

EXECUTIVE SUMMARY

A. Introduction

The Department of Agriculture (DA) is mandated to promote agricultural development by providing the policy framework, public investments, and support services needed for domestic and export-oriented business enterprises. In the fulfillment of its mandate, it shall be the primary concern of the Department to improve farm income and generate work opportunities for farmers, fishermen and other rural workers. It shall encourage people's participation in agricultural development through sectoral representation in agricultural policy-making bodies so that the policies, plans and programs of the Department are formulated and executed to satisfy their needs. It shall also use a bottom-up self-reliant farm system approach that will emphasize social justice, equity, productivity and sustainability in the use of agricultural resources.¹

The DA is headed by Secretary Emmanuel F. Piñol who was appointed on August 25, 2016. The Secretary is assisted by five Undersecretaries for Agribusiness and Marketing and Regional Engagement; Operations and Agri-Fisheries Mechanization; Special Concerns; Policy and Planning; and High Value Crops and Rural Credit; and six Assistant Secretaries. There are 16 regional field offices (RFOs), seven staff bureaus and seven attached agencies under the Department.

DA has authorized plantilla positions of 6,383. The DA-OSEC has a total workforce of 13,236, consisting of 5,346 filled-up positions, 799 co-terminus employees and 7,091 contracts of service/job orders as of December 31, 2017.

B. Financial Highlights

The agency's financial position, financial performance, and sources and application of funds for CY 2017, with comparative figures for CY 2016, are presented in the following table.

Particulars	2017	2016
Financial Position		
Assets	₱ 89,046,382,794.76	₱75,155,028,701.14
Liabilities	6,979,831,714.59	4,514,896,709.64
Net Assets/Equity	82,066,551,080.17	70,640,131,991.50
Financial Performance		
Revenue	595,963,555.10	563,509,111.53
Current Operating Expenses	16,727,938,564.59	14,788,814,801.14
Surplus/(Deficit) from Current Operations	(16,131,975,009.49)	(14,225,305,689.61)
Net Financial Assistance/ Subsidy	37,526,709,917.37	29,435,755,030.27
Gains	48,425,968.03	42,562,333.88
Losses	(5,693,177.15)	(52,590,191.29)
Surplus/(Deficit) for the Period	21,437,467,698.76	15,200,421,483.25

¹ Section 4, Executive Order No. 116 dated January 30, 1987

Particulars	2017	2016
Sources and Application of Funds		
Allotments	40,422,523,923.44	41,692,184,829.66
Obligations	38,448,891,421.18	35,828,587,544.56
Unobligated Balance	₱ 1,973,632,502.26	₱ 5,863,597,285.10

C. Scope and Objective of Audit

The report includes audit observations covering the financial transactions and operations for CY 2017 of the DA-Central Office, five staff bureaus and Regional Field Offices except RFO VII. The audit was conducted 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 agency improvement opportunities; and (d) determine the extent of implementation of prior years' audit recommendations.

A Value for Money Audit was also conducted covering the major programs of the Department and focused areas determined during the planning conference.

D. Independent Auditor's Report

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

E. Other Significant Observations and Recommendations

1. The physical targets of the National High Value Crops Development Program (HVCDP) with a total allotment of ₱3.955 billion were not fully attained due to various deficiencies noted in the project implementation during the year.

We recommended and Management agreed to require the concerned DA officials to implement the following measures for the implementation of HVCDP:

- a. DA-CO to instruct the DAF-ARMM to fast track the project implementation in attaining their physical targets for CY 2017; and formulate physical targets of each implementing unit in order to improve effectiveness of the performance measurement system;
- b. BPI to set attainable targets and timelines to avoid unutilized funds and hasten the procurement process to be able to achieve the targeted activities on time;
- c. ATI-CO to ensure that the activities in the AWP be provided with a quantified performance indicator and that expenses should be in accordance with the approved WFP supporting the program; RTC-CAR, to monitor the

implementation of sustainability plans prepared by the AEWs and conduct evaluation upon receipt of project proposals; and RTC-VI to explain the excessive expenditures in the conduct of trainings;

d. BAR to implement and prioritize pipe-line projects listed and approved for funding under the program during a specified period;

e. RFO III to prepare a more comprehensive targets in the ensuing year to serve as guide in the smooth implementation of the program;

f. RFO IV-A to closely monitor the distribution of the technical support services and reconcile it with the actual recipients per province based on the targeted number of individuals and groups for the year; and submit the required supporting documents;

g. RFO V to compel suppliers to deliver seedlings on time and impose liquidated damages for delays incurred; revisit the procurement process to consider the quantity of seedlings and the planting season; strictly monitor and submit periodic report containing relevant information; and provide trainings to farmers to improve their skills and capability;

h. RFO VI to require the supplier to expedite the delivery of the remaining coffee and cacao seedlings for distribution to qualified farmer beneficiaries; and submit the complete list of actual beneficiaries of the HVCDP to facilitate validation by the audit team;

i. RFO XI to enforce strictly the regulations governing the implementation Program including the preparation of project proposal; grant extension of deliveries based on valid and supported justifications by supplier; and employ effective monitoring mechanism to determine whether the farm inputs were actually distributed to the intended beneficiaries;

j. RFO XIII to require the HVCDP Unit to set realistic and enforceable targets to ensure that accomplishment reports are correct for transparency and accountability; and

k. CAR to strictly enforce the guidelines in the implementation of HVCDP to ensure achievement of its objectives and fast track procurement of goods and services in order to deliver it immediately to the farmer-beneficiaries.

2. The actual disbursements of DA over obligation is pegged only at an average of 64.35 percent for CY 2017, thus affected the project implementation.

We recommended and Management agreed to require the concerned Program Directors of each DA offices to review and monitor its operations to determine bottlenecks and/or reasons for the low disbursement of funds.

3. Out of the 49 SPs approved for implementation during the year costing ₱3.756 billion, 16 SPs costing ₱1.124 billion were targeted for completion, of which only four SPs were completed and the remaining 12 SPs costing ₱957.678 million were not yet completed as of year-end.

We recommended and Management agreed to (a) promptly resolve the identified issues in the delayed project implementation/completion; and (b) revisit the implementing guidelines for the IBuild Component for the enhancement of the mechanics and evaluate the feasibility of the proposed project to ensure smooth and successful implementation thereof.

4. Of the 21 targeted activities in CY 2017 for MFO 2 under the NLP of BAI, only nine activities were attained with more than 100 percent and the remaining 12 activities were partially attained as of year-end.

We recommended that Management require the BAI to ensure full attainment of set targets especially on biologics/vaccines/drugs distribution, animal distribution for sheep and goat and laboratory services rendered.

5. The collection rate of DA under the ACEF is only 19.08 percent or ₱1.032 billion of the total loan proceeds of ₱5.408 billion. Further, financial grants and scholarship amounting to ₱1.252 billion from ACEF to various implementing units in CYs 2001-2017 were not yet fully liquidated as of year-end.

We recommended and Management agreed to:

- a. exert effort and provide measures in efficiently collecting the loan proceeds from various proponents; and
- b. require the implementing agencies to liquidate the long outstanding balances from ACEF and/or refund the unused balance to DA.

The observations and recommendations were discussed with agency officials in an exit conference conducted on May 29, 2018. Management comments were considered in the report, where appropriate.

F. Enforcement of Settlement of Accounts

Of the total disallowances, charges and suspensions amounting to ₱585.745 million, ₱31,420.22 and ₱8.970 billion respectively, only ₱6.664 million or 1.14 percent for disallowances and ₱1.437 billion or 16.02 percent for suspensions were settled during the year leaving an unsettled amount of ₱579.082 million, ₱31,420.22 and ₱7.533 billion, respectively.

G. Implementation of Prior Years' Audit Recommendations

Of the 145 audit recommendations contained in prior years' Annual Audit Reports, 29 or 20 percent were fully implemented, 95 or 65.52 percent were partially implemented and 21 or 14.48 percent were not implemented.