



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

CONSOLIDATED ANNUAL AUDIT REPORT

on the

PHILIPPINE CARABAO CENTER

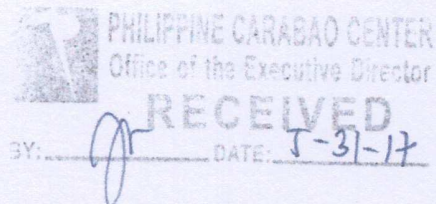
For the Year Ended December 31, 2016



Republic of the Philippines
COMMISSION ON AUDIT
Regional Office No. III
City of San Fernando, Pampanga

May 24, 2017

Dr. Arnel N. Del Barrio
Executive Director
Philippine Carabao Center



Dear **Director Del Barrio**:

We are pleased to transmit the Consolidated Annual Audit Report on the audit of the Philippine Carabao Center for the Calendar Year 2016 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No.1445).

The audit was conducted to (a) ascertain the level of assurance that may be placed on management assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's audit recommendations.

We conducted our audit in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements of the Philippine Carabao Center in the Independent Auditor's Report in Part I of the report, as follows:

1. The validity, accuracy and existence of the accounts Property, Plant and Equipment (PPE) of the agency totaling ₱1,092,900,197.41 as of December 31, 2016 is doubtful due to: (a) reporting difference between inventory report and the books of account - ₱8,774,642.28; (b) absence of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) in PCC Regional Center at VSU - ₱17,407,339.73; (c) inclusions of semi-expendable properties in the PPE account - ₱514,815.06; and (d) unrecorded PPE - ₱21,100,000.00 which was not harmonized with pertinent Sections of Government Accounting Manual for National Government Agencies (GAM for NGAs). (*Observation No. 1*)

We recommended that the (a) Accountants and Property Officers of the identified Regional Centers continue to reconcile their records on PPE to determine the causes of the variance for its proper disposition; (b) Inventory Committee in PCC at VSU to conduct annual physical count of PPE and submit inventory reports thereof; (c) Accountants in PCC at DMMMSU, CLSU and MLPC to reclassify semi-expendable properties from PPE accounts to their proper accounts; and (d) PCC Head Office Accountant and Property Officer to book the procured machineries and equipment.

₱24,200,000.00 or 5.14% of its total appropriation of ₱470,672,000.00 were doubtful due to failure of the GFPS to administer the Harmonized Gender and Development Guidelines to determine the extent of the actual expenditures that can be attributed to the GAD Budget. (*Observation No. 15*)

We recommended that the Executive Director as GAD Focal Point System (GFPS) Chairperson to (a) modify or reconstitute the GFPS in accordance with PCW Memorandum Circular No. 2011-01; and (b) ensure that the GFPS (i) submit the GAD Plan and Budget and Accomplishment Report to PCW for its review and approval; and (ii) use the Harmonized Gender and Development Guidelines (HGDG) in the attribution of costs of regular program/project to GAD.

6. The PCC Head Office could have earned additional interests of around ₱4,663,180.21 on bank deposits which could have been used as additional capital on their Revolving Funds had the unutilized funds of ₱114,500,000.00 out of the ₱133,054,009.11 average monthly deposit balance maintained under Current Accounts been converted to time deposit accounts which offered an interest rate higher than the Current Account. (*Observation No. 19*)

We recommended that Management consider the transfer of idle/unused balances of bank accounts from the Current Accounts to Time Deposit accounts or HYSAs to maximize the earning potential of its deposits and thus, boost the financial capacity of the Agency.

7. For CY 2016, the Buffalo Loan Program or “Paiwi Program” of the PCC National Impact Zone (NIZ) was able to provide additional income of ₱65,562,752.50 to farmers in terms of milk produced and born buffaloes. However, some inefficiencies in the program implementation were still manifested this year thus failed to maximize the benefits that could have been provided to the rural farming communities. (*Observation No. 20*)

We recommended that Management (a) instruct farmer-beneficiaries to ensure continued improvement of the existing housing facilities and forage areas of the buffaloes; (b) reassess the capability and qualifications of the farmer beneficiaries before issuing a new contract; (c) consider hiring veterinarian or assigning technical personnel as support staff in the operation of the “Paiwi Program” to facilitate delivery of technical services to the farmer-beneficiaries; and (d) continue to update Individual Animal Health Records.

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 Agency.

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 96 of the General Provisions of the General Appropriations Act for Fiscal Year 2016.

We recommended that the Executive Director instruct the Finance Division to (a) require regular and prompt submission of the Report of Disbursements and related financial reports from the IAs in order to validate the use of the funds transferred in accordance with the provisions of COA Circular No. 94-013; and (b) make reconciliation with the three IAs that reported differences in the unliquidated balances and effect the necessary adjustments in the books of PCC, if any.

3. Lapses were noted in the receipt and utilization of fund transfers from other National Government Agencies (NGAs) for the implementation of various projects/programs such that (a) unexpended balances of completed projects were not remitted to the source agency or National Treasury; and (b) funds remained unutilized due to delayed or non-implementation of projects contrary to COA Circular No. 94-013 and the related Memorandum of Agreement entered by and between the Source Agencies (SAs) and PCC. (*Observation No. 13*)

In view of the foregoing, we recommended that the Management instruct the (a) Finance Division to strictly comply with COA Circular No. 94-013 dated December 13, 1994 and to remit unexpended balances of completed projects to source agency or National Treasury; and (b) project leaders to observe and strictly follow the Work and Financial Plan (WFP) to ensure implementation of the project pursuant to MOA.

4. Lapses were noted in the implementation and accounting of the project regarding procurement of milking system and mini dairy processing facility with a total cost of ₱32,337,000.00 such as (a) transfer of unused balance of capital outlay from MDS account to regular current account on the last day of the validity of allotment; (b) non-recognition and exclusions in the physical inventory of the procured machineries; (c) inadequate documents to establish accountability on said property; and (d) non-utilization of two lots mini dairy processing facilities with already indications of deterioration thus depriving its farmers cooperators/beneficiaries of opportunity for increased productivity and income while exposing to potential waste the said government resources. (*Observation No. 14*)

We recommended that Management (a) stop the practice of transferring funds from MDS account to other cash accounts to avoid automatic reversion of any unused cash balances; (b) recognize in the books and include in the inventory reports the procured machineries; (c) submit to the Office of the Auditor related documents supporting the property's existence and fixing accountability on the five lots mini dairy processing facility; and (d) utilize the two lots mini dairy processing facility which had remained idle for several years.

5. The Agency was not able to adhere to some provisions in the implementation of Gender and Development program for CY 2016 such that: a) the composition of the GAD Focal Point System was not compliant with Philippine Commission on Women (PCW) Memorandum Circular No. 2011-01 dated October 21, 2011; (b) GAD Plan and Budget was not submitted for review and approval by the PCW; and (c) the actual costs/expenditures as reported in the GAD Accomplishment Report amounting to

We recommended that Management (a) cause the immediate remittance to the Bureau of Treasury the amount of ₱32,655,259.76 representing the proceeds from sales of AI supplies and liquid nitrogen; and (b) instruct OIC, Chief of Administration and Finance Division to (i) stop the practice of using the account Trust Liabilities in recording sales; and (ii) draw journal entry to adjust the errors noted in the recording of revenue.

5. The Finance Division in the PCC Head Office erroneously booked the milk produce of breeding stocks from CYs 2015 to 2016 to Trust Liabilities – PCC Genepool Fund account instead of income account, Gain on Initial Recognition of Agricultural Produce amounting to ₱12,873,230.00 in violation of GAM for NGAs. Moreover, cost of milk fed to calves and spoilage were not also recognized resulting in the understatement of income, expense and accumulated surplus by ₱9,984,230.00, ₱5,759,200.00 and ₱8,648,200.00, respectively as of December 31, 2016. (*Observation No. 5*)

We recommended that the Executive Director instruct Finance Division to (a) adjust the erroneous entries made on the account Trust Liabilities – PCC Gene Pool; and (b) recognize the costs of milk (i) sold to Central Dairy Collection and Processing Facility for the months of August to December 2016; (ii) fed to calves and (iii) spoilage.

The other significant audit observations and recommendations requiring immediate action are as follows:

1. Deficient inventory management processes in PCC Head Office and PCC at CMU resulted in the difficulty in sustaining the reliability of the reported balance of supplies and materials inventory reported at ₱3,110,658.80 as at December 31, 2016, which was not harmonized with Sections 9 and 17, Chapter 8, Volume 1 of GAM for NGAs and Section 490, Volume 1 of Government Accounting and Auditing Manual (GAAM). (*Observation No. 9*)

We recommended that Management instruct the (a) Inventory Team to (i) conduct the physical count of inventories at least every six months and prepare the RPCI for the inventory counted; and (ii) work with the Supply and Accounting Offices for the reconciliation of the RPCI with the latter's records; (b) Supply Officer to maintain the required records and reports for inventories; and (c) Accounting Office to (i) observe perpetual inventory and the weighted average cost in accounting for these assets; and (ii) coordinate with the Supply Office for the regular reconciliation of inventory balances.

2. The amount of ₱13,880,783.78 or 88.15% in the Due from NGAs account of PCC Head Office representing balances of fund transferred to various Implementing Agencies (IAs) remained unliquidated despite lapsed contract period in violation of the provisions of Memorandum of Agreement (MOA) between PCC and the IAs and COA Circular No. 94-013 dated December 13, 1994. Moreover, discrepancies of ₱467,115.65 were noted between PCC books and those of the IAs, thus rendering the account balance doubtful as of year-end. (*Observation No. 10*)

2. The reported balance of the biological assets account of the agency amounting to ₱813,133,583.16 as of December 31, 2016 is unreliable due to (a) inconsistent application of the policy in the revaluation of biological assets; (b) derecognition of biological assets despite retaining control on the animals - ₱39,641,320.91; (c) discrepancy between the GL and RPCPPE for biological assets - ₱206,179,108.04; (d) non-booking of 250 heads of calves born in CYs 2016 and 2015 - ₱4,308,250.00; (e) inclusion of the cost of 290 dead buffaloes - ₱35,258,927.40; and (f) non-maintenance of Biological Assets Property Card and non-preparation and non-submission of Quarterly Report on Biological Assets. (*Observation No. 2*)

We recommended that the (a) Accountants to apply consistently the revaluation of biological assets on the 12 Regional Centers; (b) for conservatism, Accountants recognize back those transferred buffaloes meantime that there is no written agency policy on the proper accounting treatment of transferring breeding stocks to farmer-recipients; (c) Accountants and Property Officers of the identified Regional Centers to reconcile their records on biological assets in order to eliminate the variance of ₱206,179,108.04; (d) Accountants in PCC Head Office, CLSU and LCSF to book the unrecognized biological assets born during CYs 2016 and 2015 with total book value of ₱4,308,250.00 (e) Accountant at PCC at CLSU to observe the accounting policies on loss of property; and (f) Biological Assets officers in-charge to maintain Biological Assets Property Card and to prepare and submit to Accounting Units and Office of the Auditor the Quarterly Report on Biological Assets.

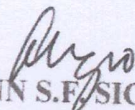
3. The PCC Head Office recorded the income from the rental of hostel rooms and other facilities amounting to ₱6,185,324.50 in the Trust Liabilities account instead of Rent Income in violation of GAM for NGAs. Moreover, expenditures incurred for the operations of the said facilities were also charged to Trust Liabilities instead to its proper expense accounts resulting in the understatement of income, expenses and accumulated surplus accounts in the amounts of ₱6,185,324.50, ₱2,111,622.09 and ₱8,047,681.52, respectively. (*Observation No. 3*)

We recommended that the Executive Director instruct the OIC, Chief of Administration and Finance Division to (a) stop the practice of using the account Trust Liabilities in recording the income, expenditures and assets of the hostel building and other facilities; (b) reclassify to proper accounts all erroneous journal entries made in the Trust Liabilities - Hostel Fund account; (c) maintain separate books of accounts, as revolving fund, for the operations of hostel building and other facilities; and (d) report the income and expenditures incurred thereon in the Financial Accountability Reports for submission to DBM and COA.

4. The PCC Head Office failed to remit to National Treasury various income collections with no specific authority or legal basis amounting to ₱32,655,259.76 in violation of Section 5 of General Provisions of FY 2016 General Appropriations Act, thus depriving the National Government of additional resources to finance other priority projects. (*Observation No. 4*)

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,


LYNN S.F. SICANGCO
Regional Director

cc: *President of the Republic of the Philippines*
Vice President of the Republic of the Philippines
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.

The 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 PCC is headed by Executive Director Arnel N. Del Barrio. He is being supported by Deputy Executive Director Felomino V. Mamuad, 12 Center Directors, and 192 rank and file employees.

The audit covered the financial transactions and operations of PCC for the year ended December 31, 2016. We conducted our audit in accordance with Philippine Public Sector Standards on Auditing and we believe that it provided a reasonable basis for the audit results. 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 agency's financial condition, results of operations and sources and application of funds for CY 2016 with comparative figures for CY 2015 are as follows:

Particulars	2016	2015	Increase/ (Decrease)
Financial Condition			
Assets	2,451,464,718.83	2,653,113,770.33	(201,649,051.50)
Liabilities	207,033,476.18	130,748,546.55	76,284,929.63
Accumulated Surplus/(deficit)	2,244,431,242.65	2,522,365,223.78	(277,933,981.13)
Results of Operations			
Income	668,238,704.93	526,382,877.69	141,855,827.24

Particulars	2016	2015	Increase/ (Decrease)
Expenses	829,115,118.40	501,512,665.01	327,602,453.39
Surplus (Deficit)	(160,876,413.47)	24,870,212.68	(185,746,626.15)
Sources and Applications of Funds			
Total Receipts	647,646,580.99	521,679,942.89	125,966,638.10
Total Payments	535,039,762.36	411,552,077.47	123,487,684.89
Net Receipts (Payments)	112,608,818.63	110,127,865.42	2,480,953.21

C. Independent Auditor's Report

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements for the year ended December 31, 2016 because significant errors were noted in the audit of accounts, among which are:

- (1) doubtful validity, accuracy and existence of the accounts Property, Plant and Equipment (PPE) amounting to ₱1,092,900,197.41 or 44.58% of the total assets of the Agency;
- (2) unreliable balance of the biological assets account amounting to ₱813,133,583.16;
- (3) failure to record income from the hostel and other facilities resulting in the understatement of income, expenses and accumulated surplus accounts in the amount of ₱6,185,324.50, ₱2,111,622.09 and ₱8,047,681.52, respectively;
- (4) erroneous entry in recording sales as liability resulting in the overstatement of liability account by ₱32,655,259.76 and understatement of accounts income and accumulated surplus amounting to ₱2,099,302.52 and ₱30,555,957.24, respectively; and
- (5) erroneous booking of costs of milk produced by buffaloes resulting in the overstatement of liability account by ₱12,873,230.00 and understatement of accounts expenses, income and accumulated surplus amounting to ₱5,759,200.00, ₱9,984,230.00 and ₱8,648,200.00 respectively.

With the above noted observations, we recommended the following:

- (1) that Management instruct the (a) Accountants and Property Officers of the identified Regional Centers continue to reconcile their records on PPE to determine the causes of the variance for its proper disposition; (b) Inventory Committee in PCC at VSU to conduct annual physical count of PPE and submit inventory reports thereof; (c) Accountants in PCC at DMMMSU, CLSU and MLPC to reclassify semi-expendable properties from PPE accounts to their proper accounts; and (d) PCC Head Office Accountant and Property Officer to book the procured machineries and equipment;

(2) that the (a) Accountants to apply consistently the revaluation of biological assets on the 12 Regional Centers; (b) for conservatism, the Accountants recognize back those transferred buffaloes meantime that there is no written agency policy on the proper accounting treatment of transferring breeding stocks to farmer-recipients; (c) Accountants and Property Officers of the identified Regional Centers to reconcile their records on biological assets in order to eliminate the variance of ₱206,179,108.04; (d) Accountants in PCC Head Office, CLSU and LCSF to book the unrecognized biological assets born during CYs 2016 and 2015 with total book value of ₱4,308,250.00 (e) Accountant at PCC at CLSU to observe the accounting policies on loss of property; and (f) Biological Assets officers in-charge to maintain Biological Assets Property Card and to prepare and submit to Accounting Units and Office of the Auditor the Quarterly Report on Biological Assets;

(3) that the Executive Director instruct the OIC, Chief of Administration and Finance Division to (a) stop the practice of using the account Trust Liabilities in recording the income, expenditures and assets of the hostel building and other facilities; (b) reclassify to proper accounts all erroneous journal entries made in the Trust Liabilities – Hostel Fund account; (c) maintain separate books of accounts, as revolving fund, for the operations of hostel building and other facilities; and (d) report the income and expenditures incurred thereon in the Financial Accountability Reports for submission to DBM and COA;

(4) that the Management (a) cause the immediate remittance to the Bureau of Treasury the amount of ₱32,655,259.76 representing the proceeds from sales of AI supplies and liquid nitrogen; and (b) to instruct the OIC, Chief of Administration and Finance Division to (i) stop the practice of using the account Trust Liabilities in recording sales; and (ii) draw journal entry to adjust the errors noted in the recording of revenue; and

(5) that the Executive Director instruct Finance Division to (a) adjust the erroneous entries made on the account Trust Liabilities – PCC Gene Pool; and (b) recognize the costs of milk (i) sold to Central Dairy Collection and Processing Facility for the months of August to December 2016; (ii) fed to calves and (iii) spoilage.

D. Summary of Other Significant Audit Observations and Recommendations

Summarized below are the other significant audit observations with their recommendations, the details of which are presented in Part II of this report. Management views and comments were incorporated in the report, where appropriate.

1. Deficient inventory management processes in PCC Head Office and PCC at CMU resulted in the difficulty in sustaining the reliability of the reported balance of supplies and materials inventory reported at ₱3,110,658.80 as at December 31, 2016. (*Observation No. 9*)

We recommended that Management instruct the (a) Inventory Team to (i) conduct the physical count of inventories at least every six months and prepare the RPCI for the inventory counted; and (ii) work with the Supply and Accounting Offices for the

reconciliation of the RPCI with the latter's records; (b) Supply Officer to maintain the required records and reports for inventories; and (c) Accounting Office to (i) observe perpetual inventory and the weighted average cost in accounting for these assets; and (ii) coordinate with the Supply Office for the regular reconciliation of inventory balances.

2. The amount of ₱13,880,783.78 or 88.15% in the Due from NGAs account of PCC Head Office representing balances of fund transferred to various Implementing Agencies (IAs) remained unliquidated despite lapsed contract. Moreover, discrepancies of ₱467,115.65 were noted between PCC books and those of the IAs, thus rendering the account balance doubtful as of year-end. (*Observation No. 10*)

We recommended that the Executive Director instruct the Finance Division to (a) require regular and prompt submission of the Report of Disbursements and related financial reports from the IAs in order to validate the use of the funds transferred in accordance with the provisions of COA Circular No. 94-013; and (b) make reconciliation with the three IAs that reported differences in the unliquidated balances and effect the necessary adjustments in the books of PCC, if any.

3. Lapses were noted in the receipt and utilization of fund transfers from other National Government Agencies (NGAs) for the implementation of various projects/programs such that (a) unexpended balances of completed projects were not remitted to the source agency or National Treasury; and (b) funds remained unutilized funds due to delayed or non-implementation of projects. (*Observation No. 13*)

In view of the foregoing, we recommended that Management instruct the (a) Finance Division to strictly comply with COA Circular No. 94-013 dated December 13, 1994 and to remit unexpended balances of completed projects to source agency or National Treasury; and (b) project leaders to observe and strictly follow the Work and Financial Plan (WFP) to ensure implementation of the project pursuant to MOA.

4. Lapses were noted in the implementation and accounting of the project regarding procurement of milking system and mini dairy processing facility with a total cost of ₱32,337,000.00 such as (a) transfer of unused balance of capital outlay from MDS account to regular current account on the last day of the validity of allotment; (b) non-recognition and exclusions in the physical inventory of the procured machineries; (c) inadequate documents to establish its accountability on said property; and (d) non-utilization of two lots mini dairy processing facilities with already indications of deterioration thus depriving its farmers cooperators/beneficiaries of opportunity for increased productivity and income while exposing to waste the said government resources. (*Observation No. 14*)

We recommended that Management (a) stop the practice of transferring funds from MDS account to other cash accounts to avoid automatic reversion of any unused cash balances; (b) recognize in the books and include in the inventory reports the procured machineries; (c) submit to the Office of the Auditor related documents supporting the property's existence and fixing accountability on the five lots mini dairy processing facility; and (d)

utilize the two lots mini dairy processing facility which had remained idle for several years.

5. The Agency was not able to adhere to some provisions in the implementation of Gender and Development program for CY 2016 such that: a) the composition of the GAD Focal Point System was not compliant with Philippine Commission on Women (PCW) Memorandum Circular No. 2011-01 dated October 21, 2011; (b) GAD Plan and Budget was not submitted for review and approval by the PCW; and (c) the actual costs/expenditures as reported in the GAD Accomplishment Report amounting to ₱24,200,000.00 or 5.14% of its total appropriation of ₱470,672,000.00 were doubtful due to failure of the GFPS to administer the Harmonized Gender and Development Guidelines to determine the extent of the actual expenditures that can be attributed to the GAD Budget. (*Observation No. 15*)

We recommended that the Executive Director as GAD Focal Point System (GFPS) Chairperson to (a) modify or reconstitute the GFPS in accordance with PCW Memorandum Circular No. 2011-01; and (b) ensure that the GFPS (i) submit the GAD Plan and Budget and Accomplishment Report to PCW for its review and approval; and (ii) use the Harmonized Gender and Development Guidelines (HGDG) in the attribution of costs of regular program/project to GAD.

6. The PCC Head Office could have earned additional interests of around ₱4,663,180.21 on bank deposits which could have been used as additional capital on their Revolving Funds had the unutilized funds of ₱114,500,000.00 out of the ₱133,054,009.11 average monthly deposit balance maintained under Current Accounts been converted to time deposit accounts which offered an interest rate higher than the Current Account. (*Observation No. 19*)

We recommended that Management consider the transfer of idle/unused balances of bank accounts from the Current Accounts to Time Deposit accounts or HYSAs to maximize the earning potential of its deposits and thus, boost the financial capacity of the Agency.

7. For CY 2016, the Buffalo Loan Program or “Paiwi Program” of the PCC National Impact Zone (NIZ) was able to provide additional income of ₱65,562,752.50 to farmers in terms of milk produced and born buffaloes. However, some inefficiencies in the program implementation were still manifested this year thus failed to maximize the benefits that could have been provided to the rural farming communities. (*Observation No. 20*).

We recommended that Management (a) instruct farmer-beneficiaries to ensure continued improvement of the existing housing facilities and forage areas of the buffaloes; (b) reassess the capability and qualifications of the farmer beneficiaries before issuing a new contract; (c) consider hiring veterinarian or assigning technical personnel as support staff in the operation of the “Paiwi Program” to facilitate delivery of technical services to the farmer-beneficiaries; and (d) continue to update Individual Animal Health Records.

E. Status of Suspensions, Disallowances and Charges and Settlements

As of December 31, 2016, suspensions, disallowances and charges had a ₱751,563.00 balance.

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

Monitoring and evaluation of Management action on the 19 recommendations contained in the CY 2015 Consolidated Annual Audit Report revealed that seven recommendations were fully implemented, nine were partially implemented and the remaining three were unimplemented.