

EXECUTIVE SUMMARY

A. Introduction

The National Meat Inspection Service (NMIS) was created under Presidential Decree (PD) No. 7 dated September 20, 1972, and went through reorganization in 1987 and 1989, restoring it as an attached agency of the Department of Agriculture. With the issuance of Republic Act (RA) No. 9296, NMIS became a specialized regulatory agency on meat and meat product inspection and meat hygiene.

It 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; endeavor for the development of the livestock and poultry industry and promote animal health in the meat industry.

NMIS has a Meat Inspection Board (MIB) established under RA 9296, tasked to develop the policies and guidelines on meat inspection and meat hygiene matters. The MIB is composed of the DA Secretary as Chairperson, and the Directors of NMIS, Bureau of Animal Industry (BAI), Food and Drug Administration (FDA), Bureau of Local Government Development, DA Bureau of Agriculture and Fishery Product Standards (BAFPS) and a representative from a consumer organization duly recommended by the National Consumer Affairs Council, as Board members. NMIS is headed by Dr. Ernesto S. Gonzales, Executive Director, and assisted by the Chiefs of the seven Divisions and the Heads of the Regional Technical Operation Centers in the sixteen regions. As of December 31, 2017, NMIS has a total workforce of 385 consisting of:

Permanent	301
Job Orders	<u>84</u>
Total	<u>385</u>

Due to the Rationalization Plan which was approved and took effect in January 2014, NMIS has 61 remaining unfilled positions as of December 31, 2017.

B. Financial Highlights

The Agency's financial position, financial performance and sources and application of funds for CY 2017 compared with that of the previous year are shown on the next page.

Particulars	<u>2017</u>	<u>2016</u>
Financial Position		
Assets	₱ 610,126,984.44	₱ 645,600,961.40
Liabilities	<u>54,172,548.90</u>	<u>23,043,008.93</u>
Net Assets/Equity	₱ <u>555,954,435.54</u>	₱ <u>622,557,952.47</u>
Financial Performance		
Revenue	₱ 211,054,729.58	₱ 177,009,810.23
Net Financial Assistance/Subsidy	<u>370,359,841.28</u>	<u>439,616,591.38</u>
Total	581,414,570.86	616,626,401.61
Current Operating Expenses	<u>353,935,514.44</u>	<u>413,334,787.57</u>
Surplus/(Deficit) for the period	₱ <u>227,479,056.42</u>	₱ <u>203,291,614.04</u>
Sources and Applications of Funds		
Allotment Received	₱ 536,114,772.00	₱ 411,524,533.00
Continuing Appropriations	660,912.74	4,280,106.24
Obligations Incurred	<u>484,103,697.53</u>	<u>401,938,499.25</u>
Unobligated Balance	₱ <u>52,671,987.21</u>	₱ <u>13,866,139.99</u>

C. Scope and Objectives of Audit

The audit was conducted on the transactions, accounts and operations of NMIS for CY 2017 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.

D. Independent Auditor's Report

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

E. Observations and Recommendations

Significant audit observations with the corresponding recommendations include the following:

1. Cash advances for foreign travel of three officers amounting to ₱376, 230.09 remained unliquidated as of December 31, 2017 contrary to Section 5.1.3 of COA Circular No. 97-002 dated February 10, 1997. **(Observation No. 4)**

We recommended that Management:

- a) demand the immediate settlement of the unliquidated cash advances amounting to P376,230.09, otherwise, withhold their salary until the cash advance has been liquidated; and
 - b) strictly enforce the period of liquidation as prescribed and require the immediate refund/return of any excess amount thereof, if any.
2. The non-enforcement and monitoring of liquidation of fund transfers to implementing Local Government Units (LGUs) resulted in the accumulation of prior years' outstanding balance of fund transfers of ₱66.557 million. **(Observation No. 5)**

We recommended and Management agreed to require the Accountant to exert extra effort for the immediate and full liquidation of the prior years' fund transfers for projects already completed by sending demand letters to the concerned LGUs, supported with complete documentation as basis for adjustment.

3. Fund transfer to a Non-Government Organization (NGO) amounting to ₱767,515.00 was not requested for write-off, despite not moving or inactive for ten or more years. **(Observation No. 6)**

We recommended and Management agreed to file a request for authority to write-off the dormant account balance in accordance with COA Circular 2016-005.

The observations and recommendations were discussed with agency officials in an exit conference conducted on March 13, 2018. Management comments were considered in the report, where appropriate.

F. Enforcement of Settlement of Accounts

Out of the total audit suspensions and disallowances of ₱8,694,588.56 and ₱30,589,123.83, respectively, only ₱4,046,192.27 were settled for disallowances and none for suspensions, leaving a balance of ₱8,694,588.56 and ₱26,542,931.56 as of year-end.

G. Implementation of Prior Year's Audit Recommendations

Of the 33 audit recommendations embodied in the prior year's Annual Audit Reports, ten were fully implemented, 14 were partially implemented, eight were not implemented which are reiterated in Part II of this report and one which is no longer implementable.