



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Fisheries Development Authority
PCA Annex Building I
Elliptical Road, Diliman, Quezon City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Philippine Fisheries Development Authority (PFDA), which comprise the statements of financial position as at December 31, 2018 and 2017, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of PFDA as at December 31, 2018 and 2017, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Qualified Opinion

The Investment Property (IP) presented in the Statement of Financial Position as at December 31, 2018 at a net book value of P70.013 included the IP-Land presented in the Notes to Financial Statements at the net book value of P24.472 million. However, the IP-Land is understated by an unrecorded parcels of land in three PFDA Fish Port Complexes with total land areas of 68.9 hectares with the total estimated market value of P544.746 million. Also, the 37.9 hectares of land area with undetermined market value where the PFDA operates its four major fish ports in different locations in the country were also not taken up in the books. Thus, the IP and Equity accounts were understated by the appraised value of said parcels of land.

Furthermore, the provision for the money value of the earned leave credits of PFDA officials and employees at the Head Office and nine regional offices for calendar years 2018 and prior years was not recognized in the books as required in Philippine Accounting Standard 37. Thus, the Liabilities and Retained Earnings/(Deficit) accounts presented in the financial statements do not faithfully represent the obligation of PFDA for estimated leave benefits of its officials and employees with approximate amount of P90.537 million as at December 31, 2018.

We expressed an unqualified opinion on the 2017 financial statements. However, because of the matters discussed in the preceding paragraphs, our present opinion on the restated 2017 financial statements, as presented, is therefore qualified.

We were unable to obtain sufficient appropriate audit evidence about the balances of the abovementioned accounts due to inadequacy of the property records on the unrecognized parcels of land and accounting and personnel records on the non-provision for the money value of the earned leave credits. Consequently, we were unable to determine whether any adjustments to these amounts were necessary.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAI). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Corporation in accordance with the ethical requirements that are relevant to our audits of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with PFRS, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing PFDA's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Corporation or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Corporation's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAI will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Corporation to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

***Report on the Supplementary Information Required Under
BIR Revenue Regulations 15-2010***

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2018 required by the Bureau of Internal Revenue as disclosed in Note 24 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRS. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT



MERLE M. VALENTIN

State Auditor IV

OIC-Supervising Auditor

Audit Group D – PFDA/NDA/NTA

Cluster 5 - Agricultural and Natural Resources, CGS

June 14, 2019

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2018 and 2017 and January 1, 2017
(In Philippine Peso)

	Note	2018	2017 As restated	January 1, 2017 As restated
ASSETS				
Current assets				
Cash and cash equivalents	5	1,126,616,115	1,179,664,303	1,257,128,631
Receivables - net	6	216,030,878	196,053,257	194,536,409
Inventories	7	14,979,233	14,606,872	14,713,436
Prepayments and other current assets	8	108,692,047	51,796,686	78,129,678
		1,466,318,273	1,442,121,118	1,544,508,154
Non-current assets				
Investment in stocks	9	266,979	266,979	266,979
Investment property - net	10	70,012,588	71,788,292	63,016,820
Property, plant and equipment - net	11	1,864,648,660	1,885,405,775	869,421,843
Other non-current assets	12	13,277,011	13,045,486	12,416,665
		1,948,205,238	1,970,506,532	945,122,307
TOTAL ASSETS		3,414,523,511	3,412,627,650	2,489,630,461
LIABILITIES AND EQUITY				
Current liabilities				
Financial liabilities	13	709,548,820	720,435,351	686,684,559
Inter-agency payables	14	963,602,035	1,134,157,297	1,568,754,621
Trust liabilities	15	132,919,891	134,660,538	123,362,430
Deferred credits/unearned income	16	51,940,130	42,705,466	33,489,764
Other payables	17	12,570,074	12,115,477	9,030,444
		1,870,580,950	2,044,074,129	2,421,321,818
EQUITY				
Government equity	18	2,157,675,916	2,157,463,916	741,095,603
Deficit	19	(613,733,355)	(788,910,395)	(672,786,960)
		1,543,942,561	1,368,553,521	68,308,643
TOTAL LIABILITIES AND EQUITY		3,414,523,511	3,412,627,650	2,489,630,461

The Notes on pages 9 to 54 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017
REVENUES	20		
Service and business income		805,892,730	742,286,560
Gains		723,671	240,620
Other non-operating income		1,762,091	336,022
		808,378,492	742,863,202
EXPENSES	22		
Personnel services		283,272,502	277,579,471
Maintenance and other operating expenses		290,773,105	277,485,394
Financial expenses		15,185,503	11,039,283
Non-cash expenses		53,820,366	48,711,756
		643,051,476	614,815,904
PROFIT BEFORE TAX		165,327,016	128,047,298
Income tax expense		29,492,548	27,894,113
PROFIT AFTER TAX		135,834,468	100,153,185
Subsidy income from national government	21	79,680,452	85,595,514
COMPREHENSIVE INCOME		215,514,920	185,748,699

The Notes on pages 9 to 54 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Government Equity (Note 18)	Deficit (Note 19)	Total
Balance at January 1, 2017	741,095,603	(672,786,960)	68,308,643
Changes in equity for 2017			
Add(Deduct):			
Donated capital	1,416,368,313		1,416,368,313
Comprehensive income for the year		185,748,699	185,748,699
Dividends		(60,359,681)	(60,359,681)
Other adjustments		(241,512,453)	(241,512,453)
Balance at December 31, 2017	2,157,463,916	(788,910,395)	1,368,553,521
Changes in equity for 2018			
Add(Deduct):			
Donated capital	212,000		212,000
Comprehensive income for the year		215,514,920	215,514,920
Dividends		(48,705,500)	(48,705,500)
Other adjustments		8,367,620	8,367,620
Balance at December 31, 2018	2,157,675,916	(613,733,355)	1,543,942,561

The Notes on pages 9 to 54 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2018 and 2017
(In Philippine Peso)

	Note	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/revenue		757,525,038	696,529,668
Receipt of assistance/subsidy		196,184,108	94,111,269
Collection of receivable		27,504,969	36,781,091
Receipt of inter-agency fund transfers		7,800,000	31,000,000
Trust receipts		10,958,473	18,168,974
Other receipts		4,980,871	7,483,268
		1,004,953,459	884,074,270
Cash outflows			
Payment of expenses		(624,291,185)	(559,000,418)
Purchase of inventories		(372,361)	(208,691)
Grant for cash advances		(114,944)	(71,024)
Prepayments		(55,957,532)	(374,075)
Refund of deposits		(833,949)	(984,586)
Remittance of personnel benefit contributions and mandatory deductions		-	(5,697,758)
Release of inter-agency fund transfers		(53,881)	(2,547,932)
Other disbursements		(9,372,295)	(19,577)
		(690,996,147)	(568,904,061)
NET CASH PROVIDED BY OPERATING ACTIVITIES		313,957,312	315,170,209
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		8,174,432	9,903,787
		8,174,432	9,903,787
Cash outflows			
Purchase/construction of property, plant and equipment		(317,198,103)	(332,419,263)
		(317,198,103)	(332,419,263)
NET CASH USED IN INVESTING ACTIVITIES		(309,023,671)	(322,515,476)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of Due to Treasurer of the Philippines		(10,000,000)	(10,000,000)
Payment of cash dividends		(48,705,500)	(60,359,681)
NET CASH USED IN FINANCING ACTIVITIES		(58,705,500)	(70,359,681)
DECREASE IN CASH AND CASH EQUIVALENTS		(53,771,859)	(77,704,948)
Effects of exchange rate changes on cash and cash equivalents		723,671	240,620
Cash and cash equivalents, January 1		1,179,664,303	1,257,128,631
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	1,126,616,115	1,179,664,303

The Notes on pages 9 to 54 form part of these financial statements.