

## **EXECUTIVE SUMMARY**

### ***Introduction***

The National Meat Inspection Service (NMIS) was originally created under Presidential Decree (PD) No. 7 dated September 20, 1972. On October 2, 1987, Executive Order (EO) No. 116 provided for the reorganization of the Department of Agriculture (DA) where the NMIS was abolished and its functions were transferred to the Bureau of Animal Industry (BAI). In 1989, the NMIS was restored as a separate agency of the DA, with separate release of appropriation.

The NMIS is mandated to:

- promulgate and implement policies, procedures, guidelines, rules and regulations governing post-production flow of livestock, meat and meat products (both locally produced and imported) through the various stages of marketing and proper handling, inspection, processing, storage and preservation of such products;
- protect the interest, health and general welfare of the meat consuming public; and
- endeavor for the development of the livestock and the meat industry.

The agency has a manpower complement of 401. Of this, 85 are at the central office and 316 are in the regional offices.

### ***Operational Highlights***

One year after the issuance of RA 9296 (Meat Inspection Code of the Philippines), its Implementing Rules and Regulations (IRR) was finally issued as AO 28 series of 2005. The draft was presented in four public consultations done in Luzon, Visayas and Mindanao. AO 26 (Revised Rules and Regulations in the Importation of Meat and Meat Products into the Philippines) was also issued after 17 months of drafting and consultations. Both issuances strengthen the Philippine regulatory system as it attends to the concerns of the livestock and meat industry relative to the importation and exportation of meat.

In this year was also the completion of Phase I of the Meat Quality Assurance Program (HACCP/GMP), the implementation of which was initiated in 2003. Of the 39 “AAA” meat establishments required to adopt HACCP at the start of the program, four failed to meet the standards and were downgraded to “AA”. To date, there are 86 meat items produced in 45 AAA plants that are certified to be HACCP compliant. Worthy to note is the voluntary compliance of 13 “AA” meat plants to HACCP clearly indicating the willingness of the industry to adopt quality assurance system and international standards.

Other accomplishments as reported by the Agency for the year are as follows:

Activities	Performance Indicator	2005 Targets	2005 Accomplishments	Percent of Accomplishments
1. Plant Operation & Inspection	1.1 No. of meat establishment certified (HACCP)	30	29	97%
	1.2 No. of meat establishment certified (GMP/SSOP)	85	54	64%
	1.3 No. of meat inspection certificates issued	450,000	570,871	127%
2. Accreditation, Registration & Enforcement	3.1 No. of meat establishment accredited	380	379	100%
	3.2 Accreditation of Meat Transport Vehicles	1,200	916	76%
3. Laboratory Services	4.1 No. of laboratory examination (pathogen reduction program)	4,000	9,696	242%
	4.2 No. of laboratory examination (drug residue monitoring)	2,400	1,262	53%

### ***Financial Highlights***

The Agency's financial condition, results of operation and sources and application of funds of NMIS is as follows:

	2005	2004	Increase (Decrease)
<b>Financial Condition</b>			
Assets	₱ 200,821,141.26	₱ 215,310,822.67	₱ 14,489,681.41
Liabilities	<u>67,963,788.18</u>	<u>68,851,691.74</u>	<u>887,903.56</u>
Government Equity	<u>₱ 132,857,353.08</u>	<u>₱ 146,459,130.93</u>	<u>₱ 13,601,777.85</u>
<b>Results of Operation</b>			
Subsidy Income from			
NG - net	₱ 121,001,487.31	₱ 112,400,658.93	₱ (8,600,828.38)
Expenses	<u>130,747,384.61</u>	<u>120,294,546.74</u>	<u>(10,452,837.87)</u>
Net Income (Loss)	<u>₱ (9,745,897.30)</u>	<u>₱ (7,893,887.81)</u>	<u>₱ 1,852,009.49</u>
<b>Sources &amp; Application of Funds</b>			
Allotment	₱ 139,670,227.69	₱ 137,688,097.10	₱ (1,982,130.59)
Obligations Incurred	<u>139,537,444.00</u>	<u>141,982,959.60</u>	<u>2,445,515.60</u>
Savings(Overdraft)	<u>₱ 132,783.69</u>	<u>₱ (4,294,862.50)</u>	<u>₱ (4,427,646.19)</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 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 of the NMIS for the calendar year 2005. The objective of the audit was to ascertain the fairness and reliability of the agency's financial position and results of operation. It also included test of compliance of transactions to existing laws, rules and regulations to ensure its validity and propriety.

### ***Auditor's Report***

The auditor rendered a qualified opinion on the fairness of the presentation of the financial statements of the Agency due to the absence of a complete inventory report to support the reported Property, Plant and Equipment account of ₱100,666,749.10. In addition, accounts receivable amounting to ₱3,079,901.17 were not supported with subsidiary ledgers and cannot be accounted for. These deficiencies constitute 51.68% of the total assets. (Details are discussed in the Part II, Par. 26 to 38 of the report)

### ***Other Observations***

In addition to the above deficiencies, it was also noted that stale checks amounting to ₱114,625.00 still appeared in the reconciliation statements which overstated the corresponding expense accounts, the leniency in the grant of cash advances with the previous one's not yet liquidated overstated the cash accounts and understated the expense accounts by ₱1,0994,657.78. It was also noted that inefficient billing and collection system resulting to 92.35% of total receivables aged 92 days to over two years, as well as inadequate bookkeeping may render the amount of ₱18,954,127.72 accounts receivable in the NG books uncollectible.

#### **Recommendations:**

To correct the deficiencies noted, we recommended that management:

- enforce the provisions of Sections 490 to 492, Volume I of the Government Accounting and Auditing Manual requiring the physical inventory of Property, Plant and Equipment.
- continue to find ways to reconcile the amount by designating a full-time staff to oversee and maintain the necessary records for its increasing collections.
- require the accounting section to prepare adjusting entries to cancel the stale checks.
- enforce strictly Section 89 of PD 1445 especially on the regional disbursing officers with long outstanding advances. We also recommend that the Chief Accountant regularly update the agency head and regional directors of the status of cash advances.

- install an up-to-date and complete accounting records as well as strengthen its collection system to prevent, if not, to minimize losses of government income.

### ***Implementation of Prior Years' Recommendations***

Of the ten prior years' recommendations (CY 2003-2004), only four were fully implemented. The remaining six will be the subject of our continuous follow-up/monitoring.