



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
COMMONWEALTH AVENUE, QUEZON CITY

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine Fisheries Development Authority
Philippine Coconut 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, 2023 and 2022, 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, 2023 and 2022, 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 Cash and cash equivalents - Cash in bank-local currency, Financial liabilities - Accounts payable, Inter-agency payables - Due to Government Service Insurance System, Inter-agency payables - Due to Home Development Mutual Fund, Other payables - Undistributed collections and Other payables - Other payables accounts were understated by P191.610 million, P188.108 million, P2.580 million, P44,281, P0.548 million, and P329,530, respectively, and other related accounts affected, i.e. Receivables and Income were also misstated due to: (a) non-restoration to the Cash and cash equivalents - Cash in bank-local currency, current account of unreleased checks in the aggregate amount of P191.062 million at year-end; and (b) non-recording in the books of accounts of 30 bank credits/deposits in the total amount of P0.548 million received from the unidentified port clients since calendar year (CY) 2019 due to lack of information on the source and nature of the bank credits. These are not in accordance with Paragraph 5.7, Chapter 5 - *Recognition and Derecognition* and Paragraphs 4.3 and 4.26, Chapter 4 - *The Elements of Financial Statements*, of the Conceptual Framework for Financial Reporting (CFFR).

Likewise, the Property, plant, and equipment (PPE) - Construction-in-progress (CIP) sub-account was overstated by P85.168 million, while the Financial liabilities - Accounts payable and appropriate PPE sub-accounts were understated by P29.184 million and P114.352 million, respectively, due to: (a) non-accrual of unbooked value of work accomplished, with supporting Certificates of Completion and Acceptance, in the total estimated amount of P29.184 million of three completed infrastructure projects with total contract price of P114.352 million; and (b) non-reclassification of the said completed infrastructure projects from the PPE - CIP sub-account to the appropriate PPE sub-accounts, contrary to Paragraphs 27 and 28 of Philippine Accounting Standard (PAS) 1 - *Presentation of Financial Statements*.

Moreover, the Service and business income - Business income - Rent/lease income account for CY 2023 in the amount of P590.486 million was net overstated by P5.824 million, while both the Retained earnings/(deficit) and Receivables - Lease receivable - Operating lease receivable accounts were understated by P6.556 million and P0.732 million, respectively, due to recognition as income in CY 2023 of the catch-up billings in the total amount of P6.556 million for the rentals of the Navotas Fish Port Complex (NFPC) port clients covering CY 2022, and the non-recognition in CY 2023 of Rent/lease income in the total amount of P0.732 million which was billed only in CY 2024, contrary to Paragraphs 27 and 28 of the PAS 1 - *Presentation of Financial Statements* and Paragraph 5.4(a), Chapter 5 - *Recognition and Derecognition* of the CFFR.

Further, Receivables - Inter-agency receivables - Due from Local Government Units (LGUs) and Retained earnings/(deficit) accounts were understated by P4.767 million and P4.711 million, respectively; while the Service and business income - Business income - Other business income - Royalty/retainer's fees sub-account for CY 2023 was net understated by P56,592, in view of the recording of the various Royalty/retainer's fees [a percentage of gross income earned from the operations of the Municipal Fish Ports that were turned over by PFDA to various LGUs] using cash basis of accounting rather than accrual basis of accounting, such as: (a) Royalty/retainer's fees in CY 2022 and prior years' in the amount of P2.260 million were recognized as income in CY 2023; (b) Royalty/retainer's fees for CY 2023 and prior years' in the amounts of P2.316 million and P1.521 million, respectively, were recognized as income in CY 2024; and (c) unremitted/under-remitted Royalty/retainer's fees in CY 2022 and prior years' in the amount of P0.930 million of two LGUs were not yet recognized in the books, contrary to Paragraph 27 of PAS 1 - *Presentation of Financial Statements* and Paragraph 1.17, Chapter 1 - *The Objective of General Purpose Financial Reporting* of the CFFR.

In addition, the Investment property - Land account was understated by an undetermined amount due to non-recognition of the fair value as at the date of acquisition of the parcels of land/reclaimed land with an estimated total area of 47.5 hectares in Navotas City where the NFPC operates through leasing out of a significant portion of the said parcels of land/reclaimed land, contrary to Paragraphs 4.3 and 4.4, Chapter 4 - *The Elements of Financial Statements* of the CFFR and Paragraphs 10 and 16 of PAS 40 - *Investment Property*. Consequently, the Retained earnings/(deficit) account was also understated by the same undetermined amount. Further, the rental income derived from and direct operating expenses associated with the Investment property were not disclosed in the Notes to Financial Statements, contrary to Paragraph 75(f) of PAS 40, thus, deprived the intended users of the financial statements of relevant information in making economic decisions.

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.

Other Matters

In our report dated June 5, 2023, we expressed a qualified opinion on the fairness of presentation of the financial statements as at and for the years ended December 31, 2022 and 2021 due to: (a) non-reclassification of the excess proceeds from the sale of bidding documents in the amount of P9.653 million from the Provisions and Other payables-Other payables account to Retained earnings/(deficit) and Other non-operating income accounts; (b) 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 in the computation of the amounts initially recognized as Right-of-Use (ROU) assets and Lease payables accounts and the subsequent measurement thereof; (c) recognition in the books of accounts of the six-wheeler dump truck costing P5.748 million purchased in CY 2022, but received only on March 16, 2023; and (d) non-derecognition of the estimated depreciated replacement cost of the dismantled/replaced parts of market halls in the approximate amount of P1.412 million.

In CY 2023, the excess proceeds from sale of bidding documents in the total amount of P9.653 million were already reclassified from the Other payables-Other payables account to the appropriate accounts. Meanwhile, due to passage of time, the misstatements in the ROU assets, Lease payables, and other accounts affected were reduced to insignificant amounts. In March 2023, adjustments in the PPE-Machinery, equipment, furniture, and fixtures and Financial liabilities-Accounts payable accounts were made to revert the payables and to derecognize the undelivered six-wheeler dump truck with cost in the amount of P5.748 million as of December 31, 2022. In addition, the demolished/dismantled/removed/replaced parts with carrying amount of P1.412 million during the rehabilitation of fish ports were already derecognized in the books of accounts. Accordingly, our present opinion on the restated financial statements as at and for the year ended December 31, 2022 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 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, 2023 required by the Bureau of Internal Revenue as disclosed in Note 30 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 14, 2024

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2023 and 2022 and January 1, 2022
(In Philippine Peso)

	Note	2023	2022 As restated	January 1, 2022 As restated
ASSETS				
Current assets				
Cash and cash equivalents	5	1,742,028,335	1,688,347,399	1,412,172,885
Investments	6	137,952,181	137,299,188	136,124,362
Receivables - net	7	332,516,102	313,486,947	307,981,027
Inventories	8	13,996,736	11,577,587	8,173,815
Other assets	9	1,139,687,780	1,812,926,505	1,074,185,030
		3,366,181,134	3,963,637,626	2,938,637,119
Non-current assets				
Investments	6	159,255	176,566	214,648
Investment property - net	10	117,760,883	90,236,284	82,429,676
Property, plant, and equipment - net	11	13,674,239,784	9,386,162,212	4,381,533,901
Right-of-use assets	12	4,509,600	13,118,071	22,673,963
Other assets	9	15,123,875	14,970,528	10,756,308
		13,811,793,397	9,504,663,661	4,497,608,496
TOTAL ASSETS		17,177,974,531	13,468,301,287	7,436,245,615
LIABILITIES AND EQUITY				
LIABILITIES				
Current liabilities				
Financial liabilities	13	965,503,871	961,783,294	982,843,435
Lease payables	14	4,073,943	4,002,232	2,416,530
Inter-agency payables	15	630,049,084	869,382,330	855,776,979
Trust liabilities	16	879,641,591	671,225,346	262,688,061
Deferred credits/unearned revenue/income	17	11,273,016,376	7,594,095,010	2,832,630,166
Provisions	18	108,754,591	115,443,719	105,788,761
Other payables	19	6,892,933	6,452,822	6,394,244
		13,867,932,389	10,222,384,753	5,048,538,176
Non-current liabilities				
Lease payables	14	-	2,004,060	9,398,230
		13,867,932,389	10,224,388,813	5,057,936,406
EQUITY				
Government equity	20.1	495,157,212	495,157,212	495,157,212
Retained earnings/(deficit)	20.2	2,814,992,654	2,748,845,675	1,883,204,328
Revaluation surplus	20.3	(107,724)	(90,413)	(52,331)
		3,310,042,142	3,243,912,474	2,378,309,209
TOTAL LIABILITIES AND EQUITY		17,177,974,531	13,468,301,287	7,436,245,615

The notes on pages 11 to 84 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

			2022
	Note	2023	As restated
REVENUE			
Service and business income	21.1	956,281,325	894,282,033
Gains	21.2	94,293	7,885,689
Other non-operating income	21.3	2,994,286	747,207
		959,369,904	902,914,929
EXPENSES			
Personnel services	22.1	293,278,243	322,359,793
Maintenance and other operating expenses	22.2	364,032,212	348,931,397
Non-cash expenses	22.3	105,426,831	81,280,495
Financial expenses	22.4	23,291,742	8,969,780
		786,029,028	761,541,465
PROFIT BEFORE TAX		173,340,876	141,373,464
Income tax expenses		32,855,002	33,911,904
PROFIT AFTER TAX		140,485,874	107,461,560
Net subsidy	23	-	837,026,439
NET INCOME AFTER TAX		140,485,874	944,487,999
OTHER COMPREHENSIVE INCOME			
Changes in fair value of investment	20.3	(17,311)	(38,082)
COMPREHENSIVE INCOME FOR THE YEAR		140,468,563	944,449,917

The notes on pages 11 to 84 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Government equity (Note 20.1)	Retained earnings/ (deficit) (Note 20.2)	Revaluation surplus (Note 20.3)	Total
Balance at January 1, 2022	495,157,212	861,427,556	(52,331)	1,356,532,437
Adjustments				
Add/(deduct):				
Recognition of land	-	1,313,002,320	-	1,313,002,320
Increase in operating lease receivables	-	61,228,037	-	61,228,037
Correction of over set-up of payables	-	20,434,040	-	20,434,040
Recovery of previously impaired receivables	-	18,853,059	-	18,853,059
Excess proceeds from sale of bidding documents	-	9,577,275	-	9,577,275
Reclassification of Property, plant and equipment accounts	-	(390,012,159)	-	(390,012,159)
Inventories already issued in prior years	-	(8,165,940)	-	(8,165,940)
Other prior period adjustments	-	(3,139,860)	-	(3,139,860)
Restated balance at January 1, 2022	495,157,212	1,883,204,328	(52,331)	2,378,309,209
Changes in equity for 2022				
Add/(deduct):				
Comprehensive income for the year	-	944,487,999	(38,082)	944,449,917
Dividends remitted to the National Government	-	(78,846,652)	-	(78,846,652)
Restated balance at December 31, 2022	495,157,212	2,748,845,675	(90,413)	3,243,912,474
Changes in equity for 2023				
Add/(deduct):				
Comprehensive income for the year	-	140,485,874	(17,311)	140,468,563
Dividends remitted to the National Government	-	(74,338,895)	-	(74,338,895)
Balance at December 31, 2023	495,157,212	2,814,992,654	(107,724)	3,310,042,142

The notes on pages 11 to 84 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2023 and 2022
(In Philippine Peso)

	Note	2023	2022 As restated
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of assistance/subsidy		3,685,319,205	5,602,700,836
Collection of receivables		720,795,195	83,972,372
Trust receipts		440,876,683	483,417,189
Collection of income/revenue		284,100,971	892,859,597
Other receipts		6,472,626	1,688,071
		5,137,564,680	7,064,638,065
Adjustments		282,280	-
		5,137,846,960	7,064,638,065
Cash outflows			
Payment of expenses		(572,262,615)	(612,442,410)
Payment of accounts payable		(99,612,042)	(151,651,926)
Remittance of personnel benefit contributions and mandatory deductions		(88,348,594)	(84,629,069)
Payment of income tax payable		(11,846,042)	(19,058,992)
Purchase of inventories		(6,227,548)	(3,097,234)
Grant for cash advances		(5,626,741)	(11,104,316)
Prepayments		(2,227,336)	(1,897,341)
Refund of deposits		(2,027,168)	(4,439,315)
Release of inter-agency fund transfers		(500,000)	(500,000)
Other disbursements		(101,880)	(24,484,910)
		(788,779,966)	(913,305,513)
NET CASH PROVIDED BY OPERATING ACTIVITIES		4,349,066,994	6,151,332,552
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Proceeds from matured investments		100,000,000	50,000,000
Receipt of interest earned		1,967,456	2,099,894
Proceeds from sale/disposal of property, plant and equipment		94,293	8,907,755
		102,061,749	61,007,649
Cash outflows			
Purchase/construction of property, plant and equipment		(4,219,405,155)	(5,801,913,465)
Purchase of investments		(100,000,000)	(50,000,000)
		(4,319,405,155)	(5,851,913,465)
NET CASH USED IN INVESTING ACTIVITIES		(4,217,343,406)	(5,790,905,816)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends		(74,338,895)	(78,846,652)
Payment of lease payable		(3,548,906)	(5,768,912)
Payment of interest expense		(103,910)	(240,049)
CASH USED IN FINANCING ACTIVITIES		(77,991,711)	(84,855,613)
INCREASE IN CASH AND CASH EQUIVALENTS		53,731,877	275,571,123
Effects of exchange rate changes on cash and cash equivalents		(50,941)	603,391
Cash and cash equivalents, January 1		1,688,347,399	1,412,172,885
CASH AND CASH EQUIVALENTS, DECEMBER 31	5	1,742,028,335	1,688,347,399

The notes on pages 11 to 84 form part of these financial statements.