



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
Elliptical Road, Diliman, Quezon City

Report on the Audit of the Financial Statements

Qualified 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, 2022 and 2021, 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 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 the PFDA as at December 31, 2022 and 2021, 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 continuous recording of the excess proceeds from the sale of bidding documents in calendar year (CY) 2021 and prior years of P9.271 million and in CY 2022 of P0.382 million under the Provisions and Other payables-Other payables account is not in keeping with Paragraph 4.26 of the Conceptual Framework for Financial Reporting (CFFR), defining a liability as a present obligation of the entity to transfer an economic resource as a result of past events, considering that the excess proceeds from the sale of bid documents shall form part of the corporate funds of the Authority as provided under Section 6.2, Appendix 7 of the Revised Implementing Rules and Regulations of Republic Act No. 9184. Consequently, the Provisions and Other payables-Other payables account with a balance of P16.280 million as at December 31, 2022 was overstated by P9.653 million, while the Retained earnings/(deficit) and Other non-operating income-Miscellaneous income accounts were understated by P9.271 million and P0.382 million, respectively.

Likewise, the use of the Bureau of the Treasury interest rate as the incremental borrowing rate, instead of the Bloomberg Valuation reference rates, and use of P316,261 as Minimum Lease Payment, instead of P790,652 as agreed in the Contract of Lease with

Application of Cost of Renovation to Rental Payments entered into by and between the PFDA and the Philippine Coconut Authority in the computation of the amounts initially recognized as Right-of-Use (ROU) assets-Buildings and other structures and Lease payables accounts and the subsequent measurement thereof, resulted in the understatement of the Lease payables; Inter-agency payables-Due to government corporations; and Property, plant, and equipment (PPE)-Construction-in-Progress accounts by approximately P7.945 million, P9.013 million, and P13.201 million, respectively, while ROU assets-Buildings and other structures and other accounts affected were also misstated as at and for the year ended December 31, 2022, contrary to Paragraphs 22, 23, 24, and 26 of PFRS 16 - Leases.

Moreover, the recognition in the books of accounts in December 2022 by the PFDA General Santos Fish Port Complex as PPE of the six-wheeler dump truck costing P5.748 million purchased in CY 2022, but received only on March 16, 2023, or 85 days after the Notice to Proceed was issued to the Supplier on December 21, 2022, is contrary to Paragraph 4.3 of the CFFR, defining an asset as an economic resource controlled by the entity as a result of past events, and Paragraph 7 of Philippine Accounting Standard (PAS) 16 on the recognition of PPE, thus resulting in the overstatement of PPE-Machineries, equipment, furniture, and fixtures and Financial liabilities-Accounts payable accounts as at December 31, 2022 both by P5.748 million.

Further, the non-derecognition of the estimated depreciated replacement cost of the dismantled/replaced parts of the PFDA Navotas Fish Port Complex Market Hall Nos. 1 and 2 in the approximate amount of P1.412 million is not in accordance with Paragraphs 66 and 68 of PAS 40, requiring the derecognition of the carrying amount of disposed/replaced parts of an Investment property, thus resulted in the overstatement of the Investment property and Retained earnings/(deficit) accounts by the said amount as at December 31, 2022. Meanwhile, the fair values 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 86.27 hectares, where the PFDA operates through leasing out of its properties and port facilities within its Regional Fish Port Complexes/Fish Ports, are not yet recognized in the books of accounts pending the engagement of independent surveyor and appraiser to determine the exact measurement and fair values of the parcels of land/reclaimed land, contrary to Paragraphs 4.3 and 4.4 of the CFFR which provides the definition of asset and economic resources and Paragraph 16 of PAS 40 on the recognition of Investment property; consequently, the Investment property with carrying amount of P178.044 million as at December 31, 2022 and the Retained earnings/(deficit) accounts were both understated by undetermined amounts.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). 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 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 bases 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 PFRSs, 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 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 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 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 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 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 identified during our audit.

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 for the year ended December 31, 2022 required by the Bureau of Internal Revenue as disclosed in Note 31 is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PFRSs. Such supplemental information is the responsibility of Management of the PFDA.

COMMISSION ON AUDIT


GAY M. MADELO
State Auditor V
Supervising Auditor
Audit Group D – PFDA/NDA/NTA
Cluster 5 - Agriculture and Natural Resources
Corporate Government Audit Sector

June 5, 2023

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
ASSETS			
Current assets			
Cash and cash equivalents	5	1,688,347,399	1,412,172,885
Investment in time deposits	6	137,299,188	136,124,362
Receivables - net	7	233,127,727	227,621,807
Inventories	8	19,743,527	16,339,755
Prepayments and other current assets	9	1,813,073,307	1,074,331,832
		3,891,591,148	2,866,590,641
Non-current assets			
Investment in stocks	10	176,566	214,648
Investment property - net	11	178,043,638	170,237,030
Property, plant, and equipment - net	12	8,378,210,005	3,372,980,464
Right-of-use assets	13	13,291,634	22,673,963
Other non-current assets	14	17,753,703	13,539,483
		8,587,475,546	3,579,645,588
TOTAL ASSETS		12,479,066,694	6,446,236,229
LIABILITIES AND EQUITY			
LIABILITIES			
Current liabilities			
Financial liabilities	15	982,647,279	1,003,277,475
Lease payables	16	4,035,741	2,410,483
Inter-agency payables	17	872,581,325	858,974,323
Trust liabilities	18	671,225,346	262,688,061
Deferred credits/unearned income	19	7,592,069,019	2,831,185,892
Provisions and other payables	20	131,723,961	121,763,281
		10,254,282,671	5,080,299,515
Non-current liabilities			
Lease payables	16	2,010,107	9,404,277
		10,256,292,778	5,089,703,792
EQUITY			
Government equity	21.1	495,157,212	495,157,212
Retained earnings/(deficit)	21.2	1,727,707,117	861,427,556
Revaluation surplus	21.3	(90,413)	(52,331)
		2,222,773,916	1,356,532,437
TOTAL LIABILITIES AND EQUITY		12,479,066,694	6,446,236,229

The notes on pages 10 to 82 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

			2021
	Note	2022	As restated
REVENUE			
Service and business income	22.1	894,282,033	824,723,586
Gain on foreign exchange	22.2	603,391	302,259
Other non-operating income	22.3	7,805,375	2,106,574
		902,690,799	827,132,419
EXPENSES			
Personnel services	23.1	322,211,523	301,883,723
Maintenance and other operating expenses	23.2	348,933,047	293,290,243
Non-cash expenses	23.3	81,280,495	64,991,307
Financial expenses	23.4	8,835,773	7,024,540
		761,260,838	667,189,813
PROFIT BEFORE TAX		141,429,961	159,942,606
Income tax expense		33,911,904	45,288,838
PROFIT AFTER TAX		107,518,057	114,653,768
Net subsidy	24	837,608,156	132,520,648
NET INCOME AFTER TAX		945,126,213	247,174,416
OTHER COMPREHENSIVE INCOME			
Changes in fair value of investment	21.3	(38,082)	(13,848)
TOTAL COMPREHENSIVE INCOME		945,088,131	247,160,568

The notes on pages 10 to 82 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Government Equity (Note 21.1)	Retained Earnings/(Deficit) (Note 21.2)	Revaluation Surplus (Note 21.3)	Total
Balance at January 1, 2021	495,157,212	557,128,423	(38,483)	1,052,247,152
Prior period adjustments	-	134,980,539	-	134,980,539
Restated balance at January 1, 2021	495,157,212	692,108,962	(38,483)	1,187,227,691
Changes in equity for 2021				
Add/(deduct):				
Total comprehensive income for the year	-	247,174,416	(13,848)	247,160,568
Dividends remitted to the National Government	-	(77,855,822)	-	(77,855,822)
Restated balance at December 31, 2021	495,157,212	861,427,556	(52,331)	1,356,532,437
Changes in equity for 2022				
Add/(deduct):				
Total comprehensive income for the year	-	945,126,213	(38,082)	945,088,131
Dividends remitted to the National Government	-	(78,846,652)	-	(78,846,652)
Balance at December 31, 2022	495,157,212	1,727,707,117	(90,413)	2,222,773,916

The notes on pages 10 to 82 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of assistance/subsidy		5,602,700,836	1,508,373,960
Collection of income/revenue		892,859,597	788,286,328
Trust receipts		483,417,189	91,103,171
Collection of receivables		83,972,372	33,077,960
Other receipts		1,688,071	300,758
		7,064,638,065	2,421,142,177
Cash outflows			
Payment of expenses		(612,442,410)	(491,830,273)
Payment of accounts payable		(151,651,926)	-
Remittance of personnel benefit contributions and mandatory deductions		(84,629,069)	(23,571,556)
Payment of income tax payable		(19,058,992)	(19,427,704)
Grant for cash advances		(11,104,316)	-
Refund of deposits		(4,439,315)	-
Purchase of inventories		(3,097,234)	(807,651)
Prepayments		(1,897,341)	-
Release of inter-agency fund transfers		(500,000)	-
Other disbursements		(24,484,910)	(1,195,382)
		(913,305,513)	(536,832,566)
NET CASH PROVIDED BY OPERATING ACTIVITIES		6,151,332,552	1,884,309,611
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from matured investments		50,000,000	75,000,000
Proceeds from sale/disposal of property, plant and equipment		8,907,755	530,115
Receipt of interest earned		2,099,894	2,888,946
		61,007,649	78,419,061
Cash outflows			
Purchase/construction of property, plant and equipment		(5,801,913,465)	(1,786,386,325)
Purchase of investments		(50,000,000)	(75,000,000)
		(5,851,913,465)	(1,861,386,325)
NET CASH USED IN INVESTING ACTIVITIES		(5,790,905,816)	(1,782,967,264)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends		(78,846,652)	(77,855,822)
Payment of lease payable		(5,768,912)	-
Payment of interest expense		(240,049)	-
NET CASH USED IN FINANCING ACTIVITIES		(84,855,613)	(77,855,822)
INCREASE IN CASH AND CASH EQUIVALENTS		275,571,123	23,486,525
Effects of exchange rate changes on cash and cash equivalents		603,391	302,259
Cash and cash equivalents, January 1		1,412,172,885	1,388,384,101
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	1,688,347,399	1,412,172,885

The notes on pages 10 to 82 form part of these financial statements.