Cashier II/AO III AC III; and PDO IV	Splitting of POs and DVs in the procurement of mangosteen seedlings	105,340.00	With Petition for Review before the COA CP. ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-005(2012)/ 02/01/2016	Former RM III; Accountant III; Former PCDM; Cashier II; AC III; and PDO IV	Splitting of POs and DVs in the procurement of rambutan and lanzones	535,983.00	-do-
2016-006(2012)/ 02/01/2016	Former RM III; Accountant III; Former PCDM; Cashier II; AC III; and PDO IV	Splitting of POs and DVs in the procurement of assorted grafted fruit bearing seedlings	595,439.50	-do-
2016-007(2012)/ 02/01/2016	Former RM III; Accountant III; Former PCDM; Cashier II; AC III; and PDO IV	- do -	509,930.00	-do-
2016-008(2014)/ 02/12/2016	Former RM III; Supply Officer II; Accountant III; AC III; Cashier II; and PDO IV	Splitting of DVs as payments already exceeded the signing authority of the RM.	4,866,464.00	-do-
2016-009(2014)/ 02/12/2016	Former RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	- do -	1,571,700.00	-do-
2016-010(2014)/ 02/12/2016	Former RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	- do -	1,038,958.00	-do-
2016-011(2014)/ 02/12/2016	Former RM III; AO III; Accountant III; AC III/Former Acting Cashier; and PDO IV	- do -	2,551,500.00	-do-

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-012(2014)/ 02/ 26/2016	Former RM III; AO III; Accountant III; AC III/Formal Acting Cashier; and PDO IV	- do -	1,494,000.00	With Petition for Review before the COA CP. ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-13(2013/2014)/ 02/26/2016	Former RM III; AO III; Accountant III; Cashier II; and PDO IV	- do -	1,901,960.00	-do-
2016-014(2013)/ 09/21/2016	Former RM III; Accountant III; Senior Agriculturist; Cashier II; AC III; and Agriculturist II	Checks were made payable to the authorized representative and not to the supplier of coco seedlings	1,067,200.00	With appeal from ND before the Office of CGS Cluster 5 Director
2016-015(2014)/ 02/12/2016	Former RM III; AO III; Accountant III; AC II/Formal Acting Cashier; and PDO IV	Splitting of DVs as payments already exceeded the signing authority of the RM.	1,176,000.00	With Petition for Review before the COA CP. ND affirmed under CGS-5 Decision No. 2017-004 dated January 18, 2017
2016-016(2013)/ 09/21/2016	Former RM III; Accountant III; 2 Agriculturist II; Cashier II; and AC III	Checks were made payable to the authorized representative and not to the supplier of coco seedlings	1,060,000.00	With appeal from ND before the Office of CGS Cluster 5 Director
2017-01/ 07/27/2017	Former RM III; AO III; Accountant III; Cashier II; various PCA Regions I-IV-B employees; Former Chairperson of PCA Governing Board; 4 Former Members of PCA Governing Board	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM circular	875,000.00	With appeal from ND before the Office of CGS Cluster 5 Director
2017-02/ 07/27/2017	Former RM III; Accountant III; Cashier II; Former PCDM; Former Chairperson of PCA Governing Board; 4 Former Members of PCA Governing Board	- do -	25,000.00	With appeal from ND before the Office of CGS Cluster 5 Director
			21,054,474.50	

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount		Status
Region IV-A					
2016-001(2012)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	1,198,083.02	With Memorandum July 6, 2016	Appeal dated
2016-002(2012)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	1,051,988.12	With Memorandum July 6, 2016	Appeal dated
2016-003(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	368,000.00	With Memorandum July 6, 2016	Appeal dated
2016-004(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	2,976,329.74	With Memorandum July 6, 2016	Appeal dated
2016-005(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; and Supplier	Splitting of POs	744,000.00	With Memorandum July 6, 2016	Appeal dated
2016-006(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; and Supplier	Splitting of POs	4,620,639.18	With Memorandum July 6, 2016	Appeal dated
2016-007(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Supply Officer II; and Supplier	Splitting of POs	184,000.00	With Memorandum July 6, 2016	Appeal dated

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount		Status
2016-008(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Supply Officer II; and Supplier	Splitting of POs	4,291,100.00	With Memorandum July 6, 2016	Appeal dated
2016-009(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Former PDO III; and Supplier	Splitting of POs	159,996.00	With Memorandum July 6, 2016	Appeal dated
2016-010(2014)/ 02/29/2016	RM III; Former OIC RM; Accountant III; Former AO; Acting AO; PDO III; Retired PDO III; Supply Officer II; and Supplier	Splitting of POs	540,000.00	With Memorandum July 6, 2016	Appeal dated
2016-011(2014)/ 02/29/2016	RM III; Accountant III; Former AO; Acting AO; PDO III; Retired PDO III; Supply Officer II; and Supplier	Splitting of POs	210,000.00	With Memorandum July 6, 2016	Appeal dated
2016-012(2014)/ 02/29/2016	RM III; Accountant III; Former AO; Acting AO; Retired PDO III; Supply Officer II; and Supplier	Splitting of POs	210,000.00	With Memorandum July 6, 2016	Appeal dated
2016-013(2014)/ 02/29/2016	RM III; Former OIC RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	2,027,000.00	With Memorandum July 6, 2016	Appeal dated
2016-014(2012)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Supply Officer II; and Supplier	Splitting of POs	180,400.00	With Appeal Memorandum dated July 6, 2016	

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount		Status
2016-015(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; and Supplier	Splitting of POs	397,500.00	With Memorandum July 6, 2016	Appeal dated
2016-016(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; and Supplier	Splitting of POs	636,000.00	With Memorandum July 6, 2016	Appeal dated
2016-017(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	468,986.00	With Memorandum July 6, 2016	Appeal dated
2016-018(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	471,984.00	With Memorandum July 6, 2016-	Appeal dated
2016-019(2013)/ 02/29/2016	Former OIC-RM; Accountant III; Former AO; Supply Officer II; and Supplier	Splitting of POs	5,154,000.00	With Memorandum July 6, 2016-	Appeal dated
2016-020(2014)/ 02/29/2016	RM III; Former OIC-RM; Accountant III; PDO III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	600,000.00	With Memorandum July 6, 2016	Appeal dated
2016-021(2014)/ 02/29/2016	RM III; Former OIC-RM; Accountant III; Former AO; Acting AO; Supply Officer II; Former PDO III; and Supplier	Splitting of POs	900,000.00	With Memorandum July 6, 2016	Appeal dated

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-022(2014)/ 02/29/2016	RM III; Accountant III; PDO III; Acting AO; Supply Officer II; Senior Agriculturist; Cashier II; and Supplier	Splitting of POs	689,977.00	With Memorandum July 6, 2016 Appeal dated
2017-001(2015)/ 06/13/2017	RM III; Accountant; PDO IV; Acting AO; Supply Officer II; Cashier II; Bookkeeper; Accounting Clerk III; Clerk III; PCDM; Former AO; Former Driver; Former CPRO III; Former PDO III; Senior Agriculturist; 3 Former PCDMs; 3 Acting PCDMs; 14 Agriculturist II; and 3 Agriculturist I	Violation of Department Budget Circular No. 2014-2 dated December 2, 2014	950,000.00	With Memorandum submitted to COA Regional Office IV-A on November 9, 2017 Appeal
			29,029,983.06	
Region V				
2017-01/ 01/06/2017	Former Manager- FD; Former OIC- BD; RM III; AO III/ Budget Officer; Accountant III; Acting Supply Officer; Payees	Maintenance and Other Operating Expenses (MOOE) paid out of the DAP Fund	333,148.39	With appeal dated July 25, 2017.
			333,148.39	
Region VI				
2017-003(2015) 03/16/2017	RM; Regional Accountant; AO III; PDO IV; PDO III; 10 Agriculturist II; 2 Agriculturist I; 2 CPRO III; Supply Officer II; Cashier II; Bookkeeper; Driver I; 4 Division Chief; 3 Senior Agriculturist; and Clerk III	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM Circular	775,000.00	For issuance of Notice of Finality of Decision (NFD)
			775,000.00	

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
Region VII				
13-002-101(13)/ 11/07/2013	Various Coconut Development Officers (CDOs)	Travelling expenses of various CDOs	1,600.00	For issuance of NFD. Partial settlement of P240 for issuance of NSSDC.
17-001(16)/ 05/17/2017	CDO; Acting Senior Agriculturist; PCDM; and RM	Failure to distribute the 300 bags of Cocogro fertilizer to the intended beneficiaries in the Municipality of Medellin, Cebu	300,000.00	With appeal
17-002-(16)/ 06/07/2017	CDO; Acting Senior Agriculturist; PCDM; and RM	The reported 300 bags of Cocogro fertilizer were not actually applied to affected coconut trees	127,950.00	With appeal
			429,550.00	
Region VIII				
2016-001- (2015)YRRP/ 10/07/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; and CCDO	Double payment of cash incentive	15,000.00	With appeal
2016-002- (2015)YRRP/ 10/11/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; CCDO; and Acting AO	Payment of cash incentive to recipients who were already dead	6,000.00	With appeal
2016-003- (2015)YRRP/ 10/11/2016	OIC-RM; Accountant III; Acting Cashier II; 2 PCDMs; CS-RTS; CCDO; and Acting AO	Payment of cash incentive to recipient who died in 2013	30,000.00	With appeal
2016-004- (2015)YRRP/ 10/11/2016	OIC-RM; Accountant III; Acting Cashier II; 2 PCDMs; CS-RTS; CCDO; and Acting AO	Payment of cash incentive to recipient who died in May 2016	3,100.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-005- (2015)YRRP/ 10/14/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; Agriculturist II; and CCDO	Payment of cash incentive to recipient who died in 2012	6,000.00	With appeal
2016-006- (2015)YRRP/ 10/17/2016	OIC-RM; Accountant III; Acting Cashier II; 2 PCDMs; CS-RTS; and CCDO	Double payment of cash incentive to recipient whose name appeared in two payroll schedules	2,880.00	With appeal
2016-007- (2015)YRRP/ 10/17/2016	OIC-RM; Accountant III; Acting Cashier II; 2 PCDM; Acting AO; CS-RTS; and CCDO	Double payment of cash incentives.	8,890.00	With appeal
2016-008- (2015)YRRP/ 10/17/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; PCDM; CS-RTS; and CCDO	Double payment of cash incentives	9,470.00	With appeal
2016-009- (2015)YRRP/ 10/19/2016	OIC-RM; Accountant III; Acting Cashier II; 2 PCDMs; CS-RTS; and CCDO	Double payment of cash incentives	17,420.00	With appeal
2016-010- (2015)YRRP/ 10/19/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; and CCDO	Double payment of cash incentive to recipient whose name appeared in two different barangay.	16,500.00	With appeal
2016-011- (2015)YRRP/ 10/19/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; and CCDO	Double payment of cash incentive to recipient whose name appeared in two payrolls.	8,760.00	With appeal
2016-012- (2015)YRRP/ 10/21/2016	OIC-RM; Accountant III; Acting Cashier II;	Double payment of cash incentive to recipient whose	12,900.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
	Acting AO; PCDM; CS-RTS; and CCDO	name appeared in two payrolls.		
2016-013- (2015)YRRP/ 10/21/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 3 PCDMs; CS-RTS; and CCDO	Double payment of cash incentives	12,150.00	With appeal
2016-014- (2015)YRRP/ 10/21/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; and CCDO	Payment of cash incentive to recipient who died in April 2015	3,000.00	With appeal
2016-015- (2015)YRRP/ 10/25/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 2 PCDMs; CS-RTS; and CCDO	Non-receipt of cash incentives	7,800.00	With appeal
2016-016- (2015)YRRP/ 10/25/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 3 PCDMs; CS-RTS; and CCDO	Non-receipt of cash incentives by the farmer beneficiaries	148,500.00	With appeal
2016-017- (2015)YRRP/ 10/26/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; PCDM; CS-RTS; and CCDO	Non-receipt of cash incentives by the farmer beneficiaries	121,800.00	With appeal
2016-018- (2015)YRRP/ 11/02/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; and CCDO	Non-receipt of cash incentives by the farmer beneficiaries	226,800.00	With appeal
2016-019- (2015)YRRP/ 11/02/2016	OIC-RM; Accountant III; Acting Cashier II;	Non-receipt of cash incentives by the farmer beneficiaries	118,500.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
	Acting AO; PCDM; CS-RTS; and CCDO			
2016-020- (2015)YRRP/ 11/02/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 2 PCDMs; CS-RTS; and CCDO	Non-receipt of cash incentives by the farmer beneficiaries	15,000.00	With appeal
2016-021- (2015)YRRP/ 11/02/2016	2 OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; and CCDO	Non-receipt of cash incentives by the farmer beneficiaries	18,360.00	With appeal
2016-022- (2015)YRRP/ 11/02/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; CS-RTS; and CCDO	Non-receipt of cash incentives by the farmer beneficiaries	18,000.00	With appeal
2016-023- (2015)YRRP/ 11/03/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 2 PCDMs; CS-RTS; and CCDO	Non-receipt of cash incentives by the farmer beneficiaries	65,640.00	With appeal
2016-024- (2015)YRRP/ 11/05/2016	OIC-RM; Accountant III; Acting Cashier II; 2 PCDMs; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	41,410.00	With appeal
2016-025- (2015)YRRP/ 11/04/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 3 PCDMs; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	26,510.00	With appeal
2016-026- (2015)YRRP/ 11/09/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO;	Farmer beneficiaries did not receive the total amount of cash incentives appearing	124,100.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
	2 PCDMs; CS-RTS; and CCDO	in the payroll		
2016-027- (2015)YRRP/ 11/09/2016	OIC-RM; Accountant III; Acting Cashier II; 2 PCDMs; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	111,860.00	With appeal
2016-028- (2015)YRRP/ 11/09/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; PCDM; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	29,950.00	With appeal
2016-029- (2015)YRRP/ 11/10/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 3 PCDMs; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	81,320.00	With appeal
2016-030- (2015)YRRP/ 11/11/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 3 PCDMs; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	293,228.00	With appeal
2016-031- (2015)YRRP/ 11/12/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; PCDM; CS-RTS; CCDO; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	62,450.00	With appeal
2016-032- (2015)YRRP/ 11/14/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 3 PCDMs; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	819,860.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2016-033- (2015)YRRP/ 11/14/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 3 PCDMs; CS-RTS; and CCDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	36,000.00	With appeal
2016-001- (2015)PCPP/ 11/09/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; 2 OIC-PCDM; PCDM; and CDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	7,500.00	Unsettled to date
2016-002- (2015)PCPP/ 11/09/2016	OIC-RM; Accountant III; Acting Cashier II; PCDM; Senior Agriculturist; and CDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	3,700.00	Unsettled to date
2016-003- (2015)PCPP/ 11/10/2016	OIC-RM; Accountant III; Acting Cashier II; Acting AO; PCDM; Senior Agriculturist; and CDO	Farmer beneficiaries did not receive the total amount of cash incentives appearing in the payroll	9,600.00	Unsettled to date
2017-001(2015)/ 03/07/2017	OIC-RM; Accountant III; Acting Cashier II; Acting AO; and PCA officials	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM Circular	825,000.00	With appeal
2017-002(2015)/ 03/07/2017	OIC-RM; Accountant III; Acting Cashier II; Acting AO; and PCA officials	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM Circular	25,000.00	With appeal
2017-003(2015)/ 03/07/2017	OIC-RM; Accountant III; Acting Cashier II; Acting AO; and PCA officials	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM Circular	25,000.00	With appeal
2017-004(2015)/ 03/07/2017	OIC-RM; Accountant III; Acting Cashier II; Acting AO; and PCA officials	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM Circular	25,000.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2017-005(2015)/ 03/07/2017	OIC-RM; Accountant III; Acting Cashier II; Acting AO; and PCA officials	Payment of CNA not in accordance with the procedural guidelines and conditions per DBM Circular	25,000.00	With appeal
			3,464,958.00	
Region IX				
2015-501-01(2014)/ 12/28/2015	Ralph S. Hamoy/ Regional Manager	Payment for various expenses incurred out of the DAP Fund.	4,420,761.10	With Appeal
2015-501-02(2014)/ 12/28/2015	Efren P. Carba/PCDM	Payment for various expenses incurred out of the DAP Fund.	4,866,864.39	With appeal
2015-501-03(2014)/ 12/28/2015	Ferdinand Acaylar/ PDO III	Payment for various expenses incurred out of the DAP Fund.	15,309.85	With appeal
2015-501-05(2014)/ 12/28/2015	Celedonia Palomar/CSI Coordinator	Payment for various expenses incurred out of the DAP Fund.	13,738.00	With appeal
2015-501-05(2014)/ 12/28/2015	Frigediano E. Arcamo/ PCDM	Payment for various expenses incurred out of the DAP Fund.	151,334.59	With appeal
2015-501-06(2014)/ 12/28/2015	Junrie Beradio/ Accounting Clerk	Payment for various expenses incurred out of the DAP Fund.	5,180.00	With appeal
2015-501-07(2014)/ 12/28/2015	John Paul B. Lagot/ CCDO	Payment for various expenses incurred out of the DAP Fund.	2,660.00	With appeal
2015-501-08(2014)/ 12/28/2015	Ariel Z. Tomong/CPRO III	Payment for various expenses incurred out of the DAP Fund.	5,180.00	With appeal
2015-501-09(2014)/ 12/28/2015	Joselino L. Mirabuena/ CCDO	Payment for various expenses incurred out of the DAP Fund.	6,590.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-501-10(2014)/ 12/28/2015	Rogelio R. Flores/CCDO	Payment for various expenses incurred out of the DAP Fund.	4,000.00	With appeal
2015-501-11(2014)/ 12/28/2015	Vergel Butch U. Alay/ CCDO	Payment for various expenses incurred out of the DAP Fund.	4,000.00	With appeal
2015-501-12(2014)/ 12/28/2015	NYKAR Enterprises	Payment for construction materials out of the DAP Fund.	28,166.40	With Appeal
2015-501-13(2014)/ 12/ 28/ 2015	Turismo Insular Leisure & Travel	Payment for travel expenses out of the DAP Fund.	102,104.64	With appeal
2015-501-14(2014)/ 12/28/2015	Maria Nenita F. Dionio/CCDO	Payment for travel expenses out of the DAP Fund	1,604.00	With appeal
2015-501-15(2014)/ 12/ 28/ 2015	Elizabeth S. Bentulan/ Lab Aide encoder	Payment for travel expenses out of the DAP Fund	1,265.00	With appeal
2015-501-16(2014)/ 12/28/2015	Abraham L. Guerzon /CCDO	Payment for travel expenses out of the DAP Fund	14,272.27	With appeal
2015-501-17(2014)/ 12/28/2015	Myrna M. Jugalbot/ Farmer	PCPP (Option 1) chargeable against the CSIEAP.	2,200.00	With appeal
2015-501-18(2014)/ 12/28/2015	Jesusima Dagpin/Cashier	Payment for travel expenses out of the DAP Fund.	61,962.75	With appeal
2015-501-19(2014)/ 12/ 28/ 2015	ZC Unicon Enterprises	Payment for materials purchased out of the DAP fund.	19,449.11	With appeal
2015-501-20(2014)/ 12/28/2015	Pacific Hardware Enterprises	Payment for farm equipment /facilities out of the DAP Fund.	7,666.07	With appeal
2015-501-21(2014)/ 12/28/2015	MC Hardware Enterprises	Payment for travel expenses out of the DAP Fund.	85,314.85	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-501-22(2014)/ 12/28/2015	Computer Expertech & Tech. Services	Payment for office supplies out of the DAP Fund.	2,952.85	With appeal
2015-501-22(2014)/ 12/28/2015	A.L. Gonzalez and Sons Inc.	Payment for farm facilities out of the DAP fund.	2,186.24	With appeal
2015-501-23(2014)/ 12/28/2015	Pagadian Bodega ng Bayan	Payment for farm equipment /facilities out of the DAP Fund.	27,168.00	With appeal
2015-501-24(2014)/ 12/28/2015	Guadalupe A. Calunod/	Payment for travel expenses out of the DAP Fund.	436.00	With appeal
2015-501-25(2014)/ 12/28/2015	The Manila Times Publishing Corp.	Payment for Newspaper/publicati on relative to the operation of CSIEAP out of the DAP Fund.	19,845.00	With Appeal
2015-501-26(2014)/ 12/28/2015	Dennis Hardware Enterprises	Payment of expenditures out of the DAP Fund.	24,715.98	With appeal
2015-501-27(2014)/ 12/28/2015	Rudy B. Corsame/CCDO	Payment of expenditures out of the DAP Fund.	14,365.63	With appeal
2015-501-28(2014)/ 12/28/2015	Nelson S. Chua/ Sr. Agriculturist	Payment of expenditures out of the DAP Fund.	20,213.54	With appeal
2015-501-29(2014)/ 12/ 28/ 2015	Crown Paper & Stationaries Supply	Payment of expenditures out of the DAP Fund.	3,901.18	With appeal
2015-501-31(2014)/ 12/28/2015	DES Appliance Plaza Inc.	Payment of expenditures out of the DAP Fund.	21,673.20	With appeal
2015-501-32(2014)/ 12/28/2015	LB Homemate Furniture	Payment of expenditures out of the DAP Fund.	7,155.46	With appeal
2015-501-33(2014)/ 12/28/2015	Nationwide Appliances Center of Zamboanga City	Payment of expenditures out of the DAP Fund.	3,956.07	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-501-34(2014)/ 12/28/2015	Rushdi A. Amain/DPQI	Payment of expenditures out of the DAP Fund.	20,301.22	With appeal
2015-501-35(2014)/ 12/28/2015	Keacy Joy Alviar/ DPQI	Payment of expenditures out of the DAP Fund.	12,229.98	With appeal
2015-501-36(2014)/ 12/28/2015	Merla C. Pagaduan/PDO	Payment of expenditures out of the DAP Fund.	6,170.00	With appeal
2015-501-37 (2014- 15)/ 12/28/2015	Illuminado L. Cadungog Jr./Driver II	Payment of expenditures out of the DAP Fund.	10,320.00	With appeal
2015-501-38(2014)/ 12/28/2015	Lino A. Quilaton/DPQI	Payment of expenditures out of the DAP Fund.	6,544.54	With appeal
2015-501-39(2014)/ 12/28/2015	Aldrin B. Duhaylungsod/ DPQI	Payment of expenditures out of the DAP Fund.	4,000.00	With appeal
2015-501-40(2014)/ 12/28/2015	LM Enterprises	Payment of expenditures out of the DAP Fund.	7,793.84	With appeal
2015-501-41(2014)/ 12/28/2015	Davao Photo-Digi Corp.	Payment of expenditures out of the DAP Fund.	13,155.35	With appeal
2015-501-42(2014)/ 12/28/2015	Gessil G. Torres/ Project Employee	Payment of expenditures out of the DAP Fund.	7,272.72	With appeal
2015-501-43(2014)/ 12/28/2015	Benhar S. Muksan/ Project Employee	Payment of expenditures out of the DAP Fund.	7,700.00	With Appeal
2015-501-44(2014)/ 12/28/2015	Domingo S. Zandueta/ Agriculturist II	Payment of expenditures out of the DAP Fund.	6,400.00	With appeal
2015-501-45(2014)/ 12/28/2015	Danilo B. Bendanillo/ Agricultrist I /Supply Officer	Payment of expenditures out of the DAP Fund.	7,895.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-501-46(2014)/ 12/28/2015	Alberto C. Dalis/ Polinator	Payment of expenditures out of the DAP Fund.	9,071.60	With appeal
2015-501-47(2014)/ 12/28/2015	Carlos C. Palomar/ Emasculator	Payment of expenditures out of the DAP Fund.	9,071.60	With appeal
2015-501-48(2014)/ 12/28/2015	Andrea Mikaeli L. Seldora/Field Employee	Payment of expenditures out of the DAP Fund.	12,161.00	With appeal
2015-501-49(2014)/ 12/28/2015	Font Restaurant	Payment of expenditures out of the DAP Fund.	34,485.00	With appeal
2015-501-50(2014)/ 12/28/2015	Norbin A. Mandi/ DPQI	Payment of expenditures out of the DAP Fund.	3,549.37	With appeal
2015-501-51(2014)/ 12/28/2015	Jay-Ar S. Sagaysay/Project Employee	Payment of expenditures out of the DAP Fund.	7,680.00	With appeal
2015-501-52(2014)/ 12/28/2015	Larry E. Herla/ CCDO	Payment of expenditures out of the DAP Fund.	4,150.00	With appeal
2015-501-53(2014)/ 12/ 28/ 2015	Jessie G. Patcho/CCDO	Payment of expenditures out of the DAP Fund.	3,540.00	With appeal
2015-501-54(2014)/ 12/28/2015	Berovan Marketing, Inc.	Payment of expenditures out of the DAP Fund.	3,645.62	With appeal
2015-501-55(2014)/ 12/28/2015	Zamboanga Medika Integrated Industries, Inc.	Payment of expenditures out of the DAP Fund.	1,060.00	With appeal
2015-501-56(2014)/ 12/28/2015	Evergreen Enterprises	Payment of expenditures out of the DAP Fund.	139,153.87	With appeal
2015-501-57(2014)/ 12/28/2015	Romeo Tigoy/ Agriculturist I	Payment of expenditures out of the DAP Fund.	2,200.00	With appeal

ND No./Date	Positions/ Designations of Persons Liable	Nature	Amount	Status
2015-501-58(2014)/ 12/28/2015	Adelina P. Undag/CDO	Payment of expenditures out of the DAP Fund.	2,200.00	With appeal
2015-501-59(2014)/ 12/28/2015	Anecito T. Pagsiat/CDO/ PCMARS	Payment of expenditures out of the DAP Fund.	1,800.00	With appeal
			10,311,742.88	
<u>Zamboanga Research Center</u>				
2016-001(2016)/ 09/6/2016	2 Science Research Specialist (SRS); 2 Senior SRS; DC III; AO III; and 5 JO/contract of service personnel	Overpayment of travelling expenses	27,911.20	With Appeal
			27,911.20	
<u>Davao Research Center (DRC)</u>				
2016-001(2015)/ 04/28/2016	DM II; Acting AO; and Accountant III	Overpayment of terminal leave benefits	74,277.65	With COE dated May 31, 2017
			74,277.65	
Total			P 71,539,135.50	

II. Notices of Suspension (NSs)

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
<u>Central Office</u>				
2017-01/ 02/17/2017	Payee	Non-submission of accomplishment report (AR)	P 10,607.04	For evaluation of AR
2017-02/ 02/17/2017	Payee	-do-	17,904.14	For evaluation of AR
2017-03/ 02/17/2017	Payee	-do-	18,276.42	For evaluation of AR
2017-04/ 02/17/2017	Payee	-do-	17,560.83	For evaluation of AR
2017-05/ 02/17/2017	Payee	-do-	5,343.28	For evaluation of AR
2017-06/ 02/17/2017	Payee	-do-	8,076.79	For evaluation of AR
2017-07/ 02/17/2017	Payee	-do-	8,250.00	For evaluation of AR

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
2017-08/ 02/17/2017	Payee	Non-submission of accomplishment report (AR)	9,563.00	For evaluation of AR
2017-09/ 02/17/2017	Payee	-do-	4,972.76	For evaluation of AR
2017-10/ 02/17/2017	Payee	-do-	8,250.00	For evaluation of AR
2017-11/ 02/17/2017	Payee	-do-	4,994.90	For evaluation of AR
2017-12/ 02/23/2017	Payee	-do-	10,630.37	For evaluation of AR
			124,429.53	
<u>Regions I-IV-B</u>				
2017-01/ 10/10/2017	Former Agriculturist II; Accountant III; Former RM III; AO III; and Cashier II	Incomplete documents supporting the payment of terminal leave benefits	1,032,185.46	Within the reglementary period to comply with the requirements
2017-02/ 10/10/2017	Former Division Chief I; Accountant III; Former RM III; AO III; and Cashier II	-do-	1,898,268.14	-do-
2017-03/ 10/10/2017	Former Agriculturist II; Accountant III; Former RM III; AO III; and Cashier II	-do-	741,402.91	-do-
2017-04/ 10/10/2017	Former Division Chief I; Accountant III; Former RM III; AO III; and Cashier II	-do-	91,125.09	-do-
2017-05/ 10/10/2017	Former RM III; Accountant III; OIC-RM III; AO III; and Cashier II	-do-	437,242.47	- do -
			4,200,224.07	
<u>Region VI</u>				
2017-001/ 09/26/2017	AO III; OIC-RM; Regional Accountant	Lack of documents supporting the liquidation of cash advance	15,000.00	Unsettled to date
2017-002/ 09/26/2017	AO III; OIC-RM; Regional Accountant	-do-	8,000.00	Unsettled to date
			23,000.00	
<u>Region VII</u>				
11-003-101(11)/ 07/15/2011	RM; Accountant II; and AO III	Lack of documents supporting payment of Staple Food Allowance for the first quarter of 2011	65,000.00	For issuance of ND

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
13-002-101-(13)/ 11/07/2013	RM; and Accountant II	Incomplete documents supporting various disbursements for the period April to August 2013	31,430.89	Net of partial settlement of P1,206,612.72 per NSSDC No. 14-001 dated June 30, 2014 For issuance of ND
2016-01(15)/ 03/09/ 2016	Regional Manager; Accountant III; and Cashier	Lack of supporting documents	206,563.00	For issuance of NSSDC
2017-001/ 10/19/2017	PCDM; and Acting Senior Agriculturist	Submission of explanation on non-withdrawal of sacks of fertilizer by the intended municipalities and improper piling of sacks of fertilizer and lack of laboratory analysis	40,000.00	For issuance of NSSDC
			342,993.89	
Region VIII				
2017-019 CORP (2016) / 07/3/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	Lacking Proof of Land Ownership (PLO)	43,200.00	Unsettled to date
2017-020 CORP (2016)/ 07/4/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	-do-	24,750.00	-do-
2017-021 CORP (2016)/ 07/4/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	Lacking Special Power of Attorney (SPA), Barangay Certification and PLO	19,800.00	-do-
2017-022 CORP (2016)/ 07/4/2017	OIC-RM; Accountant III; Acting Cashier II; Acting Admin Officer; and Payees	Lacking PLO	75,960.00	-do-
2017-023 CORP (2016)/ 07/4/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	-do-	32,400.00	-do-
2017-024 CORP (2016)/ 07/4/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	-do-	42,300.00	-do-

NS No./Date	Positions/ Designations of Persons Responsible	Nature	Amount	Status
2017-026 CORP (2016)/ 07/4/2017	OIC-RM; Accountant III; Acting Cashier II; Acting Admin Officer; and Payees	Lacking Proof of Land Ownership (PLO)	99,000.00	Unsettled to date
2017-028 CORP (2016)/ 05/11/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	-do-	16,200.00	-do-
2017-030 CORP (2016)/ 05/11/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	Lacking Certificate of Land Ownership Award (CLOA)	22,500.00	-do-
2017-031 CORP (2016)/ 05/11/2017	OIC-RM; Accountant III; Acting Cashier II; and Payees	-do-	7,200.00	-do-
			383,310.00	
Region XIV				
PCA-2017-Repair- 001/ 09/29/2017	RM; Accountant III; Acting Cashier; and Payee	Lack of supporting documents	125,000.00	Settled per NSSDC No. PCA-2018-001 dated April 5, 2018
			125,000.00	
Total			P 5,198,957.49	