

Executive Summary

Introduction

The Agricultural Credit Policy Council (ACPC) was created on December 24, 1986 by virtue of Executive Order No. 113 replacing the Presidential Committee on Agricultural Credit (PCAC) and the Technical Board for Agricultural Credit (TBAC).

The ACPC is mandated to:

- Assist the Department of Agriculture (DA) in synchronizing all credit policies and programs in support of the Department's priority programs;
- Review and evaluate the economic soundness of all ongoing and proposed agricultural credit programs;
- Receive all reports and documents of all programs with agricultural credit and financing components;
- Undertake measures for increasing its funds base and adopt other liquidity interest stabilization and risk cover mechanisms for its various financing programs in consultation with the Monetary Board.

ACPC is headed by an Executive Director who is assisted by two Deputy Executive Directors for Policy, Research & Evaluation and for Special Concerns. As of December 31, 2005 the Council had a total work force of 41 permanent and 34 contractual employees.

Operational Highlights

For the year 2005, ACPC released ₱585 million from its Agricultural Modernization Credit Financing Program Fund (AMCFP) to government-owned and controlled corporations and certain government financial institutions for loaning to farmers and fisher folks for any agriculture-related projects. It also recorded collections in the amount of ₱412 million and interest income of ₱26 million from lending operations.

The year also saw the passage of the DA-DOF-DBM Joint Circular No. 1-A series of 2005 that provided the rules and regulations on the proper handling of the phase-out or transfer of government-directed credit programs (DCP's) from government non-financial agencies (GNFA's), government-owned and controlled corporations (GOCC's) to government financial institutions pursuant to ACPC Resolution No. 21-01 of 2003. This circular enabled the ACPC to contract collection agents for the collection of outstanding accounts receivable of the Department of Agriculture in its different credit programs nationwide. This was resorted to remedy the lack of manpower and appropriations necessary for collection activities.

The Council also reported the accomplishments for the year, as follow:

Activities	Performance Indicator	2005 Targets	2005 Accomplishments	Percentage of Accomplishments
DCP Fund Collection & Consolidation Program	- Amount of funds collected for AMCFP	P147.31M	P290.10M	197%
Credit Facilitation Services	No. of collecting agents identified	16	16	100%
Program Administration	Amount of AMCFP funds allocated/released to GFI's	P100M	P250M	250%
Packaging & funding institutional capability building (ICB) programs for FI's, NGO's, cooperatives	No. of ICB programs packaged/funded	15	15	100%

Financial Highlights

The Agency's financial condition, results of operation and sources and application of funds for the year are as follows:

	2005	2004	Increase (Decrease)
Financial Condition			
Assets	₱ 2,048,196,641.94	₱ 1,657,894,007.49	₱ 390,302,634.45
Liabilities	<u>62,902,559.93</u>	<u>62,902,340.45</u>	<u>219.48</u>
Government Equity	<u>₱ 1,985,294,082.01</u>	<u>₱ 1,594,991,667.04</u>	<u>₱ 390,302,414.97</u>
Results of Operation			
Income	₱ 44,487,524.75	₱ 48,736,410.98	(₱ 4,248,886.23)
Expenses	<u>18,553,937.92</u>	<u>17,909,033.23</u>	<u>644,904.69</u>
Net Income	<u>₱ 25,933,586.83</u>	<u>₱ 30,827,377.75</u>	<u>(₱ 4,893,790.92)</u>
Sources & Application of Funds			
Allotment	₱ 18,446,000.00	₱ 17,994,504.00	₱ 451,496.00
Obligations Incurred	<u>18,395,235.56</u>	<u>17,846,376.05</u>	<u>548,859.51</u>
Savings	<u>₱ 50,764.44</u>	<u>₱ 148,127.95</u>	<u>(₱ 97,363.51)</u>

Management Responsibility

Section 2 of PD 1445 states that fiscal responsibility rests directly with the Chief or Head of Agency. This carries with it the responsibility to maintain a system of accounting and reporting which provides the necessary controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. It also carries

management's responsibility to prepare and present its financial statements in conformity with generally accepted state accounting principles.

Scope of Audit

The audit covered the accounts and operation of the ACPC for the calendar year 2005. The objectives were to ascertain the fairness and reliability of the agency's financial position and results of its operation and determine adherence to prescribed laws, rules and regulations.

The audit included ascertaining the validity and propriety of transactions on a sampling basis focusing on critical accounts identified during the planning stage of audit; review of disbursements and collections, verification of financial reports, records and books of accounts, and evaluation of selected internal control system.

Auditor's Report

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements of the Agricultural Credit Policy Council.

Observation and Recommendation

For keeping complete and up-to-date accounting records, we are commending the accounting personnel for a job well done.

The audit disclosed that there was an uncertainty in the collection of the 33% or ₱67 million in the Loans Receivable – Others account balance because of the poor condition of the borrowers' business operations.

We recommended that ACPC require the designated collecting agency to employ legal and other remedies to minimize losses in the government credit program and to gather necessary documents to a support request for write-off of the loan which can no longer be collected.

Status of Implementation of Prior Year's Recommendation

The recommendation contained in the 2004 annual report was implemented in May 2005 by effecting the necessary adjustments in the books. This was taken under JEV No. 05-05-021.