



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

Qualified Opinion

We have audited the financial statements (FSs) of the **Philippine Fisheries Development Authority (PFDA)**, which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to FSs, including a summary of significant accounting policies.

In our opinion, except for the effects and possible effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying FSs present fairly, in all material respects, the financial position of **PFDA**, as at December 31, 2021 and 2020, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Bases for Qualified Opinion

The Property, Plant, and Equipment (PPE) account with carrying amount of P3.460 billion as at December 31, 2021 was net overstated by approximately P44.898 million due to: (a) non-derecognition of two Municipal Fish Ports costing P40.231 million that were already turned over to the Local Government Units (LGUs) by the PFDA – Central Office (CO), thus, also understated the Assistance to LGUs account by the same amount; and (b) error in the computation of Accumulated Depreciation of PPE items in the PFDA – CO and Navotas Fish Port Complex (FPC), which also understated the Depreciation Expense of various PPE sub-accounts by approximately P4.112 million, and overstated the Retained Earnings/(Deficit) account by P0.555 million, contrary to the pertinent provisions of Philippine Accounting Standard (PAS) 16.

The Receivables - Accounts Receivable (A/R) account with carrying amount of P142.256 million as at December 31, 2021 was net understated by approximately P32.742 million due to errors in applying rental rates and recognition of rent/lease income and receivables from leasing out of port facilities, and non-billing of four coded port clients-lessees, which also understated the Rent/Lease Income account by the same amount, contrary to Paragraph 27 of PAS 1 and Paragraph 1.17 of the Conceptual Framework for Financial Reporting (CFFR). Likewise, the correctness of the valuation of Receivables-

A/R account could not be established due to inconsistent methods in measuring the lifetime Expected Credit Losses (ECL) on the Receivables - A/R account of Navotas and Davao FPCs, in view of lack of detailed and approved agency-specific policy and guidelines in measuring the lifetime ECL on receivables using the simplified approach adopted by the PFDA, contrary to Paragraphs 5.5.15 and 5.5.17 of PFRS 9 and Paragraph 13 of PAS 8.

Moreover, the balance of Provisions and Other Payables - Leave Benefits Payable account as at December 31, 2021 amounting to P91.599 million was understated by P14.190 million in view of the non-recognition of the monetary value of the cumulative earned leave credits of the officials and employees of General Santos FPC, which also understated the Personnel Services -Terminal Leave Benefits Expense account by P1.354 million and overstated the Retained Earnings/(Deficit) account by P12.836 million, contrary to Paragraphs 11 and 16 of PAS 19.

Further, the Investment Property (IP)-Buildings account with carrying amount of P124.682 million as at December 31, 2021 was overstated by approximately P3.137 million due to: (a) error in the computation of the Accumulated Depreciation of the Market Hall Nos. 1 and 2 in Navotas FPC, which also understated the Depreciation Expense IP-Buildings account by P1.234 million, and overstated the Retained Earnings/(Deficit) account by P490,624; and (b) non-derecognition of the estimated depreciated replacement cost amounting to P1.412 million of the dismantled/replaced parts of Market Hall Nos. 1 and 2, which also overstated the Retained Earnings/(Deficit) account by P1.412 million. Likewise, the IP-Land account with carrying amount of P47.280 million as at December 31, 2021 and the Government Equity/Retained Earnings/(Deficit) accounts were understated by undetermined amount due to non-recognition of the fair value as at the date of acquisition of seven parcels of land/reclaimed land in Navotas City; Iloilo City; Lucena City; Davao City; Sual, Pangasinan; Camaligan, Camarines Sur; and Bulan, Sorsogon with estimated total area of 86.270 hectares, where the PFDA operates through leasing out its major FPCs, contrary to Paragraphs 4.3 and 4.4 of CFFR and Paragraph 16 of PAS 40.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 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 FSs in the Philippines, 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.

Emphasis of Matter

We draw attention to Note 4 to FSs, which describes the effects of restatement of FSs in view of correction of prior years' errors relating to: (a) transfer from Retained Earnings/(Deficit) account to Deferred Credits/Unearned Income account the budgetary support from National Government amounting to P1.526 billion where the conditions for which the grant was received were not yet fulfilled; (b) transfer of Donated Capital, Invested Capital and Contingent Capital amounting to P1.137 billion, P3.818 million and P7.303 million, respectively, or totaling P1.148 billion from Government Equity account

to Retained Earnings/(Deficit) account; (c) recognition of Accounts Payables on progress billings received from contractors concerned amounting to P166.726 million; (d) adjustment of the completed projects turned over to LGUs in prior years' and Calendar Year (CY) 2020 amounting to P91.104 million and P18.363 million, respectively; and (e) reclassification of time deposits amounting to P4.476 million with maturity of more than 90 days from Cash and Cash Equivalents account to Investment in Time Deposits account. Our opinion is not modified in respect of these matters.

Other Matters

In our report dated July 30, 2021, we expressed a qualified opinion on the fairness of presentation of the FSs for the years ended December 31, 2020 and 2019 because the 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: (i) six completed projects totaling P254.662 million; (ii) seven ongoing projects totaling P119.075 million which are intended to be transferred to LGUs and Bureau of Fisheries and Aquatic Resources upon completion; and (iii) administration and other overhead costs incurred totaling P1.594 million as part of the project costs, contrary to Paragraph 19 of 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 FSs, hence, reduces the faithful representation of the FSs.

In CY 2021, all completed projects were already reclassified from CIP account to appropriate PPE sub-accounts, and adequate disclosures relative to suspended projects have already been provided under Note 12.3 to FSs. Accordingly, our present opinion on the CY 2020 restated FSs is no longer modified concerning these matters.

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

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

In preparing the FSs, management is responsible 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 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 FSs, 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 ISSAIs 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 FSs.

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 FSs, 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 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 FSs 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 FSs, including the disclosures, and whether the FSs 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.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic FSs taken as a whole. The supplementary information for the year ended December 31, 2021 required by the Bureau of Internal Revenue as disclosed in Note 29 to the FSs is presented for purposes of additional analysis and is not a required part of the basic FSs prepared in accordance with PFRSs. Such supplementary information is the responsibility of Management of the PFDA.

COMMISSION ON AUDIT



MARITA A. YAP

State Auditor IV

OIC-Supervising Auditor

Audit Group D – PFDA/NDA/NTA

Cluster 5 - Agriculture and Natural Resources

Corporate Government Audit Sector

June 25, 2022

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 As restated	January 1, 2020 As restated
ASSETS				
Current assets				
Cash and cash equivalents	5	1,412,172,885	1,388,384,101	1,276,962,893
Investment in time deposits	6	136,124,362	135,176,909	4,475,988
Receivables - net	7	228,651,074	228,772,482	234,338,137
Inventories	8	16,339,755	15,514,456	16,569,621
Prepayments and other current assets	9	1,074,279,792	363,113,036	125,274,389
		2,867,567,868	2,130,960,984	1,657,621,028
Non-current assets				
Investment in stocks	10	214,648	228,496	176,565
Investment property - net	11	171,962,161	118,457,426	81,019,847
Property, plant, and equipment - net	12	3,460,493,797	2,465,870,382	1,630,476,101
Other non-current assets	13	13,562,336	14,005,867	13,652,487
		3,646,232,942	2,598,562,171	1,725,325,000
TOTAL ASSETS		6,513,800,810	4,729,523,155	3,382,946,028
LIABILITIES AND EQUITY				
Current liabilities				
Financial liabilities	14	1,026,825,536	930,881,216	795,514,195
Inter-agency payables	15	854,289,585	821,564,285	848,224,729
Trust liabilities	16	262,688,061	251,052,270	174,738,568
Deferred credits/unearned income	17	2,945,942,084	1,578,010,960	640,096,991
Provisions and other payables	18	107,573,667	95,767,273	97,352,155
		5,197,318,933	3,677,276,004	2,555,926,638
EQUITY				
Government equity	19.1	495,157,212	495,157,212	495,157,212
Retained earnings/(deficit)	19.2	821,376,996	557,128,422	331,952,592
Revaluation surplus	19.3	(52,331)	(38,483)	(90,414)
		1,316,481,877	1,052,247,151	827,019,390
TOTAL LIABILITIES AND EQUITY		6,513,800,810	4,729,523,155	3,382,946,028

The Notes on pages 11 to 73 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020 As restated
REVENUE			
Service and business income	20.1	827,649,661	830,877,824
Gain on foreign exchange	20.2	302,259	-
Other non-operating income	20.3	2,106,574	706,277
		830,058,494	831,584,101
EXPENSES			
Personnel services	21.1	293,670,470	281,929,477
Maintenance and other operating expenses	21.2	296,650,343	289,777,237
Financial expenses	21.3	6,904,934	12,455,607
Non-cash expenses	21.4	55,261,003	67,368,288
		652,486,750	651,530,609
PROFIT BEFORE TAX		177,571,744	180,053,492
Income tax expense		45,288,838	51,648,106
PROFIT AFTER TAX		132,282,906	128,405,386
Net subsidy	22	157,716,703	158,496,886
NET INCOME AFTER TAX		289,999,609	286,902,272
OTHER COMPREHENSIVE INCOME			
Changes in fair value of investment	19.3	(13,848)	51,931
TOTAL COMPREHENSIVE INCOME		289,985,761	286,954,203

The Notes on pages 11 to 73 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Government equity (Note 19.1)	Retained earnings/ (deficit) (Note 19.2)	Revaluation surplus (Note 19.3)	Total
Balance at January 1, 2020	1,642,826,876	(140,070,365)	(90,414)	1,502,666,097
Prior period adjustments	(1,147,669,664)	472,022,957	-	(675,646,707)
Restated balance at January 1, 2020	495,157,212	331,952,592	(90,414)	827,019,390
Changes in equity for 2020				
Add/(deduct):				
Total comprehensive income for the year	-	286,902,272	51,931	286,954,203
Dividends remitted to the national government	-	(62,899,375)	-	(62,899,375)
Prior period adjustments	-	4,333,790	-	4,333,790
Other adjustments	-	(3,160,856)	-	(3,160,856)
Restated balance at December 31, 2020	495,157,212	557,128,423	(38,483)	1,052,247,152
Changes in equity for 2021				
Add/(deduct):				
Total comprehensive income for the year	-	289,999,609	(13,848)	289,985,761
Dividends remitted to the national government	-	(77,855,822)	-	(77,855,822)
Prior period adjustments	-	54,185,839	-	54,185,839
Other adjustments	-	(2,081,052)	-	(2,081,052)
Balance at December 31, 2021	495,157,212	821,376,997	(52,331)	1,316,481,878

The Notes on pages 11 to 73 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2021 and 2020
(In Philippine Peso)

	Note	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of assistance/subsidy		1,508,373,960	1,170,436,041
Collection of income/revenue		788,286,328	761,895,011
Trust receipts		91,103,171	90,333,272
Collection of receivables		33,077,960	46,327,893
Other receipts		300,757	3,076,184
		2,421,142,176	2,072,068,401
Cash outflows			
Payment of expenses		(491,830,273)	(542,627,470)
Payment of income tax payable		(23,571,556)	(23,650,183)
Remittance of personnel benefit contributions and mandatory deductions		(19,427,704)	(37,402,008)
Purchase of inventories		(807,651)	(906,151)
Grant for cash advances		-	(50,000)
Prepayments		-	(67,550)
Other disbursements		(1,195,382)	(307,012)
		(536,832,566)	(605,010,374)
NET CASH PROVIDED BY OPERATING ACTIVITIES		1,884,309,610	1,467,058,027
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from matured investments		75,000,000	-
Receipt of interest earned		2,888,946	6,234,930
Proceeds from sale/disposal of property, plant and equipment		530,115	214,522
Total cash inflows		78,419,061	6,449,452
Adjustment		-	(858,047)
Adjusted cash inflows		78,419,061	5,591,405
Cash outflows			
Purchase/construction of property, plant and equipment		(1,786,386,325)	(1,168,305,942)
Purchase of investments		(75,000,000)	-
Total cash outflows		(1,861,386,325)	(1,168,305,942)
Adjustment		-	(129,790,944)
Adjusted cash outflows		(1,861,386,325)	(1,298,096,886)
NET CASH USED IN INVESTING ACTIVITIES		(1,782,967,264)	(1,292,505,481)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends		(77,855,822)	(62,899,375)
NET CASH USED IN FINANCING ACTIVITIES		(77,855,822)	(62,899,375)
INCREASE IN CASH AND CASH EQUIVALENTS		23,486,525	111,653,171
Effects of exchange rate changes on cash and cash equivalents		302,259	(231,963)
Cash and cash equivalents, January 1		1,388,384,101	1,276,962,893
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	1,412,172,885	1,388,384,101

The Notes on pages 11 to 73 form part of these financial statements.