



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City

CONSOLIDATED ANNUAL AUDIT REPORT

on the

PHILIPPINE CARABAO CENTER

For the Year Ended December 31, 2015

2. The costs of dead and transferred buffaloes in an aggregate amount of ₱131,371,331.68 were still recorded under Biological Assets account at PCC Head Office books as of year-end due to (a) the failure of the accountable officers to submit requests for relief from property accountability for animals costing ₱97,825,711.04 or to complete the required documentations thereof in violation of Section 73 of PD No. 1445; and (b) non-recording of the costs of transferred stocks to the PCC regional centers of ₱33,545,620.64 resulting in the overstatement of the accounts Biological Assets by ₱131,371,331.68 and Accumulated Surplus/(Deficits) by ₱97,825,711.04 as of year-end. **(Observation No. 2)**

We recommended that the Executive Director instruct the (a) concerned accountable officer/s to file the requisite request for relief from property accountability on the 233 dead buffaloes; and (b) Accountant (i) disclosed in the notes to Financial Statements the death of the buffaloes, the cost of which were not yet dropped from the books: (ii) record the costs of the animals transferred to PCC regional centers.

3. Failure to reconcile the balances of General Ledger (GL) and the Report of the Physical Count of Property, Plant and Equipment (RPCPPE) for Biological Assets amounting to ₱13,139,607.87 and ₱8,314,756.60, respectively or a variance of ₱4,824,851.27 as of December 31, 2015 rendered doubtful the accuracy of the account as of year-end. **(Observation No. 3)**

We recommended that the Center Director of La Carlota Stock Farm direct the (a) Inventory Committee to conduct complete physical inventory of the Center's biological assets totaling ₱13,139,607.87; (b) Accountant and Property Officer undertake the required reconciliation of their records; and (c) Accountant, based on the results of the reconciliation, draw the necessary accounting entries.

4. Unserviceable Property, Plant and Equipment (PPE) amounting to ₱2,252,849.95 were not yet converted to their specific PPE accounts which was not harmonized with COA Circular Nos. 2014-003 and 2013-002 dated April 15, 2014 and January 30, 2013, respectively, which overstated the balance of Other Assets account and understated those of affected PPE accounts by the said amount as of year-end. Moreover, these assets were still not yet disposed of as of year-end inconsistent with Section 79 of PD No. 1445 hence, failed to maximize the benefits that could have been derived from the sale of said unserviceable assets and from the alternative use of storage space currently occupied by said property. **(Observation No. 4)**

We recommended that the Executive Director instruct the (a) Accountant (i) reclassify each item to its specific PPE account; and (ii) henceforth, record transactions in accordance with the Revised Chart of Accounts; (b) Property Officer prepare and submit the Inventory and Inspection Report of Unserviceable Property; and (c) Disposal Committee undertake appropriate disposal proceedings in accordance with regulations.

5. Full honoraria of ₱189,000.00 was paid to the members of Bids and Awards Committee (BAC), Technical Working Group (TWG) and BAC Secretariat despite incomplete attendance to the major bidding activities conducted in CY 2015, while the

honoraria of ₱308,250.00 paid to the PCC Advisory Board was in excess of the amount authorized by National Budget Circular (NBC) No. 2007-510 dated May 8, 2007 hence, considered irregular expenses pursuant to COA Circular No. 2012-003 dated October 29, 2012. (*Observation No. 5*)

We recommended that the Executive Director (a) cause the refund of excess honoraria granted to the members of the BAC; (b) provide legal basis for the assailed payment of honoraria to the members of the PCC advisory board; and (c) henceforth, observe proper and equitable payment of honoraria in future similar transactions.

6. With the inadequacy of disclosures on the notes to the consolidated financial statements, the significant changes in the balances of receivables, biological assets, other current and non-current assets, financial liabilities, inter-agency payables, trust liabilities, and other payables accounts were not explained or fully substantiated. (*Observation No. 6*)

We recommended that the Accountant comply with the required disclosures and provide sufficient and relevant information on each account on the financial statements, as warranted, and pursuant to the standards on disclosures.

7. The outsourcing of the consultancy services of Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA) as International Level Consultancy Service Provider for Local and International Graduate Scholarship Program resulted in the incurrence of unnecessary cost to PCC in the amount of ₱3,125,625.00. Moreover, the payment scheme included irregular advance payments totaling ₱19,155,060.00 in violation of Annex "F" of Republic Act No. 9184 and its Implementing Rules and Regulations. (*Observation No. 7*)

We recommended that the Executive Director provide satisfactory explanation on the outsourcing of the implementation of the scholarship program and the agreed payment scheme to the consultant.

8. The Buffalo Loan Program or "Paiwi Program" was able to provide additional income of ₱130,426,239.36 to farmers from CYs 2013 to 2015 thus, achieving the purpose of the program. However, inefficiencies in the program implementation undermined the benefits derived therefrom resulting in the death of 483 buffaloes costing ₱64,266,649.49 and in the loss of additional income opportunities of rural farming communities. (*Observation No. 12*)

We recommended that the Executive Director (a) determine accountability and culpability on the death of 483 buffaloes and the loss of ₱64,266,649.49 and take appropriate actions, as warranted; (b) improve the existing housing facilities and forage areas of the buffaloes; (c) through the NIZ Team and Operations Division, review the capability and qualifications of the farmer beneficiaries of the program and cancel the MOA, if warranted, then transfer the buffaloes to other qualified farmer-beneficiaries; (d) consider hiring more veterinarians, technicians, and livestock specialist as support staff to assist in the operation of the "Paiwi Program"; (e) assign area of coverage and number of


buffaloes to each staff within a manageable level to maximize efficiency and effectiveness of technical services rendered; and (f) through the NIZ Team, (i) properly maintain Individual Animal Record; (ii) remind farmers to refrain from transferring buffaloes to another without the consent of PCC; and (iii) closely monitor and enforce compliance by all stakeholders of their respective responsibilities and obligations.

The other audit observations, together with the recommended courses of action, are discussed in detail in Part II of the report. These along with the prior year's findings not yet or partially acted upon and included in Part III of the report, were discussed with the officials and staff of that **Center**.

We request that the recommended measures be implemented and we would appreciate receiving an action plan and status report, thru accomplishing the attached **Agency Action Plan and Status Implementation (AAPSI)** form, to be submitted to the Audit Team within 60 days from receipt of this report, pursuant to Section 93 of the General Provisions of the General Appropriations Act for FY 2015.

We appreciate the invaluable support and cooperation extended to our Audit Team by the officials and staff of the Philippine Carabao Center.

Very truly yours,


MA. CORAZON S. GOMEZ
Regional Director

CC: President of the Republic of the Philippines
Vice President
President of the Senate
Speaker of the House of the Representatives
Chairperson – Senate Finance Committee
Chairperson - Appropriations Committee
Secretary of the Department of Budget and Management
Presidential Management Staff, Office of the President
The Assistant Commissioner, NGS, COA, Quezon City
The Commission Proper, COA, Quezon City
COA Central Library (soft copy)
National Library (soft copy)
UP Law Center (soft copy)

Executive Summary

A. Introduction

The Philippine Carabao Center (PCC) is one of the Department of Agriculture's attached agencies, created by virtue of Republic Act No. 7307, otherwise known as the Philippine Carabao Act of 1992, to institutionalize the Carabao Development Program of the government. Specifically, PCC was operationalized on April 1, 1993 to conserve, propagate, and promote the carabao as a source of draft animal power, meat, milk, and hide for the benefit of rural farmers particularly smallholder-farmers and Comprehensive Agrarian Reform Program (CARP) beneficiaries through carabao genetic improvement, technology development and dissemination, and establishment of carabao-based enterprises, thus ensuring higher income and better nutrition of rural farming communities. It has a network of 12 centers strategically situated in Luzon, Visayas, and Mindanao.

PCC likewise is the national lead agency for livestock biotechnology research and development in the Department of Agriculture per Administrative Order No. 9, series of 2008.

The agency was headed by Acting Executive Director Arnel N. Del Barrio, who was appointed by President Benigno Simeon C. Aquino III. He is being supported by Deputy Executive Director Felomino V. Mamuad, 12 Center Directors, and 185 rank and file employees.

The audit covered the financial transactions and operations of PCC for the year ended December 31, 2015. The objectives of the audit were to (a) ascertain the level of assurance that may be placed on management's assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

B. Financial Highlights

The PCC's financial condition, results of operations and sources and application of funds for CY 2015 with comparative figures for CY 2014 is as follows:

(In Thousand Pesos)			
Particulars	2015	2014	Increase (Decrease)
Financial Statements			
Assets	2,653,114	2,675,188	(22,074)
Liabilities	130,748	124,850	5,898
Accumulated Surplus/(deficit)	2,522,365	2,550,338	(27,973)
Sources and Applications of Funds			
Income	93,246	79,691	13,555

(In Thousand Pesos)			
Particulars	2015	2014	Increase (Decrease)
Expenses	487,059	502,792	(15,733)
Surplus (Deficit)	(393,812)	(423,100)	(29,288)

C. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of the Philippine Carabao Center, Science City of Munoz, Province of Nueva Ecija for the year ended December 31, 2015 due to significant errors noted in the audit of accounts among which is the (a) failure to derecognize the cost of dead buffaloes which resulted in the overstatement of Biological Assets and Accumulated Surplus/(Deficits) both by ₱97,825,711.04; and (b) misclassification of unserviceable property, plant and equipment (PPE) to Other Non-current Assets which resulted in the misstatement of said accounts both by ₱2,252,849.95.

Thus, we recommended that the Executive Director instruct the (a) concerned accountable Officer/s to file the requisite request for relief from property accountability on the 233 dead buffaloes; (b) Accountant (i) record the costs of the dead animals and those transferred to PCC regional centers (ii) reclassify each item in other assets to its specific PPE accounts henceforth, record transactions in accordance with Revised Chart of Accounts; (c) Disposal Committee undertake appropriate disposal proceedings in accordance with regulations.

D. Significant Observations and Recommendations

1. The accuracy of the balances of Property, Plant and Equipment (PPE) accounts as of year-end amounting to ₱1,493,345,991.62 was not established due to variance of ₱39,346,904.77 between the balances per General Ledgers (GLs) and Report of the Physical Count of Property, Plant and Equipment (RPCPPE) thus, was not reflective of proper record keeping and sound property management which was not in line with Chapter 2, Section 111 of PD No. 1445. (*Observation No. 1*)

We recommended that the Accountants and Property Officers of the identified regional centers reconcile their records on PPE to determine causes thereof for subsequent proper disposition.

2. Failure to reconcile the balances of General Ledger (GL) and the Report of the Physical Count of Property, Plant and Equipment (RPCPPE) for Biological Assets amounting to ₱13,139,607.87 and ₱8,314,756.60, respectively or a variance of ₱4,824,851.27 as of December 31, 2015 rendered doubtful the accuracy of the asset as of year-end at the La Carlota Stock Farm. (*Observation No. 3*)

We recommended that the Center Director of La Carlota Stock Farm direct the (a) Inventory Committee to conduct complete physical inventory of the Center's biological assets totaling ₱13,139,607.87; (b) Accountant and Property Officer undertake the required reconciliation of their records; and (c) Accountant, based on the results of the reconciliation, draw the necessary accounting entries.

3. Full honoraria of ₱189,000.00 was paid to the members of Bids and Awards Committee (BAC), Technical Working Group (TWG) and BAC Secretariat despite incomplete attendance to the major bidding activities conducted in CY 2015, while the honoraria of ₱308,250.00 paid to the PCC Advisory Board was in excess of the amount authorized by National Budget Circular (NBC) No. 2007-510 dated May 8, 2007 hence, considered irregular expenses pursuant to COA Circular No. 2012-003 dated October 29, 2012. (*Observation No. 5*)

We recommended that the Executive Director (a) cause the refund of excess honoraria granted to the members of the BAC; (b) provide legal basis for the assailed payment of honoraria to the members of the PCC advisory board; and (c) henceforth, observe proper and equitable payment of honoraria in future similar transactions.

4. With the inadequacy of disclosures on the notes to consolidated financial statements, the significant changes in the balances of receivables, biological assets, other current and non-current assets, financial liabilities, inter-agency payables, trust liabilities, and other payables accounts were not explained or fully substantiated. (*Observation No. 6*)

We recommended that the Accountant comply with the required disclosures and provide sufficient and relevant information on each account on the financial statements, as warranted, and pursuant to the standards on disclosures.

5. The outsourcing of the consultancy services of Southeast Asian Regional Center for Graduate Study and Research in Agriculture (SEARCA) as International Level Consultancy Service Provider for Local and International Graduate Scholarship Program resulted in the incurrence of unnecessary cost to PCC amounting to ₱3,125,625.00. Moreover, the payment scheme included irregular advance payments totaling ₱19,155,060.00 in violation of Annex "F" of Republic Act No. 9184 and its Implementing Rules and Regulations. (*Observation No. 7*)

We recommended that the Executive Director provide satisfactory explanation on the outsourcing of the implementation of the scholarship program and the agreed payment scheme to the consultant.

6. The Buffalo Loan Program or “Paiwi Program” was able to provide additional income of ₱130,426,239.36 to farmers from CYs 2013 to 2015 thus, achieving the purpose of the program. However, inefficiencies in the program implementation undermined the benefits derived therefrom resulting in the death of 483 buffaloes costing ₱64,266,649.49 and in the loss of additional income opportunities of rural farming communities. (*Observation No. 12*)

We recommended that the Executive Director (a) determine accountability and culpability on the death of 483 buffaloes and the loss of ₱64,266,649.49 and take appropriate actions, as warranted; (b) improve the existing housing facilities and forage areas of the buffaloes; (c) through the NIZ Team and Operations Division, review the capability and qualifications of the farmer beneficiaries of the program and cancel the MOA, if warranted then transfer the buffaloes to other qualified farmer-beneficiary; (d) consider hiring more veterinarians, technicians, and livestock specialist as support staff to assist in the operation of the “Paiwi Program”; (e) assign area of coverage and number of buffaloes to each staff should be within a manageable level to maximize efficiency and effectiveness of technical services rendered; and (f) through the NIZ Team, (i) properly maintain Individual Animal Record; (ii) remind farmers to refrain from transferring buffaloes to another without the consent of PCC; and (iii) closely monitor and enforce compliance by all stakeholders of their respective responsibilities and obligations..

E. Status of Suspensions, Disallowances and Charges and Settlements

As of December 31, 2015, the total suspension amounting to ₱851,753.65 was settled by the management while the disallowance in the amount of ₱576,397.25 was appealed to the Commission Proper.

F. Status of Implementation of Prior Year’s Unimplemented Audit Recommendations

Monitoring and evaluation of management action on the 22 recommendations contained in the CY 2014 Annual Audit Report revealed that 15 recommendations were fully implemented and the remaining recommendations were partially implemented.