



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
National Government Sector
Cluster 8 – Agriculture and Environment
Quezon City

EXECUTIVE SUMMARY

A. Introduction

The Bureau of Fisheries and Aquatic Resources (BFAR) is the government agency responsible for the development, improvement, management and conservation of the country's fishery and aquatic resources. It was reconstituted on a line bureau by virtue of Republic Act (RA) No. 8550 (Philippine Fisheries Code of 1998).

The Bureau is headed by Commodore Eduardo B. Gongona PCG (Ret) Director, and supported by Ms. Drusila Esther E. Bayate, Assistant Director for Technical Services and Mr. Sammy M. Malvas, Assistant Director for Administrative Services. Tasked to implement the programs in the regional level are 15 Regional Field Offices (RFOs) each headed by a Regional Director and seven Regional Fisheries Training Centers (RFTCs). However, per BFAR Fisheries Office Order No. 02, series of 2014 dated January 5, 2015, the administrative and financial authorities of all RFTCs were transferred to their respective Regional Fisheries Offices, except that of the RFTC of Panabo, Davao del Norte, which is now a National Mariculture Center (NMTC) under the Bureau's Central Office. The budget of seven Technology Centers of BFAR, including NMTC is lodged in the BFAR CO.

The research arm of the Bureau is the National Fisheries Research and Development Institute (NFRDI), headed by Ms. Drusila Esther E. Bayate. NFRDI ensures the welfare of the Philippine fisheries sector. It was created by virtue of Section 82 of RA No. 8550, otherwise known as the Philippine Fisheries Code of 1998, in recognition of the important role of fisheries research in the development, management, conservation and protection of the country's fisheries and aquatic resources.

As of December 31, 2017, BFAR had 1,679 permanent employees, 42 casual employees and 5,204 job order individuals.

B. Financial Highlights

The financial position, financial performance and sources and application of funds of BFAR as of December 31, 2017 compared to calendar year 2016 are summarized on the next page.

Particulars	2017	2016
Financial Position		
Assets	₱10,886,991,701.13	₱9,028,496,068.45
Liabilities	1,088,761,542.15	1,091,962,838.00
Accumulated Surplus	9,798,230,158.98	7,936,533,230.45
Financial Performance		
Revenue	140,833,396.99	124,908,199.88
Current Operating Expenses	4,433,122,459.72	(4,186,946,583.14)
Surplus/(Deficit)_ from Current Operations	(2,833,732,572.68)	(4,062,038,383.26)
Net Financial Assistance/Subsidy	7,126,021,635.41	6,181,105,268.04
Net Gains/Losses	0	(1,102,654.43)
Surplus/(Deficit) for the period	2,833,732,572.68	2,117,964,230.35
Sources and Application of Funds		
Allotments	₱8,037,353,908.04	₱7,877,760,830.75
Obligations	7,299,254,639.21	6,796,467,288.98
Unobligated Balance	738,099,268.83	1,081,293,541.77

C. Scope and Objectives

The audit covered the accounts, transactions and operations of BFAR for CY 2017. The audit was conducted in accordance with the International Standards of Supreme Audit Institutions (ISSAIs) aimed to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) determine the propriety of transactions as well as the extent of compliance with applicable laws, rules and regulations; (c) recommend measures to improve the efficiency and effectiveness of the agency's operations; and (d) evaluate the extent of implementation of prior years' audit recommendations.

D. Independent Auditor's Report

A qualified opinion was rendered on the fairness of presentation of the CY 2017 financial statements due to accounting errors/omissions and deficiencies which are discussed in detail in Part II of this report.

E. Other Significant Observations and Recommendations

1. Procurement and distribution/provision of Fishing Gear/Paraphernalia (FGPs) amounting to ₱26.398 million in RFOs III and X were delayed, thus, depriving various fisherfolk and the general public of the benefits that can be derived from the program. **(Observation No. 1)**

We recommended and Management agreed to direct the Officials concerned of:

- a) RFO III to require the Focal Person to expedite the procurement process and distribution of FGPs to the beneficiaries to fully attain its objective; and

- b) RFO X to (i) coordinate with their Provincial Fisheries Offices and Local Government Units counterparts and expedite the distribution of the undistributed FGPs and non-motorized bancas so that fishermen/fisherfolk will benefit from the program; and (ii) direct the PFOs to submit the report on the Status of Delivery and Distribution together with the duly filled up Acknowledgement Receipts to determine whether all the beneficiaries received the assistance.
2. The objective of the BFAR to provide extensive support services in fisheries production, processing and marketing by providing the agricultural facilities and equipment was not fully attained due to: a) delayed construction of Community Fish Landing Centers (CFLCs) in RFOs I, V, VI, VII, X and XI amounting to ₱281.196 million; b) delayed turnover date of completed CFLCs in RFO I; c) non- utilization of 14 upright and chest-type freezers distributed for CFLCs in RFO VI; and d) non-operational of three (3) units of Custom-Built Air Blast Freezers with refrigeration equipment and generator sets amounting to ₱24.728 million already distributed in Region VII. Also, funds transferred to LGU beneficiaries in RFO VI exceeded the allocated budget by ₱23,388.28 to ₱50,000.00. (**Observation No. 2**)

We recommended and Management agreed to direct the officials concerned of:

- a) RFO I to follow-up from the LGUs the schedule of turnover date in order that the fisherfolk beneficiaries will enjoy the benefits they could derive from the facilities to improve their lives and livelihood;
- b) RFO V to require the focal person to continuously remind LGUs of their compliance with counterparts as stated in the Memorandum of Agreement and to closely monitor LGU beneficiaries on the progress of completion of the project;
- c) RFO VI to (i) coordinate with the LGU to expedite implementation of CFLC projects and commencement of operations of completed projects and see to it that projects are executed within the allocated budgets; (ii) submit an accomplishment report duly supported with Acknowledgement Receipts completely-filled up and signed by the LGU beneficiary representative; and (iii) coordinate with the LGU, National Anti-Poverty Commission and building contractors to expedite the completion and operations of the CFLCs as well as the installation of electricity and water lines so that the 14 upright and chest type freezers can be used as intended;
- d) RFO VII to coordinate with the LGU-beneficiaries to (i) provide a business plan for the CFLC that will incorporate its management and operating aspects with a timeline to ensure timely operation and follow the provisions stipulated in the MOA in the operation thereof; (ii) monitor the progress of CFLC construction and compel the contractors to

complete the project on time and impose liquidated damages and blacklisting of contractors from government contracts, if necessary; (iii) comply with the requirements and/or counterparts as provided in the MOA to fast track the implementation; (iv) request LGU-beneficiaries or BFAR to provide justification for the CFLC site location and for LGU-beneficiaries to provide a development plan to ensure full utilization of the CFLCs, and require the concerned PFOs to give priority in the implementation of this project in order to make it operational; and (v) consider offering/transferring these non-operating equipment to other LGUs who are qualified, capable and interested and closely monitor its immediate operation and coordinate with the concerned LGUs for the smooth retrieval and transfer of the equipment and ensure that provisions in the MOA are sufficient, such that it will not leave any questions relevant to the project implementation;

- e) RFOs X and XI to coordinate with the identified LGU beneficiaries and closely monitor the construction works/implementation of the projects to ensure their immediate completion for the benefit of the general public and assist them to address the issues/reasons particularly in their compliance with the documentary requirements and in their provision of financial counterparts;
- f) RFOs I, VI, VII, X and XI to make representation with the DENR officials to facilitate the approval of the needed technical descriptions of the target sites; and
- g) BFAR CO to review the implementing guidelines of the CFLC project and ensure strict implementation thereof by the LGU beneficiaries.

3. The efficiency and effectiveness of the conduct of inspection and monitoring of fishery facilities and enforcement of various activities under Major Final Output 5 for CY 2017 is unreliable due to deficiencies and discrepancies in the reported accomplishment from the RFOs and the consolidated accomplishment report submitted by the BFAR CO. Moreover, implementation of the Ring Net Project amounting to ₱2.892 million in BFAR RFO I was delayed due to poor planning, hence, deprived the benefits that the fishermen-beneficiaries could have derived from the project. **(Observation No. 3)**

We recommended and Management agreed to direct:

- a) RFOs to strictly comply with the reporting requirements and supply the needed information to determine the efficiency and effectiveness in the implementation of the MFO 5 and a reliable report for management decision making; and

- b) RFO I to: (i) ensure that there is proper planning in the implementation of its projects to avoid delay in the delivery of the bureau's commitments to its stakeholders; and (ii) intervene with the immediate construction/assembly of the Ring Net in order that the displaced fishermen could obtain the expected benefits on time.
4. Fines and penalties amounting to ₱9.013 million were not collected by the BFAR CO due to non-compliance with the guidelines on the payment of violations by the BFAR Adjudication Committee. **(Observation No. 4)**

We recommended and Management agreed to require the BFAR Adjudication Committee to strictly impose the compromise settlement on various violations under Section 131.2 of the Implementing Rules and Regulations of RA No. 10654.

5. The status of implementation of various Foreign Assisted Projects (FAPs) implemented by the bureau reported: a) low accomplishment rate of only 28.95 percent as of December 31, 2017 for FishCORAL project due to delays in the implementation of the project; and b) unimplemented Integrated Marine Environment Monitoring System Project Phase 2 (PHILO PROJECT PHASE 2) after almost two years upon approval of the Loan Agreement in CY 2016. Moreover, various deficiencies were noted in the monitoring of four FAPs which were completed in previous years. **(Observation No. 5)**

We recommended and Management agreed to direct the Focal Persons of:

- a) FishCORAL to fast track the implementation of the various component of the project in order to achieve its purpose to reduce poverty in target coastal communities of the 11 target bays/gulf;
- b) PHILO 2 project to closely coordinate with the National Economic Development Authority – Investment Coordination Committee and the French Government for the approval and concurrence of the amended Terms of Reference to facilitate the awarding of the contract to the winning contractor and the registration to the Financial Protocol to avoid further delays in the implementation thereof;
- c) Fisheries Resources Management Project (FRMP) to: (i) continue giving support to the established projects under FRMP in RFO I to achieve sustainable development of the fisheries sector and reduce poverty among municipal fisher folk; (ii) present the equipment for inspection if still in the custody of BFAR RFO VI and submit the documents supporting disposal or transfer of the equipment to other agencies and record the above-mentioned property in the RPCPPE and in the books of accounts once these property are presented or found duly supported with proper documents;

- d) Monitoring, Control and Surveillance (MCS) to provide (i) adequate budget for the immediate repair of the auxiliary machinery, navigational and communications equipment to maintain the seaworthiness to avoid further deterioration of the vessels; and (ii) security/safety of the crew on board; and the mandatory drydocking of the MCS vessels;
 - e) PL 480 to (i) conduct periodic monitoring of the patrol boats and require the LGUs to submit the required reports to determine the status and condition of the patrol boats and to provide funds for the repair and maintenance of the patrol boats in accordance with the MOA; and (ii) instruct the LGUs to use the patrol boats exclusively for fishery law enforcement and coastal resource management related activities; and
 - f) Oceanographic and Research Vessels to continue providing maintenance support to the M/V DA-BFAR vessel to sustain its sea worthiness to attain the project purpose and objectives.
6. The agency could have generated a total revenue of ₱165.989 million had there been strict enforcement of the provisions of Fisheries Administrative Order No. 197, Series of 2000 and intensified collection of rental fees and applicable surcharges from Fish Landing Agreements (FLAs) in RFOs I, IV-A, VI and X, thus, depriving the government of additional funds. (**Observation No. 6**)

We recommended and Management agreed to:

- a) require the Heads of RFOs I, IV-A, VI and X to (i) exert extra efforts to collect the unpaid rentals from delinquent FLA holders by sending demand letters for payment of back rentals and surcharges; (ii) conduct regular monitoring of active FLAs and remind/notify them of their FLA expiration and/or renewal of their agreement; (iii) scrutinize the list of FLA holders with unpaid rentals to determine whether they are still existing and reconcile their balance with the reported collectibles; (iv) determine the probability of collection and accordingly adopt a workable plan on how the FLA holders can update or complete the payments of their long overdue rentals; (v) strictly implement the cancellation or termination of unpaid FLAs for two consecutive years and to file appropriate action/s to collect these receivables; (vi) consider referring to proper authorities for collection of pertinent unpaid rental from existing but unwilling FLA holders; and (vii) renew the contract of those fishpond holders who have been continuously paying rentals despite their expired contracts;
- b) RFO X to (i) prioritize the reconciliation of records between the Fishpond Lease Section and the Accounting Unit to establish an accurate balance of collectibles; (ii) monitor closely the Fishpond lessees to drop from the list of FLAs those with legitimate titles; and (iii) furnish the Accounting Unit

the corrected summary of collectibles to correct the recorded balance in the books; and

- c) We also recommended that Management of BFAR CO submit endorsement for the cancellation of the FLA to the DA Secretary if there was a prima facie evidence that the terms and conditions of the FLA are violated.

- 7. Unutilized/lapsed cash allocations/Notice of Transfer of Allocation (NTA) amounting to ₱473.24 million and ₱22.26 million in BFAR CO and RFO XI, respectively, for the implementation of various programs/projects and activities were reverted to the National Treasury. **(Observation No. 7)**

We recommended and Management agreed to direct the officials concerned of BFAR CO and RFO X to (i) formulate realistic and attainable work plan and budget to ensure that the Monthly Disbursement Program (MDP) matched the budgetary and disbursement requirements of the BFAR by a) ensuring that programs, projects and activities are ready for implementation upon the release of the allocated funds; and b) installing a budget performance tracking system to monitor the utilization of allotments in order to prevent the lapsing of cash allocations; and (ii) fast tracking the disbursement process in order to settle as soon as possible the due and demandable obligations to fully utilize available NCA balances.

- 8. Improved fiscal management resulted in the utilization of 99 and 98 percent of allotments for current and continuing appropriations, respectively. However, fund utilization for the PHILO 2 and FishCORAL was only 37 percent in CY 2017. **(Observation No. 8)**

We recommended and Management agreed to ensure that appropriated funds for FAPs are utilized the soonest possible time for the agency's plans, programs and activities to hasten socio-economic development and benefits to intended stakeholders/beneficiaries.

- 9. Collections for the Wildlife Management Fund under Fund 151 since CY 2013 amounting to ₱135.39 million as of December 31, 2017 in BFAR CO remained unutilized due to lack of implementing guidelines and programs/activities, depriving the benefits that may be derived thereat for the intended beneficiaries. **(Observation No. 9)**

We recommended and Management agreed to direct the officials concerned to submit actions to be taken to implement the program; and submit the implementing guidelines and the approved programs/activities for the utilization of the collections for the best interest of the intended beneficiaries.

- 10. Advances to officers and employees in BFAR-CO, RFOs V, VI and X amounting to ₱12.365 million remained unliquidated as of year-end, including overdue cash advances (CAs) and those that are aging more than 10 years of ₱4.889 million or

39.54 percent. Moreover, liquidation of CAs were delayed ranging from 27 to 115 days in BFAR RFO II while BFAR-CO, RFOs V, VI, and VIII granted additional cash advances despite non-liquidation of those previously granted. **(Observation No. 10)**

We recommended and Management agreed to direct the officials concerned of:

- a) BFAR-CO, RFOs II, V, VI and X to (i) strictly enforce liquidation of outstanding cash advances within the prescribed period; and (ii) send demand letters to the officials and employees concerned and require them to fully liquidate their cash advances immediately supported with complete documentation together with the refund of excess amount of cash advances, if any, and withhold the salaries or any amount due to them, if they fail to settle their accountabilities until their balances have been fully liquidated;
- b) BFAR RFO X to see to it that retiring/resigning officers and employees who have outstanding cash advances will not be cleared from money accountability and issued with an agency's clearance unless, such cash advances granted to them are first settled or liquidated and;
- c) BFAR-CO, RFOs V, VI and VIII to (i) discontinue the grant of additional cash advances to any official or employee unless the previous cash advances are settled or a proper accounting thereof is made; and (ii) request for write-off of dormant account balances in accordance with COA Circular No. 2016-005 dated December 19, 2016.

11. Liquidation of fund transfers to implementing agencies and NGOs/POs were not enforced and monitored, which resulted in outstanding balances of fund transfers amounting to ₱3.929 billion, of which, ₱2.277 billion or 57.95 percent were already past due. Also, additional fund transfers were granted to RFOs IX and XI despite non-liquidation of previous fund transfers. Moreover, the balance of the fund transfers in the books of accounts of BFAR – CO, NFRDI and RFOs II, IX and XI do not reconcile with the result of confirmation showing a discrepancy of ₱59.208 million. **(Observation No. 11)**

We recommended and Management agreed to direct the officials concerned of:

- a) BFAR CO, RFOs and NFRDI to require their respective: (i) Accountants to coordinate with the IAs and NGOs/POs concerned to submit the reports on the liquidation of funds within the prescribed period and return any unexpended/unutilized funds if the project implementation is already completed, if any; and (ii) Legal Officer to resort to other legal modes of settlement of accountabilities in case of failure of the IAs to settle the fund transfers due for liquidation;

- b) RFOs IX and XI to refrain from granting additional fund transfers to those with unliquidated previous fund transfers; and
 - c) BFAR CO, NFRDI and RFOs II, IX and XI to reconcile the discrepancies on the balances of fund transfers as confirmed and determine the reasons for the noted discrepancies for appropriate action.
12. Incomplete conduct of physical count of Inventory and PPE in RFOs VII, XI and XIII resulted in the non-preparation/submission of Report of Physical Count of Inventory and Report of Physical Count of Property, Plant and Equipment and non-reconciliation of the accounting and property records. **(Observation No. 12)**

We recommended and Management agreed to require the Inventory Committee of RFOs VII, XI and XIII to conduct complete physical count of Inventory twice a year and PPE once a year and submit the report in the prescribed form in the GAM not later than January 31 of each year.

13. Various property, plant and equipment amounting to ₱235.080 million, ₱70.077 million, ₱45.372 million, ₱13.687 million and ₱93.846 million of BFAR CO, CAR, RFOs II, VII and XIII, respectively, were not insured with the Government Service Insurance System (GSIS), hence, may result in non-indemnification or non-restitution in case of damage or loss of property. **(Observation No. 13)**

We recommended and Management agreed to direct the officers concerned of BFAR CO, CAR, RFOs II, VII and XIII to insure all its insurable property with the GSIS in compliance with RA No. 656 to avoid penalties.

The observations and recommendations which are discussed in detail in Part II of this report were discussed with concerned agency officials in an exit conference conducted on May 21, 2018. Management views and comments were considered in this report, where appropriate.

F. Enforcement of Settlement of Accounts

Out of the total reported audit suspensions and disallowances amounting to ₱120.67 million and ₱220.764 million, respectively, only ₱33.574 million and ₱4.671 million were settled in CY 2017, leaving a balance of ₱87.096 and ₱216.003, respectively.

G. Implementation of Prior Years' Audit Recommendations

Out of the 159 prior years' audit recommendations, 36 were fully implemented, 95 were partially implemented and 28 were not implemented as of December 31, 2017 and were reiterated with modification in this report, where appropriate.