



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, 2019 and 2018, 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 *Bases 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

The Investment Property account with the carrying value of P81.020 million is understated by: (a) an estimated sound value of P533.160 million as indicated in the tax declarations of the unrecorded parcels of land measuring 68.7 hectares in three PFDA Fish Port Complexes (FPCs); (b) an undetermined market value of the 37.9 hectares of land area where the PFDA operates its major fish ports in four locations in the country; and (c) P2.202 million, representing the carrying value of the Market Hall in Sual FPC held for lease, contrary to Paragraph 16 of Philippine Accounting Standard (PAS) 40.

The Construction in Progress (CIP) account was overstated by P52.871 million, with corresponding understatement in Assistance to Local Government Units (LGUs) account by the same amount, due to the inclusion of three completed and turned-over infrastructure projects to the LGUs under CIP account, contrary to the description of said accounts under Annex C of COA Circular No. 2020-002 dated January 28, 2020, prescribing the Updated Revised Chart of Accounts for Government Corporations (2019).

The taxes withheld by the clients of PFDA totaling P20.815 million were treated as Income Tax Expense instead of Withholding Tax at Source, while the income tax due for Calendar Year 2019 amounting to P36.936 million was not recognized in the books, contrary to the description of affected accounts under Annex C of COA Circular No. 2020-002 and PAS 12 resulting in the understatement of Withholding Tax at Source, Income Tax Expense and Income Tax Payable accounts by P20.815 million, P16.121

million, and P36.936 million, respectively. Moreover, the Withholding Tax at Source and the Retained Earnings/(Deficit) accounts were understated by P25.382 million, representing prior year's excess tax credits previously debited to Income Tax Expense.

We were unable to obtain sufficient appropriate audit evidence about the balances of the Investment Property account due to inadequacy of the accounting and property records on the unrecognized parcels of land. 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 PFDA 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 PFDA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PFDA'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 PFDA'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 PFDA'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 PFDA 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, 2019 required by the Bureau of Internal Revenue (BIR) as disclosed in Note 25 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


MARITA A. YAP
State Auditor IV
OIC-Supervising Auditor
Audit Group D – PFDA/NDA/NTA
Cluster 5 - Agricultural and Natural Resources, CGS

September 17, 2020

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

			2018
	Note	2019	Restated
ASSETS			
Current assets			
Cash and cash equivalents	5	1,281,438,881	1,126,616,115
Receivables - net	6	234,338,137	216,030,878
Inventories	7	16,569,621	14,979,233
Prepayments and other current assets	8	125,274,389	108,692,047
		1,657,621,028	1,466,318,273
Non-current assets			
Investment in stocks	9	176,565	266,979
Investment property - net	10	81,019,847	70,012,588
Property and equipment - net	11	1,676,665,298	1,864,648,660
Other non-current assets	12	13,652,487	13,277,011
		1,771,514,197	1,948,205,238
TOTAL ASSETS		3,429,135,225	3,414,523,511
LIABILITIES AND EQUITY			
Current liabilities			
Financial liabilities	13	750,599,530	709,548,820
Inter-agency payables	14	848,224,729	963,602,035
Trust liabilities	15	174,738,568	132,919,891
Deferred credits/unearned income	16	55,554,146	51,940,130
Provisions and other payables	17	97,352,155	12,570,074
		1,926,469,128	1,870,580,950
EQUITY			
Government equity	18	1,642,826,876	1,571,729,080
Deficit	19	(140,070,365)	(27,786,519)
Revaluation surplus	20	(90,414)	-
		1,502,666,097	1,543,942,561
TOTAL LIABILITIES AND EQUITY		3,429,135,225	3,414,523,511

The Notes on pages 9 to 45 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 Restated
REVENUES	21		
Service and business income		822,360,559	805,892,730
Gains		-	723,671
Other non-operating income		8,584,837	1,762,091
		830,945,396	808,378,492
EXPENSES	22		
Personnel services		304,804,512	283,272,502
Maintenance and other operating expenses		304,186,533	301,561,183
Financial expenses		20,094,494	15,185,503
Non-cash expenses		50,379,091	53,820,366
		679,464,630	653,839,554
PROFIT BEFORE TAX		151,480,766	154,538,938
Income tax expense		20,815,303	18,704,470
PROFIT AFTER TAX		130,665,463	135,834,468
Subsidy received from national government - net	23	461,428,923	79,680,452
NET INCOME AFTER TAX		592,094,386	215,514,920
OTHER COMPREHENSIVE INCOME			
Changes in fair value of investment (Note 20)		(90,414)	-
TOTAL COMPREHENSIVE INCOME		592,003,972	215,514,920

The Notes on pages 9 to 45 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Government Equity (Note 18)	Deficit (Note 19)	Revaluation Surplus (Note 20)	Total
Balance at January 1, 2018	2,157,463,916	(788,910,395)	-	1,368,553,521
Changes in equity for 2018				
Add(Deduct):				
Donated capital	212,000			212,000
Total comprehensive income for the year		215,514,920		215,514,920
Dividends remitted to the National Government		(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
Donated capital	(585,946,836)			(585,946,836)
Prior period adjustments (Note 19.2)		585,675,521		585,675,521
Other adjustments (Note 19.3)		271,315		271,315
Restated balance at December 31, 2018	1,571,729,080	(27,786,519)		1,543,942,561
Changes in equity for 2019				
Add(Deduct):				
Donated capital	71,097,796			71,097,796
Total comprehensive income for the year		592,094,386	(90,414)	592,003,972
Dividends remitted to the National Government		(61,667,312)		(61,667,312)
Prior period adjustments (Note 19.2)		(661,170,456)		(661,170,456)
Other adjustments (Note 19.3)		18,459,536		18,459,536
Balance at December 31, 2019	1,642,826,876	(140,070,365)	(90,414)	1,502,666,097

The Notes on pages 9 to 45 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of income/revenue		774,319,064	757,525,038
Receipt of assistance/subsidy		546,641,918	196,184,108
Collection of receivables		47,064,878	27,504,969
Trust receipts		42,230,718	10,958,473
Other receipts		1,841,269	4,980,871
Receipt of inter-agency fund transfers		184,879	7,800,000
		1,412,282,726	1,004,953,459
Cash outflows			
Payment of expenses		(602,291,970)	(624,291,185)
Grant of financial assistance/subsidy/contribution		(85,212,995)	-
Prepayments		(16,517,949)	(55,957,532)
Other disbursements		(2,121,048)	(9,372,295)
Purchase of inventories		(1,590,388)	(372,361)
Grant for cash advances		(515,127)	(114,944)
Refund of deposits		-	(833,949)
Release of inter-agency fund transfers		(77,172)	(53,881)
		(708,326,649)	(690,996,147)
NET CASH PROVIDED BY OPERATING ACTIVITIES		703,956,077	313,957,312
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		8,056,705	8,174,432
Cash outflows			
Purchase/construction of property and equipment		(485,457,921)	(317,198,103)
NET CASH USED IN INVESTING ACTIVITIES		(477,401,216)	(309,023,671)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends to the National Government		(61,667,312)	(48,705,500)
Payment of Due to Treasurer of the Philippines		(10,000,000)	(10,000,000)
NET CASH USED IN FINANCING ACTIVITIES		(71,667,312)	(58,705,500)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		154,887,549	(53,771,859)
Effects of exchange rate changes on cash and cash equivalents		(64,783)	723,671
Cash and cash equivalents, January 1		1,126,616,115	1,179,664,303
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	1,281,438,881	1,126,616,115

The Notes on pages 9 to 45 form part of these financial statements.