

EXECUTIVE SUMMARY

A. *Introduction*

The Fertilizer and Pesticide Authority (FPA) was created on May 30, 1977 by virtue of Presidential Decree (PD) No. 1144 with the mandate of regulating, controlling and developing the fertilizer and pesticide industries. It is tasked to assure the agricultural sector adequate supply of fertilizer and pesticide at reasonable prices, rationalize the manufacture and marketing of fertilizer, protect the public from the risks inherent in the use of fertilizer and pesticides, and educate the agricultural sector in the use of these inputs. It was formerly an attached agency of Department of Agriculture (DA). By virtue of Executive Order (EO) No. 165 dated May 5, 2014, FPA was transferred to the Office of the President. On September 17, 2018 under Executive Order No. 62, the supervision of FPA was returned to the DA.

The FPA is governed by a Board of Directors consisting of seven officials from seven government agencies under Other Executive Offices. The Executive Director leads the FPA operations, with five Divisions and 14 Field Units headed by Regional Officers (ROs) reporting directly to the Executive Director. The five FPA Divisions are: Fertilizer Regulations Division (FRD), Pesticide Regulations Division (PRD), Finance and Administrative Division (FAD), Laboratory Services Division (LSD) and Planning, Management and Information Division (PMID).

The FPA is presently headed by Executive Director Wilfredo C. Roldan. As of year-end, 145 of the 159 authorized plantilla positions were filled-out. In addition, the regular positions of FPA were complemented by 45 individuals hired under Contract of Service (COS), for a total workforce of 190. Details are shown below:

Office/Division	Personnel Complement		
	Permanent	COS	Total
Office of the Executive Director	6	4	10
Co-terminus with the incumbent	3		3
Finance and Administrative Division	12	14	26
Fertilizer Regulations Division	9	2	11
Laboratory Services Division	11	0	11
Field Operations and Coordination Unit	2	3	5
Planning, Management and Information Division	10	2	12
Pesticide Regulations Division	7	5	12
Field Units	85	15	100
Total	145	45	190

B. Financial Highlights

The Agency's financial position, financial performance and sources and application of funds for the year compared with the previous year (as restated) are shown below:

Particulars	2019	2018
	(in million Pesos)	
Financial Position		
Assets	114.014	116.180
Liabilities	10.570	18.083
Net Assets/Equity	103.443	98.097
Financial Performance		
Revenue	80.565	79.793
Net Financial Assistance/Subsidy	168.933	160.368
Gains	0.054	0.008
Losses	(0.184)	(0.041)
Current Operating Expenses	163.678	155.483
Surplus/(Deficit) for the Period	85.690	84.645
Sources and Application of Funds		
Appropriation	206.071	172.393
Allotment Received	222.458	170.323
Continuing Appropriations	2.022	0.00
Obligations Incurred	219.648	166.845
Unobligated Balance	4.832	3.477

For CY 2019, FPA has total regular appropriation of ₱206.071 million, and automatic appropriation of ₱7.648 million or a total of ₱213.719 million. The total allotment of ₱224.480 million inclusive of continuing appropriations consists of Agency Specific Budget, Automatic Appropriations, and Special Purpose Fund amounting to ₱208.093, ₱7.988 and ₱8.399 million, respectively.

C. Scope of Audit and Objectives

The audit covered the accounts, transactions and operations of FPA for CY 2019. The audit was conducted to (a) ascertain the level of assurance that may be placed on the management's assertions on the financial statements; (b) determine the propriety of transactions as well as extent of compliance with applicable laws, rules and regulations; (c) recommend agency's improvement opportunities; and (d) determine the extent of implementation of prior year's audit recommendations.

D. Independent Auditor's Report

A qualified opinion was rendered on the CY 2019 financial statements of FPA due to various unadjusted accounting errors/omissions and deficiencies amounting to ₱636.431 million, which exceeded the materiality level of ₱2.280 million and are discussed in detail in Part II of this report.

E. Significant Observations and Recommendations

1. Fund transfers to LGUs amounting to ₱4.499 million or 99.98 percent of the total fund transfers of ₱4.500 million for the implementation of the agency's projects remained unliquidated as of year-end, which is not in accordance with COA Circular Nos. 94-013 and 97-001. **(Observation No. 6)**

We recommended and Management agreed to instruct the Accountant to:

- a) enforce submission of liquidation reports/document of expended fund transfer by the IAs and require return of the balance for completed projects, if any; and
 - b) coordinate with the DA, RFU No. III Accountant for the return of the unutilized fund which was inadvertently transferred into the agency's account.
2. Unserviceable property with a book value of ₱2.180 million were sold thru public bidding, however, unserviceable property with a book value of ₱0.815 million remained not disposed of, contrary to Section 79 of Presidential Decree (PD) No. 1445, thus, exposing them to further deterioration and decreasing their realizable value. **(Observation No. 9)**

We recommended and Management agreed to require the Chief of General Services Section and BAC Disposal Committee to immediately dispose of the unserviceable PPE, pursuant to Section 79 of P.D. No. 1445.

3. The agency did not provide the list of all on-going government programs, projects and activities (PPAs) and those that were to be implemented during the year including information that the appropriate project signboards and/or public notices were already posted before the start of the program/activity during the year, contrary to COA Circular No. 2013-004 dated January 30, 2013. **(Observation No. 11)**

We recommended and Management agreed to fully comply with the requirements embodied in COA Circular No. 2013-004 in providing the audit team the list of all on-going government PPA and those that are to be implemented during the year as well as information and publicity on programs/projects/activities to promote transparency in government transactions.

4. Various financial reports together with their supporting documents were not submitted or submitted late by two to nine days, thus, affecting the timely verification and timely communication of audit results to Management. **(Observation No. 12)**

We recommended and Management agreed to require the Chief Accountant, Cashier and Budget Officer to submit the financial reports together with their supporting documents within the prescribed period for timely audit.

5. Copy of government contracts and their supporting documents totalling 30 out of the 130 perfected contracts with corresponding amount of ₱61.142 million were not submitted for review while 14 of the 29 purchase orders amounting to ₱3.721 million were not submitted within the prescribed period, with delays ranging from one to 58 days, contrary to Sections 3.1.1 and 3.2.1 of COA Circular No. 2009-001. Likewise, copies of 16 delivery documents were not submitted within the prescribed period pursuant to Section 6.9 of COA Circular No. 2009-002 dated May 18, 2009. Moreover, four POs for the procurement of goods and services did not bear the signature and date of receipt of PO by the supplier pursuant to Instruction No. B.17 of Appendix 61 of the GAM, Volume II. **(Observation No. 13)**

We recommended and Management agreed to:

- a) instruct the Property Officer to strictly adhere with the prescribed period in submission of perfected contracts, MOAs POs and JOs together with all supporting documents;
- b) notify the Audit Team on the delivery of goods for inspection within the required 24-hour period; and
- c) direct the personnel responsible in serving the POs to the suppliers to ensure that the latter has completely indicated all information required therein particularly the date of receipt and acceptance of the terms and conditions of the PO.

The observations and recommendations were discussed with agency officials in an exit conference conducted on March 12, 2020. Management comments were considered in the report, where appropriate.

F. Enforcement of Settlement of Accounts

Notice of Suspensions (NSs) issued during the year amounted to ₱0.652 million, of which, only ₱0.244 million was settled leaving a balance of ₱0.408 million which matured into disallowance, while disallowances of ₱0.148 million were issued during the year, bringing a total disallowance of ₱0.556 million as of year-end. No settlement was made during the year.

For disallowances amounting to ₱2.632 million issued prior to the effectivity of the 2009 Rules and Regulations on the Settlement of Accounts (RRSA), only ₱167.50 were settled during the year.

G. Implementation of Prior Year's Audit Recommendations

Out of 22 prior year's audit recommendations, 14 were implemented and eight were not implemented by Management as of December 31, 2019.