



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, 2020 and 2019, 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, 2020 and 2019, its financial performance, changes in equity, and cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Bases for Qualified Opinion

The Construction in Progress (CIP) account with balance amounting to P1.307 billion as at December 31, 2020 was overstated by P375.331 million due to the inclusion of: (a) six completed projects totaling P254.662 million; (b) seven on-going projects totaling P119.075 million which are intended to be transferred to Local Government Units (LGUs) and Bureau of Fisheries and Aquatic Resources upon completion; and (c) administration and other overhead costs incurred totaling P1.594 million as part of the project costs, contrary to the description of this account under Annex C of Commission on Audit Circular No. 2020-002 dated January 28, 2020 and paragraph 19 of the Philippine Accounting Standard (PAS) 16. The three projects with Notice to Terminate Contract, one project with Notice of Decision and one project under litigation with project costs totaling P140.648 million, P11.083 million and P10.470 million, respectively, were not disclosed in the Notes to Financial Statements, hence, reduces the faithful representation of the financial statements.

The Investment Property account with the carrying value of P118.457 million is understated by: (a) an estimated sound value of P533.160 million of the unrecorded parcels of land measuring 68.7 hectares in three PFDA fish port complexes; and (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, contrary to Paragraph 16 of PAS 40.

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 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

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

Management is responsible for the preparation of the financial statements in accordance with PFRS, and for such internal control as management determined 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's responsibility for assessing the 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 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 ISSAI, 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 disclosures 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 observations, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, related safeguards.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information in Note 26 to financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audit of the basic financial statements. In our opinion, except for the effect of the information of the matters described in the *Bases for Qualified Opinion* paragraph, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

July 30, 2021

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
ASSETS			
Current assets			
Cash and cash equivalents	5	1,388,384,101	1,281,438,881
Investment in time deposits	6	135,176,909	-
Receivables - net	7	228,772,482	234,338,137
Inventories	8	15,514,456	16,569,621
Prepayments and other current assets	9	363,113,036	125,274,389
		2,130,960,984	1,657,621,028
Non-current assets			
Investment in stocks	10	228,496	176,565
Investment property - net	11	118,457,426	81,019,847
Property, plant, and equipment - net	12	2,408,611,467	1,676,665,298
Other non-current assets	13	14,005,867	13,652,487
		2,541,303,256	1,771,514,197
TOTAL ASSETS		4,672,264,240	3,429,135,225
LIABILITIES AND EQUITY			
Current liabilities			
Financial liabilities	14	764,155,313	750,599,530
Inter-agency payables	15	821,564,285	848,224,729
Trust liabilities	16	251,052,270	174,738,568
Deferred credits/unearned income	17	52,052,494	55,554,146
Provisions and other payables	18	95,767,273	97,352,155
		1,984,591,635	1,926,469,128
EQUITY			
Government equity	19	1,642,902,742	1,642,826,876
Retained earnings/(deficit)	20	1,044,808,346	(140,070,365)
Revaluation surplus	21	(38,483)	(90,414)
		2,687,672,605	1,502,666,097
TOTAL LIABILITIES AND EQUITY		4,672,264,240	3,429,135,225

The Notes on pages 9 to 48 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
REVENUES	22		
Service and business income		830,877,824	822,360,559
Other non-operating income		706,277	8,584,837
		831,584,101	830,945,396
EXPENSES	23		
Personnel services		281,929,477	304,804,512
Maintenance and other operating expenses		289,777,237	304,186,533
Financial expenses		12,455,607	20,094,494
Non-cash expenses		67,368,288	50,379,091
		651,530,609	679,464,630
PROFIT BEFORE TAX		180,053,492	151,480,766
Income tax expense		51,648,106	20,815,303
PROFIT AFTER TAX		128,405,386	130,665,463
Net subsidy	24	1,084,813,737	461,428,923
NET INCOME AFTER TAX		1,213,219,123	592,094,386
OTHER COMPREHENSIVE INCOME			
Changes in fair value of investment (Note 21)		51,931	(90,414)
TOTAL COMPREHENSIVE INCOME		1,213,271,054	592,003,972

The Notes on pages 9 to 48 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Government Equity (Note 19)	Retained Earnings/(Deficit) (Note 20)	Revaluation Surplus (Note 21)	Total
Balance at January 1, 2019	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 20.2)	-	(661,170,456)	-	(661,170,456)
Other adjustments (Note 20.3)	-	18,459,536	-	18,459,536
Balance at December 31, 2019	1,642,826,876	(140,070,365)	(90,414)	1,502,666,097
Changes in equity for 2020				
Add/(Deduct):				
Donated capital	75,866	-	-	75,866
Total comprehensive income for the year	-	1,213,219,123	51,931	1,213,271,054
Dividends remitted to the National Government	-	(62,899,375)	-	(62,899,375)
Prior period adjustments (Note 20.2)	-	37,719,819	-	37,719,819
Other adjustments (Note 20.3)	-	(3,160,856)	-	(3,160,856)
Balance at December 31, 2020	1,642,902,742	1,044,808,346	(38,483)	2,687,672,605

The Notes on pages 9 to 48 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of assistance/subsidy		1,170,436,041	546,641,918
Collection of income/revenue		762,161,464	774,319,064
Trust receipts		90,197,868	42,230,718
Collection of receivables		46,327,893	47,064,878
Other receipts		3,076,184	1,841,269
Receipt of inter-agency fund transfers		-	184,879
		2,072,199,450	1,412,282,726
Cash outflows			
Payment of expenses		(566,277,653)	(602,291,970)
Grant of assistance/subsidy/contribution		(85,622,304)	(85,212,995)
Payment of income tax expense		(37,402,008)	-
Refund of deposits		(10,133,309)	(38,383)
Purchase of inventories		(906,151)	(1,590,388)
Other disbursements		(307,012)	(2,082,665)
Prepayments		(67,550)	(16,517,949)
Grant for cash advances		(50,000)	(515,127)
Release of inter-agency fund transfers		-	(77,172)
		(700,765,987)	(708,326,649)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,371,433,463	703,956,077
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		6,234,930	8,056,705
Cash outflows			
Purchase/construction of property, plant and equipment		(1,072,414,926)	(485,457,921)
Acquisition of market placements		(135,176,909)	-
		(1,207,591,835)	(485,457,921)
NET CASH USED IN INVESTING ACTIVITIES		(1,201,356,905)	(477,401,216)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends to the National Government		(62,899,375)	(61,667,312)
Payment of Due to Treasurer of the Philippines		-	(10,000,000)
NET CASH USED IN FINANCING ACTIVITIES		(62,899,375)	(71,667,312)
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		107,177,183	154,887,549
Effects of exchange rate changes on cash and cash equivalents		(231,963)	(64,783)
Cash and cash equivalents, January 1		1,281,438,881	1,126,616,115
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	1,388,384,101	1,281,438,881

The Notes on pages 9 to 48 form part of these financial statements.