

## EXECUTIVE SUMMARY

### A. *Introduction*

By virtue of Executive Order No. 116 dated January 30, 1987, the National Agricultural and Fishery Council (NAFC), formerly the National Food and Agricultural Council created under Executive Order No. 183 dated May 6, 1969, was created as an attached agency of the Department of Agriculture (DA). Its mandate is to act as an advisory body to DA through policy recommendations; and (b) develop a nationwide network of agricultural and fishery councils that will serve as a forum for consultative discussions within the agricultural and fishery sector. The Council is responsible for the promotion of agricultural development by providing the policy framework, public investments, and support services needed for domestic and export-oriented business enterprises.

The Livestock Development Council (LDC), created by virtue of Presidential Decree No. 914 dated March 29, 1970, is under the administrative supervision of the Department of Agriculture (DA). It became an attached agency of the DA by virtue of Executive Order (EO) No. 116 dated January 30, 1987. Under Section 19 (a.5) of EO No. 116, the LDC is responsible for the (a) formulation and establishment of comprehensive policy guidelines for the livestock industry; and (b) preparation of plans and programs and evaluation of livestock programs/projects.

Pursuant to Executive Order No. 366, Series of 2004 *“Directing a Strategic Review of the Operations and Organizations of the Executive Branch and Providing Options and Incentives for Government Employees Who May Be Affected by the Rationalization of the Functions and Agencies of the Executive Branch”* and with the approval of the Rationalization Plan on the consolidation of the National Agricultural and Fishery Council and Livestock Development Council on June 26, 2013, the functions of the two agencies were transferred to the Philippine Council for Agriculture and Fisheries (PCAF) in CY 2015.

As of December 31, 2017, the PCAF is headed by Ms. Sarah G. Cayona, OIC, Executive Director, supported by Mr. John D. Pagaduan, Deputy Executive Director, and four Division Chiefs, namely for the: (a) Administrative, Financial and Management Division; (b) Planning, Monitoring and Knowledge Management Division; (c) Policy Development and Coordination Division; and (d) Partnership Development Division. The personnel complement as at year end is composed of 99 permanent employees and 76 contracted services on a job order basis.

**B. Financial Highlights**

The Agency's financial position, financial performance and sources and application of funds for the year were as follows:

**Financial Position**

Assets	₱ 1,951,936,768.01
Liabilities	<u>491,915,815.84</u>
Net Assets/Equity	<u>₱ 1,460,020,952.17</u>

**Financial Performance**

Revenue	₱ 102,942.52
Current Operating Expenses	(165,173,298.49)
Net Financial Assistance/Subsidy	186,395,887.28
Gains	<u>105,390.00</u>
Surplus for the Period	<u>₱ 21,430,921.31</u>

**Sources and Application of Funds**

Allotment Received	₱ 189,513,001.00
Continuing Appropriations	7,178,592.58
Obligations Incurred	<u>(192,081,976.81)</u>
Unobligated Balance	<u>₱ 4,609,616.77</u>

**C. Scope and Objectives of Audit**

The audit covered the accounts, transactions and operations of PCAF for CY 2016. 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.

**D. Independent Auditor's Report**

A qualified opinion was rendered on the fairness of presentation of the CY 2017 financial statements due to an accounting deficiency which is discussed in detail in Part II of this report.

**E. Observations and Recommendations**

Other significant audit observations with the corresponding recommendations include:

1. Of the six targeted activities for its Major Final Output 1 (MFO1) – Agriculture and Fishery Policy Services for CY 2017, the PCAF had 100 to 198 percent reported accomplishment for five activities with fund utilization

of 97.32 percent or ₱148,810,439.65 of its allotment amounting to ₱152,906,000.00. However, it fell short by four percent for one targeted activity. **(Observation No. 1)**

We recognize the efforts of management for accomplishing and exceeding most of the targets set for CY 2017. For the target which was not fully attained, we recommended and Management agreed to intensify its efforts to accomplish the planned activities which are designed to promote and strengthen capacities in participatory and collaborative governance and uphold multi-stakeholder engagement, transparency and accountability in policy and program development processes for the agriculture and fisheries sector.

2. As observed in CY 2016 and this current year, *Loans Receivable* amounting to ₱117.367 million has a very low collection rate of only 10.25 percent which could be attributed to (a) nine MOAs not having a provision for the payment of loan; and (b) fourteen MOAs providing for the payment of loan but do not indicate on when it shall commence. **(Observation No. 3)**

We reiterated our recommendation and Management agreed to (a) revisit the MOA and determine whether the release of funds was actually grants or loans and cause its reformation, if necessary; and (b) enforce the provision on the repayment of loans by coordinating with the proponents and/or sending demand letters.

3. The non-enforcement of the liquidation of cash advances within the prescribed period resulted in the accumulation of outstanding balances of the *Advances* accounts amounting to ₱10.771 million as of year-end, which included overdue cash advances of ₱7.645 million, of which ₱4.710 million were dormant for ten years or more. **(Observation No. 5)**

We reiterated our recommendation and Management agreed to (a) strictly enforce the liquidation/settlement of unliquidated cash advances by sending periodic demand letters and withhold the salary of concerned officials and employees until their balances are settled; (b) exert effort in tracing the whereabouts of the employees who are no longer connected with the agency and require the immediate settlement of their outstanding balances, if warranted, file appropriate legal actions against them; and (c) request for write-off of dormant account balances in accordance with COA Circular No. 2016-005.

4. The *Inter-Agency Receivables and Due from Non-Government Organizations/ People's Organizations (NGOs/POs)* accounts of the agency had accumulated to ₱1.681 billion as of year-end, of which ₱1.642 billion were already past due and ₱558.831 million were dormant for more than ten years. **(Observation No. 6)**

We reiterated our recommendation and Management agreed to (a) exert more effort in enforcing the liquidation of outstanding fund transfer by sending confirmation and demand letters to all IAs; (b) continue reminding the IAs to submit the complete required documents/reports on the liquidation of funds within the prescribed period and return any unexpended/unutilized funds if the project is already completed; and (c) request for write-off of dormant account balances in accordance with COA Circular No. 2016-005.

5. Disbursement Vouchers, Official Receipts, Deposit Slips, Bank Reconciliation Statements, Trial Balances including the financial statements, reports and supporting documents were not submitted within the prescribed period, incurring delays ranging from one to 75 days, thereby, hindering the timely audit of the accounts and transactions of the agency. (**Observation No. 14**)

We reiterated our recommendation and Management agreed to (a) require the Accountant to observe the timeline on the submission of the all accounting and financial reports/statements to the Office of the Auditor; and (b) implement the penal sanctions as provided in Section 122 (2) and (3) of PD No. 1445, in case of failure of the concerned officials/personnel to comply with the provisions of the aforementioned rules and regulations.

6. Obligation amounting to ₱1.930 million was incurred in CY 2017 even though the contract was entered into only in CY 2018. (**Observation No. 20**)

We recommended and Management agreed to obligate allotment only when it is supported by valid claim documents, such as DVs, payrolls, purchase /job orders, itinerary of travel, etc.

The observations and recommendations were discussed with agency officials in an exit conference conducted on March 14, 2017. Management comments were considered in the report, where appropriate.

#### ***F. Enforcement of Settlement of Accounts***

The Statement of Audit Suspensions, Disallowances and Charges (SASDC) as of December 31, 2017 shows that management was able to settle ₱341,190.31 or 0.71 percent of the total audit suspensions of ₱48,042,991.81, while for audit disallowances, ₱7,095.00 or less than one percent out of ₱112,705,095.00 were settled.

For disallowances issued prior to the Rules and Regulations on the Settlement of Accounts (RRSA), ₱514,046.45 or 16.03 percent of the outstanding balance of disallowances amounting to ₱3,207,729.86 were settled through salary deduction during the year.

**G. *Implementation of Prior Years' Audit Recommendations***

Out of 38 prior years' audit recommendations, 15 were fully implemented, 17 were partially implemented, and six were not implemented by management as of December 31, 2017, which were reiterated with modifications, where applicable.