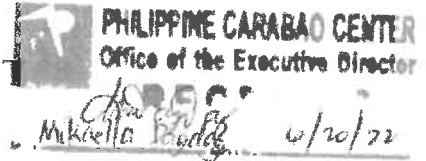




REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
REGIONAL OFFICE NO. III  
City of San Fernando, Pampanga



May 31, 2022

**Dr. Ronnie D. Domingo**  
OIC - Executive Director  
Philippine Carabao Center

Dear **Director Domingo**:

We are pleased to transmit the Consolidated Annual Audit Report on the audit of the Philippine Carabao Center (PCC) for the Calendar Year 2021 in compliance with Section 43 of the Government Auditing Code of the Philippines (P.D. 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 International Standards of Supreme Audit Institutions 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.

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

1. The reported balance of the Receivables account with a carrying amount of ₱94,079,515.45 was not fairly presented in the year-end financial statements due to (a) unrecognized receivables totaling ₱24,802,735.06 from sales made on account by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Central Luzon State University (CLSU) and Visayas State University (VSU); (b) failure to set up receivables totaling ₱1,008,118.75 due from the accountable officers (AOs) concerned at the PCC at University of the Philippines- Los Baños (UPLB) and Central Mindanao University (CMU) on account of dead animals subject of requests for relief from property accountability; (c) inclusion of dormant accounts totaling ₱1,688,925.61 as reported by the PCC at Cagayan State University (CSU); and (d) non-provision of Allowance for Impairment on receivables totaling ₱1,089,869.07 by the PCC at Mindanao Livestock Production Center (MLPC), inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and COA Circular No. 2016-005 dated December 19, 2016. **(Observation No. 1)**

We recommended that the OIC-Executive Director instruct the:

- (a) Accounting Unit of PCC at NHGP, CLSU and VSU to (i) prepare and submit the Schedule of Accounts Receivable (SAR); (ii) strictly comply with the accrual basis of accounting on the recognition of financial transactions in the books of accounts; (iii) exert more effort in the collection of long outstanding accounts; (iv) continue to issue demand letters to the individual debtors on a regular basis; and (v) effect the necessary adjustments in the books, as warranted;
- (b) Center Director of PCC at MLPC to direct the the Accounting Unit to (i) assess the collectability of the Other Receivables account and provide the necessary Allowance for Impairment Loss based on the assessment made; (ii) provide documents to support the claim of incorrect recording of credit collection as sales; and (iii) intensify collection efforts and send demand letters to debtors on a regular basis;
- (c) Center Director of PCC at UPLB and CMU to (i) direct the accountable officers (AOs) concerned to (1) file for relief from property accountability duly supported with complete documentations; and (2) submit to the Bookkeeper/Accountant the requisite documents supporting the loss, thru death of animals; and (ii) instruct the Bookkeeper/Accountant to recognize in the books of accounts the amount of liability of each particular AO equivalent to the value of deceased animals; and
- (d) Center Director of PCC at CSU to initiate efforts in requesting for authority from the COA to write-off dormant receivables that are deemed uncollectible after all remedies have been exhausted, pursuant to COA Circular No. 2016-005 dated December 19, 2016.

2. Deficiencies were noted on the accounting and management of Biological Assets of the PCC Regional Centers such as (a) unrecognized gains on initial recognition of harvested milk and meat totaling ₱3,889,153.20 by the PCC-CLSU and calf drops totaling ₱151,000.00 by the PCC at Don Mariano Marcos Memorial State University (DMMMSU); (b) inconsistent application of the policy on the valuation of biological assets resulting to understatement of Assets and Accumulated Surplus/(Deficit) accounts by ₱472,700.00; (c) unreconciled variance of ₱1.04 million between the Accounting and Property records as reported by the PCC at CMU and VSU; (d) unsubstantiated derecognition of sold, transferred and dead animals totaling ₱13,588,237.50 as reported by the PCC at UPLB, VSU and CLSU; and (e) non-preparation of Quarterly Report on Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC) by the PCC at CMU, DMMMSU and Mariano Marcos State University (MMSU), inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. (**Observation No. 2**)

We recommended that the OIC-Executive Director undertake the following courses of action:

- (a) instruct the Accounting Unit of (i) PCC-CLSU to (1) consistently apply the valuation policy established on Biological Assets; (2) secure the Carabeef Meat Processing and Dairy Production Reports as basis for the recognition of Gain on Initial Recognition of Agricultural Produce account; (3) draw the necessary adjustments in the books to correct the undervaluation of the animals; (ii) PCC-DMMMSU to regularly monitor the recording of the amount of PCC shares in the calf drops under the Paiwi Scheme;
- (b) advise the Property Officer or the accountable officers concerned of the PCC at CLSU, UPLB and VSU to submit to the Bookkeeper/ Accountant the requisite documents to support the sale, transfer, dispersal and death of identified breeding stocks to justify the derecognition from the books of accounts;
- (c) direct the Property and Accounting Units of PCC at CMU and VSU to reconcile their records on a periodic basis to come up with accurate data for recognition in the books of accounts; and
- (d) advise the Property Unit of PCC at CMU, DMMMSU and MMSU to regularly update the Biological Assets Property Card (BAPC) and prepare and submit the required Quarterly Report of Biological Assets (QRBA).

3. Deficiencies were noted on the accounting and management of Property, Plant and Equipment (PPE) accounts of the PCC Regional Centers at NHGP, CLSU, CMU, MLPC, and UPLB with carrying amount totaling ₱873,738,579.48 as of December 31, 2021, such as (a) unrecognized equipment and other structures valued at ₱1,748,635.00; (b) under-depreciation of some PPE items by ₱1,751,235.45; (c) unreconciled variance of ₱5,159,326.04 between the General Ledger (GL) controlling account balance and the Report on the Physical Count of PPE (RPCPPE); (d) non-derecognition of 12 units of donated PPE items totaling ₱244,788.85; (e) unsubstantiated derecognition of some PPE items totaling ₱1,825,834.45; (f) non-disposal of unserviceable properties valued at ₱1,544,927.66, exposing the same to further deterioration; and (g) non-adoption of uniform property identification system, which is not in harmony with the standards called for under certain provisions of Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and COA Circular No. 2020-006 dated January 31, 2020. (*Observation No. 3*)

We recommended that the OIC-Executive Director undertake the following courses of action:

- (a) Direct the Accounting Unit of the PCC at NHGP, CLSU and MLPC to (i) revisit the Schedule of PPEs to ensure the accuracy of recognized costs and depreciation for each PPE item; and (2) draw the necessary adjusting entries in the books of accounts;
- (b) Instruct the Property Unit and Disposal Committee of the PCC at NHGP, CLSU, MLPC and UPLB to (i) expedite the request for the timely disposal of unserviceable PPE items to prevent further loss and deterioration of the same; (ii) prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) for the said

unserviceable properties carried in the PPE accounts and submit the same together with necessary supporting documents for review and verification of the Audit Team; and (iii) update the Inventory Tag or Property Numbers based on the prescribed format under Section 5 of COA Circular No. 2020-006 dated January 31, 2020; and

- (c) Advise the Accounting and Property Units of the PCC at NHGP, CLSU and CMU to conduct regular reconciliation of the balances of PPE per GL Controlling accounts with their respective subsidiary records.

4. At least 170 coconut farmers benefited from the distribution of agricultural interventions amounting to ₱27,239,098.29 due to the implementation of the Coconut Carabao Development Project (CCDP) in six Regional Centers of the PCC. Nonetheless, deficiencies were noted, such as (a) delayed delivery of 204 heads of female crossbred buffaloes totaling ₱12,240,000.00; and (b) non-compliance with the Technical Specifications of buffaloes as observed in 20 heads valued at ₱1,199,600.00 which did not pass the minimum weight requirement and absence of Veterinary Inspection Report on ten heads amounting to ₱599,800.00, inconsistent with the project implementing guidelines, compromising the desired benefits accruing to the coconut farmer-beneficiaries. (*Observation No. 20*)

We recommended that the OIC-Executive Director undertake the following courses of action:

- (a) Advise the Project Leader to discuss among the Center Directors concerned the need to (i) conduct validation on the reasons cited by a supplier before granting each request for contract time extension to ensure that these extensions are based on meritorious grounds; (ii) strengthen control points in the selection and inspection of animals to ensure conformance with the technical specifications before acceptance of the same; and (iii) enforce appropriate sanctions provided under Republic Act (R.A.) No. 9184 in case of defaulting suppliers or did not meet the minimum requirements as stated under the Technical Specifications of the Contract;
- (b) Direct the CCDP National Coordinator to enjoin regular coordination with the respective project coordinators of the PCC Regional Centers concerned to keep track of the status of delivery of buffaloes; and
- (c) Instruct the Accountant of PCC-NHGP to review the completeness and accuracy of the supporting documents attached to the disbursement vouchers to ensure the validity of payments to suppliers under the Contract.

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 of Implementation (AAPSI)** form, to be submitted to the Audit Team within 60 days from receipt of this report, pursuant to Section 91 of the General Provisions of the General Appropriations Act for Fiscal Year 2021.



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,

  
**OMAR S. ROQUE**  
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  
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**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, 2021**

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## Executive Summary

### A. Introduction

The Philippine Carabao Center (PCC) is one of the attached agencies of the Department of Agriculture (DA), created by virtue of the Republic Act (R.A.) 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. Likewise, the PCC is the national lead agency for livestock biotechnology research and development in the DA per Administrative Order (A.O.) No. 9, series of 2008.

The PCC is headed by OIC, Executive Director Ronnie D. Domingo. He is being supported by Deputy Executive Director for Administration and Finance, Caro B. Salces, OIC, Deputy Executive Director for Production and Research, Claro N. Mingala, 12 Center Directors, and 179 rank and file employees.

### B. Financial Highlights

The Agency's financial condition, results of operations and sources and application of funds of the PCC for calendar years 2020 and 2021 are as follows:

| Particulars   | 2021                    | 2020                    | Increase/<br>(Decrease) | %               |
|---|-------------------------|-------------------------|-------------------------|-----------------|
| <b>Financial Condition</b>                                |                         |                         |                         |                 |
| Total Assets  | ₱2,420,674,314.74       | ₱2,038,409,093.30       | ₱382,265,221.44         | 18.75%          |
| Total Liabilities   | 827,811,731.63          | 398,097,770.61          | 429,713,961.02          | 107.94%         |
| <b>Total Net Assets/<br/>Equity</b>                       | <b>1,592,862,583.11</b> | <b>1,640,311,322.69</b> | <b>(47,448,739.58)</b>  | <b>(2.89%)</b>  |
| <b>Results of Operations</b>                              |                         |                         |                         |                 |
| Total Revenue and Net<br>Financial Assistance/<br>Subsidy | 751,849,622.54          | 557,931,737.79          | 193,917,884.75          | 34.76%          |
| Total Expenses  | 785,308,742.66          | 671,285,125.68          | 114,023,616.98          | 16.99%          |
| <b>Surplus (Deficit) for<br/>the period</b>               | <b>(33,459,120.12)</b>  | <b>(113,353,387.89)</b> | <b>79,894,267.77</b>    | <b>(70.48%)</b> |

### **C. Scope of Audit**

The audit covered the financial transactions and operations of the PCC for the year ended December 31, 2021. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. The thrust areas identified in the audit instructions were audited on a sampling basis and the findings are incorporated in Part II of the report, as follows:

#### **1. Financial Audit**

- a. Cash and Cash Equivalents
- b. Receivables
- c. Inventories
- d. Property, Plant and Equipment
- e. Biological Assets
- f. Other Non-Current Assets
- g. Payables
- h. Inter-Agency Payables
- i. Revenues
- j. Expenses

#### **2. Compliance Audit**

- a. Enforcement of timely submission of accounts and reports;
- b. Enforcement of Rules and Regulations on the Grant, Utilization and Liquidation of Cash Advances;
- c. Compliance with R.A. No. 9184;
- d. Compliance with BIR Rules and Regulations;
- e. Compliance with R.A. No. 8291 (GSIS);
- f. Compliance with R.A. No. 9679 (Pag-IBIG Fund Law);
- g. Gender and Development (GAD);
- h. Milk Feeding Program;
- i. Implementation of the Establishment of Province-Wide Carabao-Based Business Improvement Network (CBIN) Project; and
- j. Implementation of the Coconut-Carabao Development Project (CCDP)

### **D. Independent Auditor's Report**

We rendered a qualified opinion on the fairness of presentation of the financial statements of the PCC as of December 31, 2021 owing to the accounting errors and lapses which affected the reliability of the Receivables accounts with a carrying amount of

₱94,079,515.45, itemized as follows: (a) unrecognized receivables totaling ₱24,802,735.06 from sales made on account by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Central Luzon State University (CLSU) and Visayas State University (VSU); and (b) failure to set up receivables totaling ₱1,008,118.75 from the accountable officers (AOs) concerned at the PCC at University of the Philippines –Los Baños (UPLB) and Central Mindanao University (CMU) on account of dead animals subject of requests for relief from property accountability.

In view of the foregoing, we recommended and the OIC-Executive Director agreed to undertake the following courses of action:

- (a) instruct the Accounting Unit of the PCC at NHGP, CLSU and VSU to (i) strictly comply with the accrual basis of accounting on the recognition of financial transactions in the books of accounts; (ii) exert more effort in the collection of long outstanding accounts; (iii) continue to issue demand letters to the individual debtors on a regular basis; and (iv) effect the necessary adjustments in the books, as warranted; and
- (b) advise the Center Director of PCC at UPLB and CMU to (i) direct the accountable officers (AOs) concerned to (1) file for relief from property accountability duly supported with complete documentations; and (2) submit to the Bookkeeper/Accountant the requisite documents supporting the loss, thru death of animals; and (ii) instruct the Bookkeeper/Accountant to recognize in the books of accounts the amount of liability of each particular AO equivalent to the value of deceased animals.

#### **E. 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. The reported balances of the Cash and Cash Equivalents account of the PCC at VSU and UPLB were not fairly presented in the year-end financial statements due to (a) accumulation of unrecognized reconciling items in the Bank Reconciliation Statements (BRS) resulting in a net overstatement of the Cash in Bank account by ₱1,371,017.41; (b) unadjusted stale checks totaling ₱261,677.03 and (c) unsupported/undocumented book reconciling items in the BRS totaling ₱738,197.38, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. (*Audit Observation No. 4*)

We recommended and the OIC-Executive Director agreed to instruct the Center Director of:

- (a) The PCC at VSU to direct the Bookkeeper to: (i) record/adjust immediately the reconciling items found valid to ensure correctness of the Cash in Bank (CIB), Local Currency, Current Account (LCCA); (ii) investigate the unsupported/undocumented reconciling items to determine their validity so that the necessary adjustments/corrections could be made; (iii) coordinate with the VSU Cashier for the year-end submission of the Schedule of Unreleased Checks which serves as basis for their restoration to the cash accounts; and (iv) henceforth, resolve the reconciling items and immediately draw the necessary adjusting entries to correct the Cash in Bank balances. Bank errors, if any, should likewise be immediately reconciled with the bank; and
- (b) The PCC at UPLB to advise the Bookkeeper to: (i) secure and verify from the UPLB Accountant the pertinent documents for the reconciling items of ₱342,390.00 as basis for recording in the books of accounts; and (ii) draw necessary adjusting entries for all reconciling items including stale checks duly supported with adequate documentation to adjust the balance of Cash in Bank and other affected accounts in the books.

2. Deficiencies in Inventory Management were observed during the validation of the Report on the Physical Count of Inventories (RPCI) of the PCC at NHGP, MLPC and VSU as of December 31, 2021, such as (a) unreconciled variances of ₱6,250,846.54 noted between the Accounting records and the RPCI; (b) non-recognition of milk products as Finished Goods Inventory totaling ₱202,239.00; and (c) non-observance of the Perpetual Inventory Method in the recognition of some inventories, inconsistent with the related provisions under the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volumes I and II and the cardinal principles of internal control. **(Observation No. 5)**

We recommended and the OIC-Executive Director agreed to direct the Center Directors concerned to undertake the following courses of action:

- (a) instruct the (i) Chief of Administrative and Financial Management Division (AFMD) of PCC-NHGP to identify the accountable officer(s) for each Division/Unit which may require proper designation clearly specifying their respective duties and responsibilities similar to a Property Custodian; and (ii) Inventory Committee to properly plan the execution of a complete physical inventory-taking of supplies and materials for the succeeding semesters;
- (b) Direct the (i) Accounting and Property Units of the PCC at NHGP and VSU to reconcile the balances of their respective records on a periodic basis; and (ii) Accounting Unit to take up the necessary adjustments in the books as noted from the reconciliation performed; and
- (c) Advise the Accounting Unit of PCC-MLPC to (i) see to it that purchases for supplies and materials out of fund transfers shall be accounted under the Perpetual Inventory Method; and (ii) prepare the appropriate adjusting entries to reflect the unrecognized inventories.

3. The unexpended fund balances for 19 completed projects totaling ₱4,676,601.45 were not remitted to the respective Source Agencies (SAs) contrary to Section 63(g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, and the related Memorandum of Agreement (MOA) entered into by and between the PCC-NHGP and the SAs. Moreover, the source of funds received in CY 2021 amounting to ₱2,984,520.00 has yet to be identified, causing uncertainty in the execution of the project. **(Observation No. 7)**

We recommended and the OIC-Executive Director agreed to instruct the Administrative and the Financial Management Division of the PCC-NHGP to (a) strictly comply with Section 63 (g) of the GAM for NGAs, Volume I, and the terms and conditions of the MOA; (b) expedite the (i) updating and reconciliation of Accounting and Budget records to facilitate the preparation of liquidation reports; (ii) coordinate with the concerned Project Leaders for the submission of Project Terminal Reports; (iii) properly indicate the name of source agency on the Subsidiary Ledger of the project identified as “Others”; and (iv) immediately remit the unexpended fund balances of completed projects to Source Agencies (SAs).

4. The dispersal of 192 heads of female crossbred buffaloes produced thirty heads of calves and generated 7,885.64 liters of raw milk which translated to at least ₱622,064.00 additional income to farmer-beneficiaries of the Carabao-Based Business Improvement Network (CBIN) project of the PCC in three provinces of Region III. Nevertheless, concerns in the implementation of the project were noted such as (a) existence of hard breeders and mortalities; (b) non-compliance with some obligations by the parties under the Dispersal Agreement; and (c) deficiencies in supporting documents which may pose threats on the sustainability of the project and the enjoyment of optimum benefits by the beneficiaries thereof. **(Observation No. 19)**

We recommended and the OIC-Executive Director agreed to advise the PCC-CLSU Center Director to undertake the following courses of action:

(a) Instruct the CBIN Project Coordinator to:

- (i) initiate discussions among the concerned Agency officials and stakeholders in order to come up with viable solutions or remedies to minimize the incidence of hard breeders or downers among the animals for distribution;
- (ii) enjoin compliance by the Cooperatives with their obligations under the Dairy Buffalo Dispersal Agreement (DBDA) to avoid conditions which would warrant the repossession of the dispersed buffaloes and termination of the Agreement;
- (iii) urge project staff to strengthen its monitoring controls in the field to timely address the various concerns of Cooperatives and farmer-beneficiaries; and
- (iv) make representations with the concerned agency officials to put in writing the amendments to the DBDA to make it valid and binding among the parties; and



- (b) Advise the Chief of Administrative and Financial Management Division to direct the Accounting Unit and other concerned Units to:
  - (i) conduct thorough review of the supporting documents to ensure that these are valid, complete, consistent and properly filled out; and
  - (ii) continuously comply with relevant accounting rules and regulations on the proper utilization of the project funds.

5. At least 170 coconut farmers benefited from the distribution of agricultural interventions amounting to ₱27,239,098.29 due to the implementation of the Coconut Carabao Development Project (CCDP) in six Regional Centers of the PCC. Nonetheless, deficiencies were noted, such as (a) delayed delivery of 204 heads of female crossbred buffaloes totaling ₱12,240,000.00; and (b) non-compliance with the Technical Specifications of buffaloes as observed in 20 heads valued at ₱1,199,600.00 which did not pass the minimum weight requirement and absence of Veterinary Inspection Report on ten heads amounting to ₱599,800.00, inconsistent with the project implementing guidelines, compromising the desired benefits accruing to the coconut farmer-beneficiaries. ***(Observation No. 20)***

We recommended and the OIC-Executive Director agreed to undertake the following courses of action:

- (a) Advise the Project Leader to discuss among the Center Directors concerned the need to
  - (i) conduct validation on the reasons cited by a supplier before granting each request for contract time extension to ensure that these extensions are based on meritorious grounds; (ii) strengthen control points in the selection and inspection of animals to ensure conformance with the technical specifications before acceptance of the same; and (iii) enforce appropriate sanctions provided under Republic Act (R.A.) No. 9184 in case of defaulting suppliers or did not meet the minimum requirements as stated under the Technical Specifications of the Contract;
- (b) Direct the CCDP National Coordinator to enjoin regular coordination with the respective project coordinators of the PCC Regional Centers concerned to keep track of the status of delivery of buffaloes; and
- (c) Instruct the Accountant of PCC-NHGP to review the completeness and accuracy of the supporting documents attached to the disbursement vouchers to ensure the validity of payments to suppliers under the Contract.

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 recommendations not yet or partially acted upon and included in Part III of the report, were discussed with the officials and staff of the Philippine Carabao Center.

**F. Status of Suspensions, Disallowances and Charges and Settlements**

The PCC-NHGP and six Regional Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2021. However, the Regional Centers at the CMU, LCSF and MLPC had outstanding suspensions of ₱13,735,846.07 and audit disallowances of ₱106,418.94 as reflected in the submitted Management Letters (MLs).

**G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations**

Of the 68 recommendations contained in the CY 2020 Consolidated Annual Audit Report (CAAR), 46 recommendations were fully implemented, 20 were partially implemented and the remaining two were not implemented.

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**PART I – AUDITED FINANCIAL STATEMENTS**



REPUBLIC OF THE PHILIPPINES  
**COMMISSION ON AUDIT**  
**REGIONAL OFFICE NO. III**  
City of San Fernando, Pampanga

**INDEPENDENT AUDITOR'S REPORT**

**The Executive Director**  
Philippine Carabao Center  
Science City of Muñoz, Nueva Ecija

**Qualified Opinion**

We have audited the financial statements of the Philippine Carabao Center, which comprise the Statement of Financial Position as of December 31, 2021, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis of Qualified Opinion* section of our report, the accompanying financial statements present fairly in all material respects, the financial position of the Philippine Carabao Center as of December 31, 2021, and its financial performance, its cash flows, and its statement of comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards.

**Basis for Qualified Opinion**

As discussed in Part II of this Report, a qualified opinion on the fairness of presentation of the financial statements was rendered attributed to the (a) unrecognized receivables totaling ₱24,802,735.06 from sales made on account by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Central Luzon State University (CLSU) and Visayas State University (VSU); and (b) failure to set up receivables totaling ₱1,008,118.75 due from accountable officers (AOs) concerned at the PCC at University of the Philippines- Los Baños (UPLB) and Central Mindanao University (CMU) on account of dead animals subject of requests for relief from property accountability, which was inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.

We conducted our audit 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 agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

### **Key Audit Matters**

Except for the matters described in the Basis for Qualified Opinion section, we have determined that there are no other key audit matters to communicate in our report.

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.


Those charged with governance are responsible for overseeing the Agency's financial reporting process.

### **Auditor's Responsibilities for the Audit of Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, 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.

### **COMMISSION ON AUDIT**

By:

  
**MIRASOL B. LIWANAG**  
Supervising Auditor  
May 20, 2022




Department of Agriculture  
**PHILIPPINE CARABAO CENTER**  
CERTIFIED ISO 9001 | ISO 14001 | CHSAS 18001

## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of **PHILIPPINE CARABAO CENTER** is responsible for all information and representations contained in the accompanying Consolidated Statement of Financial Position as at December 31, 2021 and the related Consolidated Statement of Financial Performance, Statement of Cash Flows, Statement of Comparison of Budget and Actual Amounts, Statement of Changes in Net Assets/Equity and the Notes to Financial Statements for the year then ended. The financial statements have been **prepared in conformity with the International Public Sector Accounting Standards** and generally accepted state accounting principles, and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

  
**CHERRY PEARL C. RIVERA**  
Accountant III  
Date: Feb. 14, 2022

  
**DR. RONNIE D. DOMINGO**  
OIC, Executive Director  
Date: Feb. 14, 2022

*A food-secure Philippines*  
with prosperous farmers and fisherfolk



Philippine Carabao Center  
**Consolidated Statement of Financial Position**  
All Funds  
As at December 31, 2021  
*(With Comparative Figures for CY 2020)*

|  | <i>Notes</i> | <b>2021</b>               | <b>2020</b>               |
|--|--------------|---------------------------|---------------------------|
| <b>ASSETS</b>                              | <i>2,3,4</i> |                           |                           |
| <b>Current Assets</b>                      |              |                           |                           |
| Cash and Cash Equivalents                  | <i>5</i>     | ₱ 1,064,723,388.12        | ₱ 708,552,556.63          |
| Receivables                                | <i>6</i>     | 94,079,515.45             | 101,136,733.28            |
| Inventories                                | <i>7</i>     | 22,367,565.35             | 21,277,998.64             |
| Other Assets                               | <i>11</i>    | 4,241,758.61              | 5,096,139.82              |
| <b>Total Current Assets</b>                |              | <b>1,185,412,227.53</b>   | <b>836,063,428.37</b>     |
| <b>Non-Current Assets</b>                  |              |                           |                           |
| Property, Plant and Equipment, Net         | <i>8</i>     | 1,097,947,858.89          | 1,071,079,661.69          |
| Intangible Assets, Net                     | <i>9</i>     | 5,765,932.48              | 4,578,812.68              |
| Biological Assets                          | <i>10</i>    | 130,795,779.50            | 124,330,620.00            |
| Other Assets                               | <i>11</i>    | 752,516.34                | 2,356,570.56              |
| <b>Total Non-Current Assets</b>            |              | <b>1,235,262,087.21</b>   | <b>1,202,345,664.93</b>   |
| <b>Total Assets</b>                        |              | <b>2,420,674,314.74</b>   | <b>2,038,409,093.30</b>   |
| <b>LIABILITIES</b>                         | <i>2,3,4</i> |                           |                           |
| <b>Current Liabilities</b>                 |              |                           |                           |
| Financial Liabilities                      | <i>12</i>    | 98,411,708.95             | 52,713,026.05             |
| Inter-Agency Payables                      | <i>13</i>    | 615,845,537.22            | 228,892,708.95            |
| Trust Liabilities                          | <i>14</i>    | 9,160,269.35              | 6,119,570.24              |
| Deferred Credits/Unearned Income           | <i>16</i>    | 2,390,148.57              | 0.00                      |
| Other Payables                             | <i>15</i>    | 4,817,558.92              | 5,684,027.78              |
| <b>Total Current Liabilities</b>           |              | <b>730,625,223.01</b>     | <b>293,409,333.02</b>     |
| <b>Non-Current Liabilities</b>             |              |                           |                           |
| Trust Liabilities                          | <i>14</i>    | 6,140,743.94              | 6,703,398.03              |
| Deferred Credits/Unearned Income           | <i>16</i>    | 91,045,764.68             | 97,985,039.56             |
| <b>Total Non-Current Liabilities</b>       |              | <b>97,186,508.62</b>      | <b>104,688,437.59</b>     |
| <b>Total Liabilities</b>                   |              | <b>827,811,731.63</b>     | <b>398,097,770.61</b>     |
| <b>Total Assets Less Total Liabilities</b> |              | <b>₱ 1,592,862,583.11</b> | <b>₱ 1,640,311,322.69</b> |
| <b>NET ASSETS/EQUITY</b>                   |              |                           |                           |
| Accumulated Surplus/(Deficit)              |              | 1,592,862,583.11          | 1,640,311,322.69          |
| <b>TOTAL NET ASSETS/EQUITY</b>             |              | <b>₱ 1,592,862,583.11</b> | <b>₱ 1,640,311,322.69</b> |

*This statement should be read in conjunction with the accompanying notes.*



Philippine Carabao Center  
**Consolidated Statement of Financial Performance**  
All Funds  
For the Year Ended December 31, 2021  
*(With Comparative Figures for CY 2020)*

|  | <i>Notes</i> | <b>2021</b>              | <b>2020</b>               |
|--|--------------|--------------------------|---------------------------|
| <b>Revenue</b>                                   | <i>2,3</i>   |                          |                           |
| Service and Business Income                      | <i>17</i>    | ₱ 154,174,848.72         | ₱ 111,548,179.75          |
| Gains  | <i>18</i>    | 46,545,959.29            | 37,471,355.26             |
| <b>Total Revenue</b>                             |              | <b>200,720,808.01</b>    | <b>149,019,535.01</b>     |
| <b>Less: Current Operating Expenses</b>          | <i>2,3</i>   |                          |                           |
| Personnel Services                               | <i>19</i>    | 152,541,709.72           | 146,001,975.30            |
| Maintenance and Other Operating Expenses         | <i>20</i>    | 537,674,065.06           | 413,175,738.65            |
| Financial Expenses                               | <i>21</i>    | 2,463.90                 | 52,300.00                 |
| Non-Cash Expenses                                | <i>22</i>    | 91,027,597.34            | 104,040,475.27            |
| <b>Total Current Operating Expenses</b>          |              | <b>781,245,836.02</b>    | <b>663,270,489.22</b>     |
| <b>Surplus/(Deficit) from Current Operations</b> |              | <b>(580,525,028.01)</b>  | <b>(514,250,954.21)</b>   |
| Net Financial Assistance/Subsidy                 | <i>23</i>    | 551,128,814.53           | 408,912,202.78            |
| Losses   | <i>24</i>    | (4,062,906.64)           | (8,014,636.46)            |
| <b>Surplus/(Deficit) for the period</b>          |              | <b>₱ (33,459,120.12)</b> | <b>₱ (113,353,387.89)</b> |

*This statement should be read in conjunction with the accompanying notes.*

Philippine Carabao Center  
**Consolidated Statement of Changes in Net Assets/Equity**  
All Funds  
For the Year Ended December 31, 2021  
*(With Comparative Figures for CY 2020)*

|  | <i>Note</i> | <b>2021</b>               | <b>2020</b>               |
|--|-------------|---------------------------|---------------------------|
| Balance at January 1   | <i>2,3</i>  | ₱ 1,640,311,322.69        | ₱ 1,772,575,122.29        |
| Add/(Deduct):  |             |                           |                           |
| Changes in accounting policy                                       | <i>4</i>    |                           |                           |
| Prior period errors  |             | 0.00                      | (16,620,454.07)           |
| <b>Restated balance</b>  |             | <b>1,640,311,322.69</b>   | <b>1,755,954,668.22</b>   |
| <b>Add (Deduct):</b>   |             |                           |                           |
| <b>Changes in Net Assets/Equity for the Calendar Year</b>          |             |                           |                           |
| Surplus/(Deficit) for the period                                   |             | (33,459,120.12)           | (113,353,387.89)          |
| Adjustment of net revenue recognized directly in net assets/equity |             | (11,953,094.59)           | (2,289,957.64)            |
| <b>Others</b>  |             | (2,036,524.87)            | 0.00                      |
| <b>Balance at December 31</b>                                      |             | <b>₱ 1,592,862,583.11</b> | <b>₱ 1,640,311,322.69</b> |

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*This statement should be read in conjunction with the accompanying notes.*

Philippine Carabao Center  
**Consolidated Statement of Cash Flows**  
All Funds  
For the Year Ended December 31, 2021  
*(With Comparative Figures for CY 2020)*

|   | <i>Note</i> | <b>2021</b>               | <b>2020</b>             |
|---|-------------|---------------------------|-------------------------|
| <b>Cash Flows from Operating Activities</b>                               | 2,3         |                           |                         |
| <b>Cash Inflows</b>   |             |                           |                         |
| Receipt of Notice of Cash Allocation(NCA)                                 | P           | 604,198,475.87            | P 447,798,910.55        |
| Collection of Income/Revenues   |             | 153,204,361.87            | 110,806,703.34          |
| Receipt of Inter-Agency Fund Transfers                                    |             | 1,239,105,601.43          | 284,579,763.71          |
| Trust Receipts  |             | 1,946,893.99              | 1,470,986.51            |
| Other Receipts  |             | 1,509,757.50              | 125,941.71              |
| Adjustments   |             | 0.00                      | 0.00                    |
| <b>Total Cash Inflows</b>   |             | <b>1,999,965,090.66</b>   | <b>844,782,305.82</b>   |
| <b>Cash Outflows</b>  |             |                           |                         |
| Remittance to National Treasury   |             | 11,192,429.40             | 2,289,957.64            |
| Payment of Inventories  |             | 91,460,200.45             | 64,070,725.88           |
| Payment for Expenses  |             | 465,653,854.28            | 394,954,682.28          |
| Purchase of Consumable Biological Assets                                  |             | 67,849,164.29             | 26,479,937.25           |
| Grant of Cash Advances  |             | 567,228.39                | 588,307.66              |
| Payment for Prepayments   |             | 3,323,085.87              | 3,259,308.13            |
| Payment of Accounts Payable   |             | 79,048,545.37             | 41,380,357.50           |
| Remittance of Personnel Benefit Contributions<br>and Mandatory Deductions |             | 74,006,937.93             | 46,347,201.52           |
| Release of Inter-Agency Fund Transfers                                    |             | 4,156.05                  | 214,111.68              |
| Other Disbursements   |             | 763,825,366.67            | 84,483,385.50           |
| Reversal of Unutilized NCA  |             | 0.00                      | 443,847.74              |
| Adjustments   |             | 0.00                      | 0.00                    |
| <b>Total Cash Outflows</b>  |             | <b>1,556,930,968.70</b>   | <b>664,511,822.78</b>   |
| <b>Net Cash Provided by Operating Activities</b>                          |             | <b>443,034,121.96</b>     | <b>180,270,483.04</b>   |
| <b>Cash Flows from Investing Activities</b>                               |             |                           |                         |
| <b>Cash Outflows</b>  |             |                           |                         |
| Purchase/Construction of Property, Plant<br>and Equipment                 |             | (85,739,766.38)           | (45,513,799.12)         |
| Purchase of Intangible Assets   |             | (1,123,524.09)            | 0.00                    |
| <b>Total Cash Outflows</b>  |             | <b>(86,863,290.47)</b>    | <b>(45,513,799.12)</b>  |
| <b>Net Cash Used in Investing Activities</b>                              |             | <b>(86,863,290.47)</b>    | <b>(45,513,799.12)</b>  |
| <b>Increase in Cash and Cash Equivalents</b>                              |             | <b>356,170,831.49</b>     | <b>134,756,683.92</b>   |
| <b>Cash and Cash Equivalents, January 1</b>                               | 5           | <b>708,552,556.63</b>     | <b>573,795,872.71</b>   |
| <b>Cash and Cash Equivalents, December 31</b>                             | 5           | <b>P 1,064,723,388.12</b> | <b>P 708,552,556.63</b> |

*This statement should be read in conjunction with the accompanying notes.*

Philippine Carabao Center  
**Statement of Comparison of Budget and Actual Amounts**  
All Funds  
For the Year Ended December 31, 2021

| Particulars                                 | Note | Budgeted Amounts         |                          | Actual Amounts<br>on Comparable<br>Basis | Difference, Final<br>Budget and Actual |
|---|------|--------------------------|--------------------------|--|--|
|   |      | Original                 | Final                    |  |  |
|   | 2,3  |                          |                          |  |  |
| <b>RECEIPTS</b>                             |      |                          |                          |  |  |
| Others                                      | 3.7  | ₱ 1,410,000.00           | ₱ 1,410,000.00           | ₱ 1,839,685.88                           | ₱ (429,685.88)                         |
| <b>Total Receipts</b>                       |      | <b>1,410,000.00</b>      | <b>1,410,000.00</b>      | <b>1,839,685.88</b>                      | <b>(429,685.88)</b>                    |
| <b>PAYMENTS</b>                             |      |                          |                          |  |  |
| Personnel Services                          | 3.7  | 128,655,000.00           | 151,803,564.80           | 146,150,122.40                           | 5,653,442.40                           |
| Maintenance and Other<br>Operating Expenses | 3.7  | 411,823,296.17           | 424,074,374.67           | 337,798,896.05                           | 86,275,478.62                          |
| Financial Expenses                          | 3.7  | 50,000.00                | 85,700.00                | 2,463.90                                 | 83,236.10                              |
| Capital Outlay                              | 3.7  | 85,128,380.00            | 160,919,000.00           | 83,692,308.77                            | 77,226,691.23                          |
| <b>Total Payments</b>                       |      | <b>625,656,676.17</b>    | <b>736,882,639.47</b>    | <b>567,643,791.12</b>                    | <b>169,238,848.35</b>                  |
| <b>NET RECEIPTS/(PAYMENTS)</b>              |      | <b>(₱624,246,676.17)</b> | <b>(₱735,472,639.47)</b> | <b>(₱565,804,105.24)</b>                 | <b>(₱169,668,534.23)</b>               |

*This statement should be read in conjunction with the accompanying notes.*

Philippine Carabao Center  
**Notes to Consolidated Financial Statements**  
All Funds  
For the year ended December 31, 2021  
*(With Comparative Figures for CY 2020)*

**1. General Information/Agency Profile**

The consolidated financial statements of the Philippine Carabao Center (PCC) for the year ended 31 December 2021 were authorized for issue on February 14, 2022 as shown in the Statement of Management Responsibility for Financial Statements signed by Dr. Ronnie N. Domingo, the Officer-in-Charge (OIC)- Executive Director of the PCC.

The PCC, an attached agency of the Department of Agriculture, was created by virtue of the Republic Act (R.A.) No. 7307, otherwise known as the Philippine Carabao Act, in 1992. PCC became operational in 1993 and the Carabao Development Program was then institutionalized. The Agency's registered office is located in the Science City of Muñoz, Nueva Ecija, Philippines.

The PCC is mandated to conserve, propagate and promote the carabao as a source of draft animal power, meat, milk and hide to benefit the rural farmers, particularly smallholder farmers and CARP beneficiaries.

**Vision.** To become a premier research and development institution propelling sustainable growth of the livestock industry.

**Mission.** Improve the general well-being and competitiveness of the livestock industry stakeholders through animal biotechnology and technology development, technology dissemination and knowledge resource management, active private sector participation, livestock-based enterprises, and policy reforms to sustain the development of livestock enterprises, thus, ensuring socio-economic empowerment for nation-building.

PCC is guided by its newly implemented 2020-2024 Medium-Term Strategic Plan, which is also known as VIPPS (Value Creation for Improved Productivity, Profitability, and Sustainability). We envision to have a robust Carabao Value Chain Development through the delivery of relevant services to the farmers, development of partnerships with stakeholders, and expansion of carabao-based enterprise impact models.

PCC mandates are being implemented through the following programs:

**Genetic Improvement Program.** The preservation of existing local germplasm complemented with the judicious introduction of riverine buffalo germplasm into pre-identified population of swamp buffalo. This is intended to improve the genetic potentials for milk and meat production. The Gene Pool for indigenous Philippine Swamp Buffalo is at the PCC at Cagayan State University (PCC at CSU) with its farm in Piat, Cagayan. There are also institutional herds, which serve as satellite gene pools and are found in the care and management of the PC Regional Centers located in the Central and Southern parts of the country.

**Research and Development.** This research agenda being carried out covers wide disciplinary areas such as breeding and genetics, biotechnology, nutrition and forage/pasture, animal health, reproductive physiology, management, product development, socio-economics and policy. The major consideration in technology development is sustainability while improving overall production efficiency and economic profitability, primarily for small-scale and medium scale production systems. The biotechnology laboratory facilities established in the PCC National Headquarters in the Science City of Muñoz, Nueva Ecija had developed technologies that can produce high genetic embryos.

**Enterprise Development.** This program component of the Carabao Development Program is designed to address the ever-growing need for poverty alleviation, nutritional improvement, and farmer's empowerment by showcasing buffalo-based livelihood opportunities. The program supports the establishment of community organizations and cooperatives among farmers in target communities to grow into independent and potent avenues in promoting Carabao-based enterprises.

PCC has a network of 12 centers strategically situated in Luzon, Visayas and Mindanao. These centers are PCC at Central Luzon State University, University of the Philippines-Los Baños, Mariano Marcos State University, Don Mariano Marcos Memorial State University, Cagayan State University, Ubay Stock Farm, Visayas State University (formerly Leyte State University), La Carlota Stock Farm, West Visayas State University, Central Mindanao University, University of Southern Mindanao, and Mindanao Livestock and Production Complex. PCC regional centers are situated in nine State Universities and Colleges and three other government agencies.

Per Department of Agriculture (DA) Administrative Order (AO) No. 9, series of 2009, PCC was given additional function as the lead Institution in Livestock Biotechnology Research and Development.

Per R.A. No. 11307 or the "Masustansiyang Pagkain para sa Batang Pilipino Act", An Act Institutionalizing a National Feeding Program for Undernourished Children in Public Day Care, Kindergarten and Elementary Schools to Combat Hunger and Undernutrition among Filipino Children signed on June 20, 2018, wherein PCC acts as one of the coordinating agencies for the incorporation of fresh milk and fresh milk-based food products in the fortified meals and cycle menu, utilizing, as far as practicable, locally produced milk in order to enhance its nutritional content and, at the same time, help boost livelihood opportunities for local dairy farmers and local dairy industry.

The PCC has implemented the electronic accounting system or e-NGAS in the Central Office and regional centers.

PCC is a certified Quality Management System (ISO 9001:2015), Environmental Management System (ISO 14001:2015), and Occupational Health and Safety Management System (OHSAS 45001:2018).

## **2. Basis of Financial Statements Presentation**

The consolidated financial statements of the PCC have been prepared in accordance with and comply with the International Public Sector Accounting Standards (IPSAS) issued by the Commission on Audit per COA Circular No. 2014-003 dated April 15, 2014 and COA Circular No. 2020-001 dated January 8, 2020. The consolidated financial statements are presented in Philippine peso, which is the functional and reporting currency of the PCC. The accounting policies have been consistently applied in all the years presented.

The consolidated financial statements have been prepared on the basis of historical cost, unless stated otherwise. The cash flow statement is prepared using the direct method.

## **3. Summary of Significant Accounting Policies**

### **3.1 Basis of accounting**

The consolidated financial statements are prepared on an accrual basis in accordance with the International Public Sector Accounting Standards (IPSAS).

### **3.2 Consolidation**

The consolidated financial statements reflect the assets, liabilities, revenues, and expenses of the PCC and its 12 regional centers. All operating centers have a separate stand-alone set of books. Funding checks method of fund allocation is adopted for the monthly requirement of the 12 operating units/centers. The monthly funding check is being transferred through the respective host institutions, nine State Universities and Colleges and three other government agencies, where the centers are situated. The host institutions receive the fund with 5 –10% administrative costs.

Inter-agency transactions and balances among the regional operating units and the Central Office are eliminated in full. The accounting policies of the regional offices are consistent with the policies adopted by the PCC Central Office.

The Modified Obligation System is used to record allotments received and obligations incurred. Separate registries are maintained for each class of allotment.

### **3.3 Cash and Cash Equivalents**

Cash and Cash Equivalents account comprises cash on hand and cash in bank, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the consolidated statement of cash flows, Cash and Cash Equivalents consists of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

### 3.4 Inventories

Inventories are measured at cost upon initial recognition. To the extent that inventory was received through non-exchange transactions (for no cost or for a nominal cost), the cost of the inventory is its fair value at the date of acquisition.

Inventories are recognized as an expense when deployed for utilization or consumption in the ordinary course of operation of the PCC.

### 3.5 Property, Plant and Equipment

#### Recognition

An item is recognized as Property, Plant, and Equipment (PPE) if it meets the characteristics and recognition criteria as a PPE: The characteristics of PPE are as follows:

- tangible items
- are held for use in the production of supply of goods or services, for rental to others, or for administrative purposes; and
- expected to be used during more than one reporting period

An item of PPE is recognized as an asset if:

- It is probable that future economic benefits or service potential associated with the item will flow to the entity; and
- The cost or fair value of the item can be measured reliably.

#### Measurement at Recognition

An item recognized as PPE is measured at cost.

A PPE acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the PPE is the cash price equivalent or, for PPE acquired through non-exchange transaction its cost is its fair value as at recognition date.

Cost includes the following:

- Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;
- expenditure that is directly attributable to the acquisition of the items; and
- initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.



### **Measurement After Recognition**

After recognition, all property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of property, plant and equipment are required to be replaced at intervals, the PCC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in surplus or deficit as incurred.

### **Depreciation**

Each part of an item of property, plant, and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

### **Initial Recognition of Depreciation**

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

### **Depreciation Method**

The straight-line method of depreciation is adopted unless another method is more appropriate for agency operation.

### **Estimated Useful Life**

The PCC uses the Schedule on the Estimated Useful Life of PPE by classification prepared by COA.

The PCC uses a residual value equivalent of at least five percent (5%) of the cost of the PPE.

### **Impairment**

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable service amount.

### **Derecognition**

The PCC derecognizes items of property, plant and equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the surplus or deficit when the asset is derecognized.

## **3.6 Revenue from Exchange transactions**

### **Measurement of Revenue**

Revenue was measured at the fair value of the consideration received or receivable.

### **Sale of Goods**

Revenue from sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to the PCC.

## **3.7 Budget information**

The annual budget is prepared on a cash basis and is published in the government website.

A separate Statement of Comparison of Budget and Actual Amounts (SCBAA) was prepared since the budget and the financial statements were not prepared on comparable basis. The SCBAA was presented showing the original and final budget and the actual amounts on comparable basis to the budget. Explanatory comments are provided in the notes to the annual financial statements.

## **3.8 Related parties**

The PCC regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over the PCC or vice versa.

Members of key management were regarded as related parties and comprise the members of the Program Management Committee of the PCC such as: Center Chief of the 12 regional centers and all the Division Chiefs.

### **3.9 Employee benefits**

The employees of PCC are members of the Government Service Insurance System (GSIS) which provides life and retirement insurance coverage. The PCC recognizes the undiscounted amount of short-term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

The PCC recognizes expenses for accumulating compensated absences when these were paid (commuted or paid as terminal leave benefits). An unused entitlement that has accumulated at the reporting date was not recognized as expense. Non-accumulating compensated absences, like special leave privileges, were not recognized.

### **3.10 Significant judgments and sources of estimation uncertainty**

The preparation of the consolidated financial statements in conformity with IPSAS requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in future periods. The PCC based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. However, existing circumstances and assumptions about future developments may change due to market changes or circumstances arising beyond the control of the PCC. Such changes are reflected in the assumptions when they occur.

## **4. Changes in accounting policies and estimates**

The PCC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

The PCC recognizes the effects of changes in accounting estimates prospectively by including in surplus or deficit.

The PCC correct material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

- Restating the comparative amounts for prior period(s) presented in which the error occurred; or
- If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

On December 31, 2016, the PCC adopted IPSAS No. 27 which replaces the previous policy in the initial recognition and measurement of the agency's biological assets. The new standard includes the requirement for recognition, measurement, presentation and disclosure of the effect of measuring the biological assets at fair value less cost to sell, and is effective for years beginning on December 31, 2016. This accounting change had significant impact on the PCC's consolidated financial statements.

## 5. Cash and Cash Equivalents

This account is composed of:

| Accounts                                       | 2021                     | 2020                   |
|--|--------------------------|------------------------|
| Cash - Collecting Officers                     | ₱ 345,874.65             | ₱ 198,380.75           |
| Petty Cash                                     | 189,899.67               | 285,662.84             |
| Cash in Bank - Local Currency, Current Account | 1,064,187,613.80         | 708,068,513.04         |
| <b>Total Cash and Cash Equivalents</b>         | <b>₱1,064,723,388.12</b> | <b>₱708,552,556.63</b> |

Cash-Collecting Officers account represents receipts from sales of meat, milk and milk products. Cash in Bank, Local Currency, Current Account represents the revolving fund from sales of meat and milk products and proceeds from collection from PCC training facilities and fund transfers from other government agencies for special project implementation. The significant increase in the Cash in Bank account is due to fund transfers from the Department of Education, Department of Social Welfare and Development and Philippine Coconut Authority.

## 6. Receivables

This account is composed of:

| Accounts                              | 2021                  | 2020                   |
|---------------------------------------|-----------------------|------------------------|
| Due from National Government Agencies | ₱ 1,665,615.76        | ₱ 1,804,293.64         |
| Receivables - disallowances/charges   | 104,461.53            | 48,731.34              |
| Due from Officers and Employees       | 2,120.71              | 1,742.50               |
| Other Receivables                     | 92,307,317.45         | 99,281,965.80          |
| <b>Total Receivables</b>              | <b>₱94,079,515.45</b> | <b>₱101,136,733.28</b> |

Due from National Government Agencies represents mainly fund received from the National Dairy Authority for the implementation of special research projects in support to the implementation of the Carabao-Based Enterprise Development. Also included in this account is the procurement of commonly-used supplies from the DBM-Procurement Service.

Other Receivables account represents the recorded receivables from the farmer-recipients/cooperatives of buffaloes loan program under the Paiwi scheme wherein the awarded animals died at the farmers' custody and in the process of filing the request for

relief from property accountability. Likewise, the same account includes receivables from the PCC officers/employees who are the AOs deemed liable for the dead buffaloes from the Agency's institutional herd.

#### 6.1 Aging/Analysis of Receivables as at December 31, 2021

| Accounts                         | Total                 | Not past due | Past Due     |              |                       |
|----------------------------------|-----------------------|--------------|--------------|--------------|-----------------------|
|                                  |                       |              | <30days      | 30-60days    | >60days               |
| Due from NGAs                    | ₱ 1,665,615.76        | ₱0.00        | ₱0.00        | ₱0.00        | ₱ 1,665,615.76        |
| Receivables-disallowance/Charges | 104,461.53            | 0.00         | 0.00         | 0.00         | 104,461.53            |
| Due from Officers and Employees  | 2,120.71              | 0.00         | 0.00         | 0.00         | 2,120.71              |
| Other Receivables                | 92,307,317.45         | 0.00         | 0.00         | 0.00         | 92,307,317.45         |
| <b>Total</b>                     | <b>₱94,079,515.45</b> | <b>₱0.00</b> | <b>₱0.00</b> | <b>₱0.00</b> | <b>₱94,079,515.45</b> |

#### 7. Inventories

This account represents mostly the cost of supplies and biologics for animal and laboratory maintenance. The fuel, oil, and lubricants are for the regular operating requirements of the institutional herds and gene pool of the Center.

| Accounts  | 2021                   | 2020                   |
|---|------------------------|------------------------|
| Office Supplies Inventory   | ₱ 1,815,629.27         | ₱ 1,397,979.53         |
| Accountable Forms, Plates and Stickers Inventory                    | 36,584.00              | 28,300.00              |
| Animal/Zoological Supplies Inventory                                | 7,321,197.01           | 8,270,084.05           |
| Medical, Dental and Laboratory Supplies Inventory                   | 1,555,472.14           | 1,691,969.30           |
| Fuel, Oil and Lubricants Inventory                                  | 1,476,839.07           | 1,547,734.16           |
| Agricultural and Marine Supplies Inventory                          | 394,480.00             | 388,285.00             |
| Construction Materials Inventory                                    | 997,979.97             | 774,852.00             |
| Other Supplies and Materials Inventory                              | 8,730,733.89           | 5,059,956.60           |
| Semi-Expendable Office Equipment                                    | 25,990.00              | 5,000.00               |
| Semi-Expendable Information and Communications Technology Equipment | 12,660.00              | 34,305.00              |
| Semi-Expendable Technical and Scientific Equipment                  | 0.00                   | 646,635.00             |
| Semi-Expendable Other Equipment                                     | 0.00                   | 1,409,218.00           |
| Semi-Expendable Furniture and Fixtures                              | 0.00                   | 23,680.00              |
| <b>Total Inventories</b>  | <b>₱ 22,367,565.35</b> | <b>₱ 21,277,998.64</b> |

## 7.1 Inventories Held for Consumption

| Particulars                               | 2021   | 2020   |
|---|--|--|
|   | Inventories carried at cost & net realizable value | Inventories carried at cost & net realizable value |
| Inventory held for consumption            |  |  |
| Carrying amount, January 1                | ₱21,277,998.64                                     | ₱ 18,775,373.82                                    |
| Acquisitions during the year              | 238,441,916.52                                     | 190,749,391.98                                     |
| Expense during the year                   | (237,352,349.81)                                   | (188,246,767.16)                                   |
| <b>Total Carrying Amount, December 31</b> | <b>₱22,367,565.35</b>                              | <b>₱21,277,998.64</b>                              |

## 8. Property, Plant and Equipment, Net

This account represents the acquired properties of the Center through direct purchases and donations. These assets are depreciated using the straight-line method of depreciation with at least 5% residual value.

| Particulars   | 2021                  |                       |                                |                         |                          |                          |
|---|-----------------------|-----------------------|--------------------------------|-------------------------|--------------------------|--------------------------|
|   | Land                  | Land Improvements     | Buildings and Other Structures | Machinery and Equipment | Transportation Equipment | Sub-total                |
| Carrying Amount, at January 1, 2021   | ₱24,047,322.12        | ₱25,911,965.12        | ₱676,914,101.61                | ₱293,123,716.69         | ₱30,364,997.13           | ₱1,050,362,102.67        |
| Additions/acquisitions  | 0.00                  | 0.00                  | 39,936,552.54                  | 77,398,931.66           | 8,500,859.33             | 125,836,343.53           |
| <b>Total</b>  | <b>24,047,322.12</b>  | <b>25,911,965.12</b>  | <b>716,850,654.15</b>          | <b>370,522,648.35</b>   | <b>38,865,856.46</b>     | <b>1,176,198,446.20</b>  |
| Disposals   | 0.00                  | 0.00                  | (1,110,000.00)                 | (2,338,848.67)          | (1,768,862.30)           | (5,217,710.97)           |
| Transfer/adjustment/reclassification  | 0.00                  | (193,793.77)          | (6,443,176.98)                 | 1,670,443.87            | (6,047,505.89)           | (11,014,032.77)          |
| Depreciation (as per Statement of Financial Performance)                              | 0.00                  | (2,205,777.67)        | (20,741,247.13)                | (54,527,120.78)         | (3,887,056.83)           | (81,361,202.41)          |
| Impairment loss (as per Statement of Financial Performance)                           | 0.00                  | 0.00                  | 0.00                           | 0.00                    | 0.00                     | 0.00                     |
| <b>Carrying Amount, at December 31, 2021 (As per Statement of Financial Position)</b> | <b>24,047,322.12</b>  | <b>23,512,393.68</b>  | <b>688,556,230.04</b>          | <b>315,327,123.77</b>   | <b>27,162,431.44</b>     | <b>1,078,605,501.05</b>  |
| Gross cost (Asset account balance per Statement of Financial Position)                | 24,047,322.12         | 72,726,793.57         | 1,050,759,297.08               | 760,499,598.59          | 108,346,334.93           | 2,016,379,346.29         |
| Less:   |                       |                       |                                |                         |                          |                          |
| Accumulated Depreciation  | 0.00                  | (49,214,399.89)       | (362,203,067.04)               | (442,762,954.05)        | (80,746,534.89)          | (934,926,955.87)         |
| Allowance for impairment  | 0.00                  | 0.00                  | 0.00                           | (2,409,521.37)          | (437,368.60)             | (2,846,889.97)           |
| <b>Carrying Amount at December 31, 2021 (As per Statement of Financial Position)</b>  | <b>₱24,047,322.12</b> | <b>₱23,512,393.68</b> | <b>₱688,556,230.04</b>         | <b>₱315,327,123.17</b>  | <b>₱27,162,431.44</b>    | <b>₱1,078,605,500.45</b> |

| 2021   |                          |                        |                                     |                          |                          |
|--|--------------------------|------------------------|-------------------------------------|--------------------------|--------------------------|
| Particulars  | Sub-total forwarded      | Furniture and Fixtures | Other Property, Plant and Equipment | Construction in Progress | Grand Total              |
| <b>Carrying Amount, at January 1, 2021</b>   | <b>₱1,050,362,102.67</b> | <b>₱4,979,076.54</b>   | <b>₱2,741,970.22</b>                | <b>₱12,996,512.26</b>    | <b>₱1,071,079,661.69</b> |
| Additions/Acquisitions   | 125,836,343.53           | 2,462,980.00           | 1,102,030.54                        | 6,938,224.46             | 136,339,578.53           |
| <b>Total</b>   | <b>1,176,198,446.20</b>  | <b>7,442,056.54</b>    | <b>3,844,000.76</b>                 | <b>19,934,736.72</b>     | <b>1,207,419,240.22</b>  |
| Disposals  | (5,217,710.97)           | (217,780.00)           | (73,005.63)                         | 0.00                     | (5,508,496.60)           |
| Transfer/adjustment/reclassification   | (11,014,032.77)          | 28,147.03              | 38,531.74                           | (10,322,314.79)          | (21,269,668.79)          |
| <i>Depreciation (as per Statement of Financial Performance)</i>                      | (81,361,202.41)          | (817,276.25)           | (514,737.68)                        | 0.00                     | (82,693,216.34)          |
| <i>Impairment loss (as Per Statement of Financial Performance)</i>                   | 0.00                     | 0.00                   | 0.00                                | 0.00                     | 0.00                     |
| <b>Carrying Amount at December 31, 2021 (As per Statement of Financial Position)</b> | <b>1,078,605,501.05</b>  | <b>6,435,147.32</b>    | <b>3,294,789.19</b>                 | <b>9,612,421.93</b>      | <b>1,097,947,859.49</b>  |
| <b>Gross cost (Asset account balance per Statement of Financial Position)</b>        | <b>2,016,379,346.29</b>  | <b>14,617,956.83</b>   | <b>7,279,148.99</b>                 | <b>9,612,421.93</b>      | <b>2,047,888,874.04</b>  |
| Less:  |                          |                        |                                     |                          |                          |
| <i>Accumulated Depreciation</i>  | (934,926,955.87)         | (8,182,809.51)         | (3,984,359.80)                      | 0.00                     | (947,094,125.18)         |
| <i>Allowance for impairment</i>  | (2,846,889.97)           | 0.00                   | 0.00                                | 0.00                     | (2,846,889.97)           |
| <b>Carrying Amount at December 31, 2021 (As per Statement of Financial Position)</b> | <b>₱1,078,605,500.45</b> | <b>₱6,435,147.32</b>   | <b>₱3,294,789.19</b>                | <b>₱9,612,421.93</b>     | <b>₱1,097,947,858.89</b> |

| 2020  |                       |                       |                                |                         |                          |                          |
|---|-----------------------|-----------------------|--------------------------------|-------------------------|--------------------------|--------------------------|
| Particulars   | Land                  | Land Improvements     | Buildings and Other Structures | Machinery and Equipment | Transportation Equipment | Sub-total                |
| <b>Carrying Amount, at January 1, 2020</b>  | <b>₱24,047,322.12</b> | <b>₱28,287,936.49</b> | <b>₱691,815,085.92</b>         | <b>₱293,042,768.60</b>  | <b>₱29,938,036.54</b>    | <b>₱1,067,131,149.67</b> |
| Additions/acquisitions  | 0.00                  | 0.00                  | 5,263,688.38                   | 43,660,022.50           | 3,915,688.00             | 52,839,398.88            |
| <b>Total</b>  | <b>24,047,322.12</b>  | <b>28,287,936.49</b>  | <b>697,078,774.30</b>          | <b>336,702,791.10</b>   | <b>33,853,724.54</b>     | <b>1,119,970,548.55</b>  |
| Disposals   | 0.00                  | 0.00                  | (200,815.08)                   | (277,796.17)            | (14,700.00)              | (493,311.25)             |
| Transfer/adjustment/reclassification  | 0.00                  | 0.00                  | 487,258.60                     | 6,285,470.68            | 854,445.13               | 7,627,174.41             |
| <i>Depreciation (as per Statement of Financial Performance)</i>                       | 0.00                  | (2,375,971.37)        | (20,451,116.21)                | (49,586,748.92)         | (4,348,472.54)           | (76,762,309.04)          |
| <i>Impairment loss (as per Statement of Financial Performance)</i>                    | 0.00                  | 0.00                  | 0.00                           | 0.00                    | 0.00                     | 0.00                     |
| <b>Carrying Amount, at December 31, 2020 (As per Statement of Financial Position)</b> | <b>24,047,322.12</b>  | <b>25,911,965.12</b>  | <b>676,914,101.61</b>          | <b>293,123,716.69</b>   | <b>30,344,997.13</b>     | <b>1,050,342,102.67</b>  |
| <b>Gross cost (Asset account balance per Statement of Financial Position)</b>         | <b>24,047,322.12</b>  | <b>72,726,793.57</b>  | <b>1,008,995,903.86</b>        | <b>682,491,635.57</b>   | <b>108,876,215.72</b>    | <b>1,897,137,870.84</b>  |
| Less:   |                       |                       |                                |                         |                          | 0.00                     |
| <i>Accumulated Depreciation</i>   | 0.00                  | (46,814,828.45)       | (332,081,802.25)               | (386,958,397.51)        | (78,073,849.99)          | (843,928,878.20)         |
| <i>Allowance for impairment</i>   | 0.00                  | 0.00                  | 0.00                           | (2,409,521.37)          | (437,368.60)             | (2,846,889.97)           |
| <b>Carrying Amount at December 31, 2020 (As per Statement of Financial Position)</b>  | <b>₱24,047,322.12</b> | <b>₱25,911,965.12</b> | <b>₱676,914,101.61</b>         | <b>₱293,123,716.69</b>  | <b>₱30,364,997.13</b>    | <b>₱1,050,362,102.67</b> |

| 2020   |                          |                        |                                     |                          |                          |
|--|--------------------------|------------------------|-------------------------------------|--------------------------|--------------------------|
| Particulars  | Sub-total forwarded      | Furniture and Fixtures | Other Property, Plant and Equipment | Construction in Progress | Grand Total              |
| Carrying Amount, at January 1, 2020  | ₱1,067,131,149.67        | ₱5,610,390.19          | ₱2,587,056.33                       | ₱13,055,902.11           | ₱1,088,384,498.30        |
| Additions/Acquisitions   | 52,839,398.88            | 325,830.27             | 492,000.00                          | 5,031,220.88             | 58,688,450.03            |
| <b>Total</b>   | <b>1,119,970,548.55</b>  | <b>5,936,220.46</b>    | <b>3,079,056.33</b>                 | <b>18,087,122.99</b>     | <b>1,147,072,948.33</b>  |
| Disposals  | (493,311.25)             | 0.00                   | 0.00                                | 0.00                     | (493,311.25)             |
| Transfer/adjustment/reclassification   | 7,627,174.41             | (75,772.64)            | 12,312.83                           | (5,090,610.73)           | 2,473,103.87             |
| Depreciation (as per Statement of Financial Performance)                             | (76,762,309.04)          | (881,371.28)           | (359,476.30)                        | 0.00                     | (78,003,156.62)          |
| Impairment loss (as Per Statement of Financial Performance)                          | 0.00                     | 0.00                   | 0.00                                | 0.00                     | 0.00                     |
| <b>Carrying Amount at December 31, 2020 (As per Statement of Financial Position)</b> | <b>1,050,342,102.67</b>  | <b>4,979,076.54</b>    | <b>2,731,892.86</b>                 | <b>12,996,512.26</b>     | <b>1,071,049,584.33</b>  |
| Gross cost (Asset account balance per Statement of Financial Position)               | 1,897,137,870.84         | 12,511,256.83          | 6,198,714.08                        | 12,996,512.26            | 1,928,844,354.01         |
| Less:  |                          |                        |                                     |                          | 0.00                     |
| Accumulated Depreciation   | (843,928,878.20)         | (7,532,180.29)         | (3,456,743.86)                      | 0.00                     | (854,917,802.35)         |
| Allowance for impairment   | (2,846,889.97)           | 0.00                   | 0.00                                | 0.00                     | (2,846,889.97)           |
| <b>Carrying Amount at December 31, 2020 (As per Statement of Financial Position)</b> | <b>₱1,050,362,102.67</b> | <b>₱4,979,076.54</b>   | <b>₱2,741,970.22</b>                | <b>₱12,996,512.26</b>    | <b>₱1,071,079,661.69</b> |

## 9. Intangible Assets, Net

The account is composed of:

| Particulars  | Computer Software    |                      |
|--|----------------------|----------------------|
|  | 2021                 | 2020                 |
| <b>Carrying Amount, January 1</b>  | <b>₱4,578,812.68</b> | <b>₱4,578,812.68</b> |
| Additions-Purchased/Acquired thru exchange or non-exchange transaction       | 1,187,119.80         | 0.00                 |
| <b>Total</b>   | <b>5,765,932.48</b>  | <b>4,578,812.68</b>  |
| <b>Carrying Amount, December 31 (As per Statement of Financial Position)</b> | <b>₱5,765,932.48</b> | <b>₱4,578,812.68</b> |

|  |                      |                      |
|--|----------------------|----------------------|
| <b>Gross Cost (Balance per Statement of Financial Position)</b>              | <b>₱6,893,727.11</b> | <b>₱5,706,607.31</b> |
| Less: Accumulated Amortization (including Accumulated impairment loss)       | (1,127,794.63)       | (1,127,794.63)       |
| <b>Carrying Amount, December 31 (As per Statement of Financial Position)</b> | <b>₱5,765,932.48</b> | <b>₱4,578,812.68</b> |



## 10. Biological Assets

This account represents mainly the imported and island born riverine Murrah and Italian Mediterranean breed of buffaloes distributed to the PCC production centers and farmers cooperatives/associations and animals that are maintained in the Gene Pool. The decrease in values represents the transfer of animal ownership to farmer-beneficiaries, dropping of dead animals, and the effects of revaluation of the cost of animals at fair value less cost to sell. Likewise, the increase in Livestock Held for Consumption/Sale/Distribution is the effect of purchases of animals and revaluation at fair value less cost to sell.

| Accounts   | 2021                    | 2020                    |
|--|-------------------------|-------------------------|
| Breeding Stocks                                  | ₱ 62,973,460.00         | ₱ 65,093,973.00         |
| Livestock Held for Consumption/Sale/Distribution | 67,822,319.50           | 59,236,647.00           |
| <b>Total Biological Assets</b>                   | <b>₱ 130,795,779.50</b> | <b>₱ 124,330,620.00</b> |

### 10.1 Reconciliation of the amount of Breeding Stocks

| Particulars  |                | Amount                |
|--|----------------|-----------------------|
| <b>Carrying amount as of January 1, 2021</b>   |                | <b>₱65,093,973.00</b> |
| Increases due to purchases and births  |                | 48,011,256.00         |
| Increases due to transfer from OED/ operating center                                       |                | 4,778,575.00          |
| Gain arising from changes in fair value less costs to sell attributable to physical change | <i>Table 1</i> | 5,965,625.00          |
| Loss arising from changes in fair value less costs to sell attributable to physical change | <i>Table 2</i> | (3,116,418.00)        |
| Decreases due to sales   |                | (3,213,188.00)        |
| Decreases due to death*  |                | (2,663,437.50)        |
| Decreases due to farmers/cooperatives/multiplier farm                                      |                | (40,838,068.50)       |
| Decreases due to transfer to OED/operating center  |                | (5,796,500.00)        |
| Adjustments/reclassification   |                | (5,248,357.00)        |
| <b>Carrying amount as of December 31, 2021</b>   |                | <b>₱62,973,460.00</b> |

| Date Recognized | Qty | CFV*       | Recorded Cost | Difference | Amount     |
|-----------------|-----|------------|---------------|------------|------------|
| 31-Dec-21       | 1   | ₱22,750.00 | ₱3,000.00     | ₱19,750.00 | ₱19,750.00 |
| 31-Dec-21       | 1   | 29,250.00  | 5,000.00      | 24,250.00  | 24,250.00  |
| 31-Dec-21       | 1   | 30,875.00  | 9,750.00      | 21,125.00  | 21,125.00  |
| 31-Dec-21       | 1   | 22,750.00  | 17,750.00     | 5,000.00   | 5,000.00   |
| 31-Dec-21       | 1   | 29,250.00  | 18,000.00     | 11,250.00  | 11,250.00  |
| 31-Dec-21       | 1   | 22,750.00  | 5,000.00      | 17,750.00  | 17,750.00  |
| 31-Dec-21       | 1   | 29,250.00  | 10,000.00     | 19,250.00  | 19,250.00  |
| 31-Dec-21       | 2   | 9,750.00   | 3,000.00      | 6,750.00   | 13,500.00  |
| 31-Dec-21       | 2   | 19,500.00  | 5,000.00      | 14,500.00  | 29,000.00  |
| 31-Dec-21       | 3   | 22,750.00  | 19,500.00     | 3,250.00   | 9,750.00   |
| 31-Dec-21       | 4   | 29,250.00  | 23,750.00     | 5,500.00   | 22,000.00  |
| 31-Dec-21       | 4   | 22,750.00  | 19,500.00     | 3,250.00   | 13,000.00  |
| 31-Dec-21       | 5   | 13,000.00  | 9,750.00      | 3,250.00   | 16,250.00  |
| 31-Dec-21       | 6   | 11,050.00  | 4,250.00      | 6,800.00   | 40,800.00  |

| Date Recognized | Qty        | CFV*      | Recorded Cost | Difference | Amount               |
|-----------------|------------|-----------|---------------|------------|----------------------|
| 31-Dec-21       | 6          | 19,500.00 | 13,000.00     | 6,500.00   | 39,000.00            |
| 31-Dec-21       | 6          | 19,500.00 | 5,000.00      | 14,500.00  | 87,000.00            |
| 31-Dec-21       | 6          | 29,250.00 | 22,750.00     | 6,500.00   | 39,000.00            |
| 31-Dec-21       | 7          | 22,750.00 | 13,000.00     | 9,750.00   | 68,250.00            |
| 31-Dec-21       | 8          | 22,750.00 | 18,000.00     | 4,750.00   | 38,000.00            |
| 31-Dec-21       | 9          | 29,250.00 | 22,750.00     | 6,500.00   | 58,500.00            |
| 31-Dec-21       | 11         | 22,750.00 | 9,750.00      | 13,000.00  | 143,000.00           |
| 31-Dec-21       | 12         | 29,250.00 | 13,000.00     | 16,250.00  | 195,000.00           |
| 31-Dec-21       | 13         | 22,750.00 | 5,000.00      | 17,750.00  | 230,750.00           |
| 31-Dec-21       | 17         | 9,750.00  | 6,500.00      | 3,250.00   | 55,250.00            |
| 31-Dec-21       | 20         | 22,750.00 | 5,000.00      | 17,750.00  | 355,000.00           |
| 31-Dec-21       | 26         | 19,500.00 | 11,050.00     | 8,450.00   | 219,700.00           |
| 31-Dec-21       | 30         | 29,250.00 | 19,500.00     | 9,750.00   | 292,500.00           |
| 31-Dec-21       | 31         | 19,500.00 | 5,000.00      | 14,500.00  | 449,500.00           |
| 31-Dec-21       | 51         | 22,750.00 | 19,500.00     | 3,250.00   | 165,750.00           |
| 31-Dec-21       | 87         | 19,500.00 | 5,000.00      | 14,500.00  | 1,261,500.00         |
| 31-Dec-21       | 165        | 22,750.00 | 19,500.00     | 3,250.00   | 536,250.00           |
| 31-Dec-21       | 226        | 29,250.00 | 22,750.00     | 6,500.00   | 1,469,000.00         |
| <b>Total</b>    | <b>764</b> |           |               |            | <b>P5,965,625.00</b> |

*\*Current fair value (average from various age group) of breeding stocks considering the age, other physical change and current market price.*

| Date Recognized | Qty        | CFV*               | Recorded Cost     | Difference           | Amount                 |
|-----------------|------------|--------------------|-------------------|----------------------|------------------------|
| 31-Dec-21       | 1          | P 15,437.50        | P 30,875.00       | P (15,437.50)        | P (15,437.50)          |
| 31-Dec-21       | 1          | 11,050.00          | 30,000.00         | (18,950.00)          | (18,950.00)            |
| 31-Dec-21       | 1          | 9,750.00           | 30,000.00         | (20,250.00)          | (20,250.00)            |
| 31-Dec-21       | 2          | 11,050.00          | 19,500.00         | (8,450.00)           | (16,900.00)            |
| 31-Dec-21       | 3          | 22,750.00          | 35,000.00         | (12,250.00)          | (36,750.00)            |
| 31-Dec-21       | 3          | 9,750.00           | 29,250.00         | (19,500.00)          | (58,500.00)            |
| 31-Dec-21       | 4          | 30,875.00          | 46,312.50         | (15,437.50)          | (61,750.00)            |
| 31-Dec-21       | 4          | 22,750.00          | 29,250.00         | (6,500.00)           | (26,000.00)            |
| 31-Dec-21       | 4          | 9,750.00           | 29,250.00         | (19,500.00)          | (78,000.00)            |
| 31-Dec-21       | 5          | 29,250.00          | 30,000.00         | (750.00)             | (3,750.00)             |
| 31-Dec-21       | 5          | 4,250.00           | 13,450.00         | (9,200.00)           | (46,000.00)            |
| 31-Dec-21       | 7          | 6,500.00           | 22,750.00         | (16,250.00)          | (113,750.00)           |
| 31-Dec-21       | 7          | 4,250.00           | 5,000.00          | (750.00)             | (5,250.00)             |
| 31-Dec-21       | 8          | 19,500.00          | 22,750.00         | (3,250.00)           | (26,000.00)            |
| 31-Dec-21       | 8          | 6,500.00           | 19,500.00         | (13,000.00)          | (104,000.00)           |
| 31-Dec-21       | 9          | 9,750.00           | 19,500.00         | (9,750.00)           | (87,750.00)            |
| 31-Dec-21       | 11         | 30,875.00          | 30,875.50         | (.50)                | (5.50)                 |
| 31-Dec-21       | 14         | 9,750.00           | 29,250.00         | (19,500.00)          | (273,000.00)           |
| 31-Dec-21       | 18         | 22,750.00          | 30,000.00         | (7,250.00)           | (130,500.00)           |
| 31-Dec-21       | 26         | 19,500.00          | 30,000.00         | (10,500.00)          | (273,000.00)           |
| 31-Dec-21       | 42         | 30,875.00          | 46,312.50         | (15,437.50)          | (648,375.00)           |
| 31-Dec-21       | 55         | 9,750.00           | 29,250.00         | (19,500.00)          | (1,072,500.00)         |
| <b>Total</b>    | <b>238</b> | <b>P346,662.50</b> | <b>P608,075.5</b> | <b>(P261,413.00)</b> | <b>(P3,116,418.00)</b> |

*\*Current fair value (average from various age group) of the breeding stocks considering the age, other physical change, and current market price.*

## 10.2 Reconciliation of the Livestock Held for Distribution

|  |                |                       |
|--|----------------|-----------------------|
| <b>Carrying amount as of January 1, 2021</b>   |                | <b>₱59,236,647.00</b> |
| Increases due to purchases and births  |                | 48,696,220.00         |
| Increases due to transfer from OED/ operating center                                       |                | 8,237,000.00          |
| Gain arising from changes in fair value less costs to sell attributable to physical change | <b>Table 1</b> | 3,329,750.00          |
| Loss arising from changes in fair value less costs to sell attributable to physical change | <b>Table 2</b> | (4,073,187.50)        |
| Decreases due to sales   |                | (763,890.00)          |
| Decreases due to death   |                | (376,700.00)          |
| Decreases due to farmers/cooperatives/multiplier farm                                      |                | (28,837,400.00)       |
| Decreases due to transfer to OED/operating center  |                | (17,753,520.00)       |
| Adjustments/reclassification   |                | 127,400.00            |
| <b>Carrying amount as of December 31, 2021</b>   |                | <b>₱67,822,319.50</b> |

| <b>Table 1: Gain Due to Physical change</b> |            |                    |                      |                    |                      |
|---|------------|--------------------|----------------------|--------------------|----------------------|
| <b>Date Recognized</b>                      | <b>Qty</b> | <b>CFV*</b>        | <b>Recorded Cost</b> | <b>Difference</b>  | <b>Amount</b>        |
| 31-Dec-21                                   | 1          | ₱29,250.00         | (₱29,250.00)         | ₱58,500.00         | ₱58,500.00           |
| 31-Dec-21                                   | 1          | 22,750.00          | (22,750.00)          | 45,500.00          | 45,500.00            |
| 31-Dec-21                                   | 1          | 22,750.00          | (12,500.00)          | 35,250.00          | 35,250.00            |
| 31-Dec-21                                   | 1          | 22,750.00          | (7,500.00)           | 30,250.00          | 30,250.00            |
| 31-Dec-21                                   | 1          | 19,500.00          | 5,525.00             | 13,975.00          | 13,975.00            |
| 31-Dec-21                                   | 1          | 22,750.00          | 9,000.00             | 13,750.00          | 13,750.00            |
| 31-Dec-21                                   | 1          | 19,500.00          | 11,050.00            | 8,450.00           | 8,450.00             |
| 31-Dec-21                                   | 1          | 19,500.00          | 11,375.00            | 8,125.00           | 8,125.00             |
| 31-Dec-21                                   | 2          | 5,000.00           | 2,500.00             | 2,500.00           | 5,000.00             |
| 31-Dec-21                                   | 2          | 19,500.00          | 9,750.00             | 9,750.00           | 19,500.00            |
| 31-Dec-21                                   | 3          | 11,050.00          | 2,125.00             | 8,925.00           | 26,775.00            |
| 31-Dec-21                                   | 3          | 22,750.00          | 5,525.00             | 17,225.00          | 51,675.00            |
| 31-Dec-21                                   | 3          | 30,875.00          | 9,750.00             | 21,125.00          | 63,375.00            |
| 31-Dec-21                                   | 4          | 29,250.00          | 9,750.00             | 19,500.00          | 78,000.00            |
| 31-Dec-21                                   | 5          | 46,312.50          | 17,100.00            | 29,212.50          | 146,062.50           |
| 31-Dec-21                                   | 5          | 46,312.50          | 32,200.00            | 14,012.50          | 70,062.50            |
| 31-Dec-21                                   | 6          | 19,500.00          | 2,125.00             | 17,375.00          | 104,250.00           |
| 31-Dec-21                                   | 6          | 22,750.00          | 19,500.00            | 3,250.00           | 19,500.00            |
| 31-Dec-21                                   | 11         | 22,750.00          | 20,000.00            | 2,750.00           | 30,250.00            |
| 31-Dec-21                                   | 14         | 22,750.00          | 11,375.00            | 11,375.00          | 159,250.00           |
| 31-Dec-21                                   | 23         | 29,250.00          | 22,750.00            | 6,500.00           | 149,500.00           |
| 31-Dec-21                                   | 25         | 22,750.00          | 2,500.00             | 20,250.00          | 506,250.00           |
| 31-Dec-21                                   | 30         | 19,500.00          | 2,500.00             | 17,000.00          | 510,000.00           |
| 31-Dec-21                                   | 30         | 22,750.00          | 9,750.00             | 13,000.00          | 390,000.00           |
| 31-Dec-21                                   | 44         | 29,250.00          | 11,375.00            | 17,875.00          | 786,500.00           |
| <b>Total</b>                                | <b>224</b> | <b>₱601,050.00</b> | <b>₱155,525.00</b>   | <b>₱445,425.00</b> | <b>₱3,329,750.00</b> |

\*Current fair value (average from various age group) of the breeding stocks considering the age, other physical change, and current market price.

| <b>Date Recognized</b> | <b>Qty</b> | <b>CFV*</b>        | <b>Recorded Cost</b> | <b>Difference</b>    | <b>Amount</b>          |
|------------------------|------------|--------------------|----------------------|----------------------|------------------------|
| 31-Dec-21              | 1          | ₱6,500.00          | ₱9,750.00            | (₱3,250.00)          | (₱3,250.00)            |
| 31-Dec-21              | 1          | 5,000.00           | 11,375.00            | (6,375.00)           | (6,375.00)             |
| 31-Dec-21              | 1          | 5,000.00           | 20,000.00            | (15,000.00)          | (15,000.00)            |
| 31-Dec-21              | 1          | 22,750.00          | 27,000.00            | (4,250.00)           | (4,250.00)             |
| 31-Dec-21              | 1          | 22,750.00          | 29,250.00            | (6,500.00)           | (6,500.00)             |
| 31-Dec-21              | 1          | 22,750.00          | 32,000.00            | (9,250.00)           | (9,250.00)             |
| 31-Dec-21              | 1          | 19,500.00          | 40,000.00            | (20,500.00)          | (20,500.00)            |
| 31-Dec-21              | 1          | 29,250.00          | 46,312.50            | (17,062.50)          | (17,062.50)            |
| 31-Dec-21              | 1          | 46,312.50          | 49,400.00            | (3,087.50)           | (3,087.50)             |
| 31-Dec-21              | 1          | 49,400.00          | 55,575.00            | (6,175.00)           | (6,175.00)             |
| 31-Dec-21              | 1          | 6,500.00           | 60,000.00            | (53,500.00)          | (53,500.00)            |
| 31-Dec-21              | 2          | 19,500.00          | 22,750.00            | (3,250.00)           | (6,500.00)             |
| 31-Dec-21              | 3          | 9,750.00           | 29,250.00            | (19,500.00)          | (58,500.00)            |
| 31-Dec-21              | 4          | 9,750.00           | 22,750.00            | (13,000.00)          | (52,000.00)            |
| 31-Dec-21              | 6          | 6,500.00           | 22,750.00            | (16,250.00)          | (97,500.00)            |
| 31-Dec-21              | 9          | 30,875.00          | 46,312.50            | (15,437.50)          | (138,937.50)           |
| 31-Dec-21              | 9          | 19,500.00          | 60,000.00            | (40,500.00)          | (364,500.00)           |
| 31-Dec-21              | 10         | 9,750.00           | 30,875.00            | (21,125.00)          | (211,250.00)           |
| 31-Dec-21              | 25         | 22,750.00          | 60,000.00            | (37,250.00)          | (931,250.00)           |
| 31-Dec-21              | 49         | 22,750.00          | 64,950.00            | (42,200.00)          | (2,067,800.00)         |
| <b>Total</b>           | <b>128</b> | <b>₱386,837.50</b> | <b>₱740,300.00</b>   | <b>(₱353,462.50)</b> | <b>(₱4,073,187.50)</b> |

## 11. Other Assets

Other Assets represents mainly the unserviceable property, plant and equipment ready for disposal.

| <b>Particulars</b>                     | <b>2021</b>          |                    | <b>2020</b>          |                      |
|--|----------------------|--------------------|----------------------|----------------------|
|  | <b>Current</b>       | <b>Non-Current</b> | <b>Current</b>       | <b>Non-Current</b>   |
| Advances for Operating Expenses        | ₱ 26,296.04          | ₱ 0.00             | ₱ 372,912.41         | ₱ 0.00               |
| Advances for Payroll                   | 377,534.79           | 0.00               | 185,395.25           | 0.00                 |
| Advances to Special Disbursing Officer | 153,797.56           | 0.00               | 30,000.00            | 0.00                 |
| Advances to Officers and Employees     | 9,600.00             | 0.00               | 0.00                 | 0.00                 |
| Advances to Contractors                | 351,444.35           | 0.00               | 1,248,524.03         | 0.00                 |
| Prepaid Registration                   | 8,791.94             | 0.00               | 8,551.20             | 0.00                 |
| Prepaid Insurance                      | 3,314,293.93         | 0.00               | 3,250,756.93         | 0.00                 |
| Other Assets                           | 0.00                 | 752,516.34         | 0.00                 | 2,356,570.56         |
| <b>Total</b>                           | <b>₱4,241,758.61</b> | <b>₱752,516.34</b> | <b>₱5,096,139.82</b> | <b>₱2,356,570.56</b> |

## 12. Financial Liabilities

| Accounts                           | 2021                  | 2020                  |
|------------------------------------|-----------------------|-----------------------|
| Accounts Payable                   | ₱92,222,658.08        | ₱52,380,089.74        |
| Due to Officers and Employees      | 6,189,050.87          | 332,936.31            |
| <b>Total Financial Liabilities</b> | <b>₱98,411,708.95</b> | <b>₱52,713,026.05</b> |

The Accounts Payable represents mainly payable to various contractors and suppliers of the Agency that are due and demandable.

## 13. Inter-Agency Payables

| Accounts                           | 2021                   | 2020                   |
|------------------------------------|------------------------|------------------------|
|                                    | Current                | Current                |
| Due to BIR                         | ₱ 4,607,556.93         | ₱ 3,233,209.08         |
| Due to GSIS                        | 1,288,063.13           | 392,961.43             |
| Due to Pag-IBIG                    | 193,344.56             | 57,582.62              |
| Due to PhilHealth                  | 107,382.57             | 30,115.91              |
| Due to NGAs                        | 609,649,190.03         | 225,178,839.91         |
| <b>Total Inter-Agency Payables</b> | <b>₱615,845,537.22</b> | <b>₱228,892,708.95</b> |

The Due to NGAs account are the fund transfers received for the implementation of special/externally funded projects from the Department of Science and Technology (DOST), Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD), Department of Agriculture-Bureau of Agricultural Research (BAR), National Dairy Authority (NDA), Philippine Coconut Authority (PCA), Department of Education (DepEd) and Department of Social Welfare and Development (DSWD), Department of Agriculture Region II and Agricultural Training Institute (ATI). Fund transfers from DOST-PCAARRD and DA-BAR are for various research projects in support of the carabao-based enterprises development and genetic improvement programs.

The significant increase of Due to NGAs account is due to fund transfers received from DepEd and DSWD. PCC partnered with DepEd and DSWD to implement the milk supplementation program under RA 11037 to help address malnutrition and poverty alleviation. The Agency received a total amount of ₱1,068,647,939.84 and ₱149,557,680.00 from DepEd and DSWD, respectively. The project aims to improve the nutrition of Filipinos by making locally-produced milk readily accessible to the communities.

#### 14. Trust Liabilities

Trust Liabilities represent mainly the trust accounts for the proceeds from sale of bid documents and common fund to support the implementation of various administrative/utilities expenses of the Agency. Guaranty Deposits Payable represents the performance and security bonds of various contractors and suppliers of the Center.

| Accounts                           | 2021                 |                      | 2020                 |                      |
|------------------------------------|----------------------|----------------------|----------------------|----------------------|
|                                    | Current              | Non-Current          | Current              | Non-Current          |
| Trust Liabilities                  | ₱3,503,796.73        | ₱ 0.00               | ₱4,130,282.65        | ₱ 0.00               |
| Guaranty/Security Deposits Payable | 5,656,472.62         | 6,140,743.94         | 1,989,287.59         | 6,703,398.03         |
| <b>Total Trust Liabilities</b>     | <b>₱9,160,269.35</b> | <b>₱6,140,743.94</b> | <b>₱6,119,570.24</b> | <b>₱6,703,398.03</b> |

#### 15. Other Payables

The Other Payables account represents mainly deductions from officers and employees for their payment/refund/contribution to the Provident Fund and/or employees' cooperative/association.

| Particulars                 | 2021                 | 2020                 |
|-----------------------------|----------------------|----------------------|
|                             | Current              | Current              |
| Other Payables              | ₱4,817,558.92        | ₱5,684,027.78        |
| <b>Total Other Payables</b> | <b>₱4,817,558.92</b> | <b>₱5,684,027.78</b> |

#### 16. Deferred Credits/Unearned Income

This account represents receivables from accountable officers/farmer-recipients/cooperatives for the replacement of cost of dead animals which are in the process of request for relief from property accountability in the Commission on Audit.

| Particulars                                   | 2021                 |                       | 2020         |                       |
|---|----------------------|-----------------------|--------------|-----------------------|
|   | Current              | Non-Current           | Current      | Non-Current           |
| Unearned Revenue                              | ₱2,390,148.57        | ₱ 0.00                | ₱0.00        | ₱ 0.00                |
| Deferred Credits                              | 0.00                 | 91,045,764.68         | 0.00         | 97,985,039.56         |
| <b>Total Deferred Credits/Unearned Income</b> | <b>₱2,390,148.57</b> | <b>₱91,045,764.68</b> | <b>₱0.00</b> | <b>₱97,985,039.56</b> |

**17. Service and Business Income**

| <b>Accounts</b>   | <b>2021</b>            | <b>2020</b>            |
|---|------------------------|------------------------|
| Service Income  | ₱ 1,909,051.44         | ₱ 0.00                 |
| Income from Hostels/Dormitories and Other Like Facilities | 1,122,587.00           | 4,312,380.67           |
| Interest Income   | 106,782.20             | 142,125.98             |
| Business Income   | 148,054,210.49         | 104,871,848.60         |
| Miscellaneous Income                                      | 2,982,217.59           | 2,221,824.50           |
| <b>Total Service and Business Income</b>                  | <b>₱154,174,848.72</b> | <b>₱111,548,179.75</b> |

The recorded business income represents collections from sales of meat, milk and milk-products, and other by-products incidental to the operation of the Institutional dairy-business module of the PCC. Likewise, Income from Hostels/Dormitories and Other Like Facilities is the proceeds from collections made by the PCC training facilities. These Income accounts represent the Revolving Fund of the Agency.

**18. Gains**

The account is composed of:

| <b>Accounts</b>   | <b>2021</b>           | <b>2020</b>           |
|---|-----------------------|-----------------------|
| Gain on Initial Recognition of Biological Assets  | ₱7,793,375.00         | ₱6,752,875.00         |
| Gain on Sale of Biological Assets   | 1,571,991.34          | 1,398,740.00          |
| Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Physical Change | 9,295,375.00          | 9,277,691.51          |
| Gain on Sale of Agricultural Produce  | 7,520,915.00          | 6,376,540.00          |
| Gain on Initial Recognition of Agricultural Produce   | 20,364,302.95         | 13,665,508.75         |
| <b>Total Gains</b>  | <b>₱46,545,959.29</b> | <b>₱37,471,355.26</b> |

**19. Personnel Services**

The account is composed of:

| <b>Accounts</b>                           | <b>2021</b>    | <b>2020</b>    |
|---|----------------|----------------|
| Salaries and Wages - Regular              | ₱85,385,547.84 | ₱84,376,689.87 |
| Personal Economic Relief Allowance (PERA) | 4,165,453.64   | 4,449,634.90   |
| Representation Allowance (RA)             | 1,666,375.00   | 1,512,818.18   |
| Transportation Allowance (TA)             | 1,432,958.60   | 1,326,621.29   |
| Clothing/Uniform Allowance                | 1,020,000.00   | 1,068,000.00   |
| Laundry Allowance                         | 366,259.97     | 420,680.92     |

| <b>Accounts</b>                           | <b>2021</b>            | <b>2020</b>            |
|---|------------------------|------------------------|
| Hazard Pay                                | 9,743,797.83           | 13,068,890.05          |
| Longevity Pay                             | 0.00                   | 795,533.52             |
| Year End Bonus                            | 7,596,440.90           | 7,410,541.60           |
| Cash Gift                                 | 867,000.00             | 899,500.00             |
| Mid-Year Bonus                            | 7,024,093.00           | 6,740,104.35           |
| Other Bonuses and Allowances              | 8,536,137.81           | 8,789,348.25           |
| Retirement and Life Insurance Premiums    | 9,633,608.32           | 2,710,530.28           |
| Pag-IBIG Contributions                    | 198,700.00             | 223,000.00             |
| PhilHealth Contributions                  | 1,003,287.07           | 1,056,254.08           |
| Employees Compensation Insurance Premiums | 202,100.00             | 216,600.00             |
| Terminal Leave Benefits                   | 11,808,884.96          | 10,139,228.01          |
| Other Personnel Benefits                  | 1,891,064.78           | 798,000.00             |
| <b>Total Personnel Services</b>           | <b>₱152,541,709.72</b> | <b>₱146,001,975.30</b> |

The increase in Personnel Services is the effect of the implementation of the first tranche of Salary Standardization Law of 2019 as per R.A. No. 11466, Terminal Benefits of the retired/resigned employees and Performance-Based Bonus for FY 2019.

## 20. Maintenance and Other Operating Expenses (MOOE)

The account is composed of:

| <b>Accounts</b>  | <b>2021</b>    | <b>2020</b>    |
|--|----------------|----------------|
| Traveling Expenses - Local                             | ₱14,393,394.31 | ₱10,322,793.08 |
| Traveling Expenses - Foreign                           | 0.00           | 141,284.16     |
| Training Expenses                                      | 17,649,664.41  | 9,606,656.83   |
| Scholarship Grants/Expenses                            | 0.00           | 141,601.50     |
| Office Supplies Expenses                               | 4,583,146.93   | 5,043,096.52   |
| Accountable Forms Expenses                             | 41,898.50      | 60,936.64      |
| Animal/Zoological Supplies Expenses                    | 77,045,246.18  | 57,572,246.05  |
| Medical, Dental and Laboratory Supplies                | 23,850,935.24  | 23,633,803.31  |
| Fuel, Oil and Lubricants Expenses                      | 17,190,458.81  | 11,758,115.44  |
| Agricultural and Marine Supplies                       | 2,267,533.40   | 1,102,076.86   |
| Semi-Expendable Machinery and Equipment Expenses       | 12,214,603.22  | 5,752,106.20   |
| Semi-Expendable Furniture, Fixtures and Books Expenses | 963,826.60     | 628,619.40     |
| Other Supplies and Materials Expenses                  | 112,373,130.75 | 101,471,140.56 |
| Water Expenses   | 983,558.74     | 1,258,596.03   |
| Electricity Expenses                                   | 21,837,690.92  | 16,734,264.20  |
| Postage and Courier Services                           | 442,502.31     | 158,066.10     |
| Telephone Expenses                                     | 2,121,360.40   | 1,664,680.00   |
| Internet Subscription Expenses                         | 3,149,013.57   | 2,823,744.03   |
| Cable, Satellite, Telegraph and Radio                  | 24,800.00      | 192,720.00     |
| Awards/Rewards Expenses                                | 6,320,000.00   | 1,259,075.00   |
| Prizes   | 0.00           | 94,000.00      |



| <b>Accounts</b>                                       | <b>2021</b>            | <b>2020</b>            |
|---|------------------------|------------------------|
| Survey Expenses                                       | 10,000.00              | 0.00                   |
| Extraordinary and Miscellaneous Expenses              | 0.00                   | 93,970.75              |
| Legal Services  | 446,426.59             | 783,477.80             |
| Consultancy Services                                  | 6,381,643.89           | 2,697,417.59           |
| Other Professional Services                           | 95,583,595.95          | 47,162,890.70          |
| Janitorial Services                                   | 1,463,066.34           | 1,441,810.45           |
| Security Services                                     | 6,547,789.10           | 5,873,443.49           |
| Other General Services                                | 5,856,044.32           | 5,761,187.86           |
| Repairs and Maintenance –                             |                        |                        |
| Land Improvements                                     | 69,627.34              | 0.00                   |
| Buildings and Other Structures                        | 8,615,489.23           | 5,487,407.79           |
| Machinery and Equipment                               | 6,893,508.28           | 4,280,142.48           |
| Transportation Equipment                              | 5,964,869.76           | 5,073,642.59           |
| Furniture and Fixtures                                | 43,000.00              | 58,307.53              |
| Other Property, Plant and Equipment                   | 0.00                   | 78,558.00              |
| Semi-Expendable Machinery and Equipment               | 700.00                 | 0.00                   |
| Taxes, Duties and Licenses                            | 473,333.62             | 534,274.02             |
| Fidelity Bond Premiums                                | 111,159.75             | 99,609.75              |
| Insurance Expenses                                    | 5,104,930.93           | 4,574,712.65           |
| Labor and Wages                                       | 61,483,965.57          | 65,628,342.31          |
| Advertising, Promotional and Marketing Expenses       | 483,288.10             | 75,629.68              |
| Printing and Publication Expenses                     | 1,797,260.06           | 645,355.43             |
| Representation Expenses                               | 4,317,366.85           | 2,684,035.82           |
| Transportation and Delivery Expenses                  | 1,281,391.52           | 623,453.63             |
| Rent/Lease Expenses                                   | 970,577.01             | 2,059,041.08           |
| Membership Dues and Contributions to Organizations    | 155,000.00             | 78,000.00              |
| Subscription Expenses                                 | 415,874.50             | 1,600,776.86           |
| Donations   | 19,334.44              | 237,495.64             |
| Bank Transaction Fee                                  | 57,850.00              | 0.00                   |
| Other Maintenance and Operating Expenses              | 5,674,207.62           | 4,123,132.84           |
| <b>Total Maintenance and Other Operating Expenses</b> | <b>₱537,674,065.06</b> | <b>₱413,175,738.65</b> |

## 21. Financial Expenses

| <b>Accounts</b>                 | <b>2021</b>      | <b>2020</b>        |
|---------------------------------|------------------|--------------------|
| Other Financial Charges         | ₱2,463.90        | ₱52,300.00         |
| <b>Total Financial Expenses</b> | <b>₱2,463.90</b> | <b>₱ 52,300.00</b> |

Other Financial Charges account was used as replacement of Bank Charges account under COA Circular No. 2020-001. The main expenses incurred under this account consist of the cost of checkbooks for various bank accounts of the Agency.

## 22. Non-Cash Expenses

| Accounts   | 2021                  | 2020                   |
|--|-----------------------|------------------------|
| Depreciation –                                     |                       |                        |
| Land Improvements                                  | ₱ 2,205,777.67        | ₱ 2,375,971.37         |
| Buildings and Other Structures                     | 20,741,247.13         | 20,451,116.21          |
| Machinery and Equipment                            | 54,527,120.78         | 49,586,748.92          |
| Transportation Equipment                           | 3,887,056.83          | 4,348,472.54           |
| Furniture, Fixtures and Books                      | 817,276.25            | 881,371.28             |
| Other Property, Plant and Equipment                | 514,737.68            | 349,398.94             |
| Loss on Sale of Biological Assets                  | 1,144,775.50          | 1,579,057.50           |
| Loss from Changes in Fair Value Less Costs to Sell | 7,189,605.50          | 24,468,338.51          |
| <b>Total Non-Cash Expenses</b>                     | <b>₱91,027,597.34</b> | <b>₱104,040,475.27</b> |

Loss from changes in fair value less cost to sell of biological assets due to physical change is the effect of the implementation of IPSAS No. 27 which replaces the previous policy in the initial recognition and measurement of the Agency's biological assets. The new standard includes the requirement for recognition, measurement, presentation and disclosure of the effect of measuring the biological assets at fair value less cost to sell, and is effective for years beginning December 31, 2016. Likewise, the loss on sale of biological assets is the sale of animals not fit for breeding and reproduction and/or culled animals.

## 23. Net Financial Assistance/Subsidy

| Accounts  | 2021                   | 2020                   |
|---|------------------------|------------------------|
| Subsidy from National Government                        | ₱604,198,475.87        | ₱447,337,462.73        |
| Subsidy from Other National Government Agencies         | 24,241,785.00          | 890,207.00             |
| Constructive Receipt of NCA for TRA                     | 12,119,316.87          | 10,189,030.55          |
| <b>Total Financial Assistance/Subsidy from NGAs</b>     | <b>640,559,577.74</b>  | <b>458,416,700.28</b>  |
| <b>Less: Total Financial Assistance/Subsidy to NGAs</b> |                        |                        |
| Subsidy to Other Funds                                  | 0.00                   | 31,865.50              |
| Remittance of taxes withheld covered by TRA             | 12,119,316.87          | 10,189,030.55          |
| Subsidies – Others                                      | 77,311,446.34          | 39,283,601.45          |
| <b>Total Financial Assistance/Subsidy to NGAs</b>       | <b>89,430,763.21</b>   | <b>49,504,497.50</b>   |
| <b>Net Financial Assistance/Subsidy</b>                 | <b>₱551,128,814.53</b> | <b>₱408,912,202.78</b> |

The Agency's main sources of funds to support its operation are provided by the National Government through the General Appropriations Act (GAA). Details of receipts and

payments from budgeted to actual amounts are presented in the Statement of Comparison of Budget and Actual Amounts.

Subsidy from National Government represents mainly the Notice of Cash Allocation (NCA) received from the Department of Budget and Management in accordance with the budget stipulated in the FY 2021 General Appropriations Act (GAA) for PCC. The increase in budget is the funding requirement for the implementation of locally funded projects “Establishment of Province-wide Carabao-Based Business Improvement Network (CBIN) amounting to ₱110,000,000.00. This was released through Special Allotment Release Order (SARO) No. BMB-E-2021-0000714 dated March 4, 2021. Payments made from the budgeted receipts are in accordance with the approved implementation plan of 2021.

#### 24. Losses

The Loss of Assets account represents losses due to dropping of the dead buffaloes from the books of accounts, while Loss on Sale of Property, Plant and Equipment and Loss on Sale of Assets were incurred in view of the disposal of unserviceable properties.

| Accounts                                      | 2021                 | 2020                 |
|---|----------------------|----------------------|
| Loss on Sale of Property, Plant and Equipment | ₱ 0.00               | ₱ 320,209.41         |
| Loss of Assets                                | 3,772,700.57         | 7,667,792.05         |
| Loss on Sale of Unserviceable Property        | 283,181.07           | 0.00                 |
| Other Losses                                  | 7,025.00             | 26,635.00            |
| <b>Total Losses</b>                           | <b>₱4,062,906.64</b> | <b>₱8,014,636.46</b> |

#### 25. Events after the reporting period

There are no material events requiring adjustment after the reporting date.

**PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS**

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## PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

The audit of financial transactions and operations of the Philippine Carabao Center (PCC) for calendar year (CY) 2021 disclosed certain observations that needed improvements and/or corrections. Our observations with the corresponding recommendations are discussed in detail in the succeeding paragraphs.

### A. Financial Audit

#### *Unreliable balance of Receivables*

1. *The reported balance of the Receivables account with a carrying amount of ₱94,079,515.45 was not fairly presented in the year-end financial statements due to (a) unrecognized receivables totaling ₱24,802,735.06 from sales made on account by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Central Luzon State University (CLSU) and Visayas State University (VSU); (b) failure to set up receivables totaling ₱1,008,118.75 due from the accountable officers (AOs) concerned at the PCC at University of the Philippines- Los Baños (UPLB) and Central Mindanao University (CMU) on account of dead animals subject of requests for relief from property accountability; (c) inclusion of dormant accounts totaling ₱1,688,925.61 as reported by the PCC at Cagayan State University (CSU); and (d) non-provision of Allowance for Impairment on receivables totaling ₱1,089,869.07 by the PCC at Mindanao Livestock Production Center ((MLPC), inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and COA Circular No. 2016-005 dated December 19, 2016.*

1.1 Audit of Receivables accounts disclosed that Management had not fully addressed some of the following deficiencies raised in the previous year's Consolidated Annual Audit Report (CAAR), affecting the reliability of the General Ledger (GL) controlling account balance totaling ₱94,079,515.45 as of December 31, 2021. These deficiencies are discussed in detail below:

*(a) Unrecognized Accounts Receivables- ₱24.8 million*

1.2 Section 6(b), Chapter 2 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, provides, among others, the basic government accounting principles that each entity applies to recognize and present its financial transactions in accordance with the accrual basis of accounting. The same Manual defines the accrual basis as follows:

*Accrual Basis means a basis of accounting under which transactions and other events are recognized when they occur (and not only when cash or its equivalent is received or paid). Therefore, the transactions and events are recognized in the accounting records and recognized in the financial statements of the periods to which they relate. The elements recognized*

*under accrual accounting are assets, liabilities, net assets/equity, revenue, and expenses. (Underscoring Ours)*

1.3 The PCC-NHGP and PCC-CLSU established a store called Milka Krem and Dairy Products Outlet, respectively, that serves as an avenue to empower smallholder farmers as they are provided with an opportunity to have access to the commercial market for greater income. The flagship products of the said stores are buffalo milk and meat products such as pasteurized milk, choco milk, white cheese, yogurt, lacto juice, rice milk, *pastillas de leche* and carabeef tapa. It also offers dairy-based cakes and pastries in support of micro, small and medium enterprises (MSMEs) engaged in dairy processing.

1.4 Located alongside the Milka Krem is a state-of-the-art Central Dairy Collecting and Processing Facility (CDCPF) where raw milk produced by the dairy cooperatives is processed into different value-added products which are sold at the Milka Krem store. All transactions affecting the operations of the Milka Krem and CDCPF were managed by the PCC-NHGP and held under a Revolving Fund account.

1.5 Meanwhile, the PCC-VSU used to sell and deliver raw milk to Baybay Dairy Cooperative (BDC)- one of its partner dairy cooperatives, in support of the increasing demand for dairy products by the local communities and other consumers.

1.6 Relatedly, it has been part of the policy of the said PCC Regional Centers to sell their dairy products and services not only thru cash but also on credit/receivable basis to other government entities, business establishments, and employees to boost their sales and further enhance patronage and promotion of their dairy products. Similarly, the CDCPF of PCC-NHGP also accommodates the processing of milk products and extends the collection of fees from cooperatives in support of their limited financial capacity.

1.7 In CY 2021, verification of sales documents such as Billings/Sales Invoices totaling ₱24,802,735.06, representing credit sales during the current and previous years, remained uncollected as of December 31, 2021 by the afore-cited three Regional Centers, broken down as follows:

| PCC Regional Center | Period of Sale       |                       | Total Amount Uncollected as at 12/31/2021 |
|---------------------|----------------------|-----------------------|---|
|                     | Prior Years          | CY 2021               |   |
| NHGP                | ₱5,945,191.11        | ₱16,462,958.45        | ₱22,408,149.56                            |
| CLSU                | 36,105.00            | 709,447.00            | 709,447.00                                |
| VSU                 | 0.00                 | 1,685,138.50          | 1,685,138.50                              |
| <b>Grand Total</b>  | <b>₱5,981,296.11</b> | <b>₱18,857,543.95</b> | <b>₱24,802,735.06</b>                     |

1.8 However, review of the journal entry vouchers (JEVs) revealed that no accounting entry was made in the books of the aforementioned Regional Centers to recognize the corresponding Receivables account at the time of sale, inconsistent with the accrual basis of accounting as prescribed under Section 6(b), Chapter 2 of the GAM for NGAs, Volume I. At year-end, the accounting entry should have been as follows:

| Account  | Debit          | Credit         |
|--|----------------|----------------|
| Accounts Receivable  | ₱24,802,735.06 |                |
| Other Business Income  |                | ₱18,857,543.95 |
| Accumulated Surplus/(Deficit)  |                | 5,981,296.11   |
| <i>To recognize receivables and corresponding income as of December 31, 2021</i> |                |                |

1.9 The Audit Team of the PCC-NHGP noted that a significant amount of the outstanding balance of receivables pertains to toll processing fees due for collection from the dairy cooperatives. Under a Toll Processing Service Agreement entered into by and between the PCC-NHGP and the Dairy Cooperative, the CDCPF shall provide toll processing service for pasteurized toned carabao's milk to be supplied for the Milk Feeding Program of the Department of Social Welfare and Development (DSWD) and the Department of Education (DepEd). In consideration thereof, the Dairy Cooperative shall pay the CDCPF a corresponding toll processing fee of ₱4.92 for each 200-ml sachet of toned milk.

1.10 As of December 31, 2021, seven dairy cooperatives with outstanding balances totaling ₱18,793,155.19 have not yet remitted payments. The former were reliant on the collection of their claim for payment from PCC-NHGP, as Implementing Agency of the program, after the delivery of toned milk to the agreed drop-off points by the DSWD and DepEd.

1.11 Meanwhile, the Audit Team assigned at the PCC-VSU also revealed that the collection efforts of the said Regional Center have been slow considering that despite substantial deliveries of milk every month for CY 2021, the PCC-VSU did not send out any bills to the BDC which accumulated to ₱1,685,138.50. The Audit Team also noted the absence of credit policies or guidelines as to who can avail of the credit sales, when to bill debtors, the payment terms and the limits for outstanding credit accounts, depriving the government of revenues.

1.12 In summary, the departure from the prescribed accounting policy resulted to the understatement of Accounts Receivables, Other Business Income and Accumulated Surplus/(Deficit) accounts by ₱24,802,735.06, ₱18,857,543.95 and ₱5,981,296.11, respectively, as at December 31, 2021.

*(b) Failure to set up receivables from accountable officers- ₱1 million*

1.13 Section 41, Chapter 10 of the GAM for NGAs, Volume I provides the relevant accounting policies on loss of property as follows:

*a. When a loss of government funds or property occurs while they are in transit or the loss is caused by fire, theft, or other casualty or force majeure, the officer accountable therefore or having custody thereof shall immediately notify the Commission or the auditor concerned and, within thirty days or such longer period as the Commission or auditor may in the particular case allow, shall present his application for relief, with the*

*available supporting evidence. Whenever warranted by the evidence credit for the loss shall be allowed. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any loss in the settlement of his accounts. (Sec. 73, P.D. No. 1445)*

xxx ...

*d. A receivable account shall be set up to record the accountability of the accountable officer simultaneous with derecognition of the lost PPE.*

1.14 COA Memorandum No. 92-751 dated February 24, 1992 was issued to ensure or facilitate the evaluation and resolution of applications for relief from accountability with utmost accuracy and dispatch. It provides the documentary requirements relative to the petitions/requests for relief from property accountability to be submitted to the Commission.

1.15 During CY 2021, the Audit Team assigned to the PCC-UPLB and PCC-CMU have received various requests for relief from accountability for the loss, thru death, of buffaloes in the current and prior years. Upon review, the same requests were returned to the accountable officers (AOs) concerned due to deficiencies and lacking documents as required under COA Memorandum No. 92-751 dated February 24, 1992.

1.16 However, review of accounts disclosed that the Bookkeeper of the PCC-UPLB failed to set up the liability of the AOs for the 31 dead animals in CY 2021 amounting to ₱690,750.00 (**Appendix A**) which were already derecognized in the Breeding Stocks account.

1.17 Similarly, the Bookkeeper of the PCC-CMU failed to recognize the receivable from the AO concerned in view of the pending request for relief from accountability for the loss, thru death, of one head of carabao with Ear Tag No. IT20141232 valued at ₱317,368.75.

1.18 The failure to record the liability of the AOs concerned, resulted in the understatement of the Other Receivables account by ₱1,008,118.75 as of year-end.

*(c) Dormancy of receivables ranging from 11 to 20 years- P1.69 million*

1.19 COA Circular No. 2016-005 dated December 19, 2016 prescribes the guidelines and procedures on the write-off of dormant receivables accounts, unliquidated cash advances and fund transfers of NGAs, LGUs and GOCCs.

1.20 Item 5.4 of the said Circular defines dormant receivable accounts as accounts whose balances remained inactive or non-moving in the books of accounts for ten years or more and where settlement/collectability can no longer be ascertained.

1.21 The same Circular provides that all government entities shall conduct regular monitoring and analysis of receivable to ensure that these are collected as they become



due and demandable. It provides further that the Head of the government entity shall file the request for authority to write-off dormant receivable accounts to the Commission on Audit (COA) supported by documents required under Item 8.3 thereof.

1.22 Review and verification of the Schedule of Receivables of the PCC-CSU disclosed that the Other Receivables account showed a balance of ₱5,470,244.36 as at December 31, 2021, which included receivables of ₱1,688,925.61 that remained outstanding for 11 to 20 years, rendering the balance of the account unreliable. The dormant accounts pertain to the recorded receivables from farmer-recipients/cooperatives of the Buffaloes' Loan Program under the "Paiwi Scheme", where the awarded bulls loaned out to qualified farmers died in their custody.

1.23 Management of the PCC-CSU informed the Audit Team that demand letters were already served to the concerned AOs and recipients of the bull loaned. There was no information though, whether the recipients responded to the demand sent by Management or have settled their outstanding liability. As of report date, no request for authority to write-off dormant receivable accounts was filed by the Center Director of the PCC-CSU.

*(d) non-provision of Allowance for Impairment on receivables- ₱1.09 million*

1.24 Section 9, Chapter 5 on Revenue and Other Receipts of the GAM for NGAs, Volume I provides:

*Impairment Losses and Allowance for Impairment Losses. When an uncertainty arises about the collectability of an amount already included in revenue, the uncollectible amount, or the amount in respect of which recovery has ceased to be probable, is recognized as an expense (impairment losses), rather than as an adjustment of the amount of revenue originally recognized.*

*Entities shall evaluate the collectability of accounts receivable on an ongoing basis based on historical bad debts, customer/recipient credit-worthiness, current economic trends and changes in payment activity. An allowance is provided for known and estimated bad debts.*

1.25 Review of the Schedule of Other Receivables of the PCC-MLPC as of December 31, 2021 disclosed a balance of ₱1,090,024.07 consisting of a beginning balance of ₱1,089,869.07 and an addition of ₱155.00 as correction/adjustment for the erroneous check issued at ₱7,750.00 instead of ₱7,595.00 during the year. The beginning balance represents prior years' dairy milk credit sales which remained uncollected and outstanding, as shown below:

| Total Amount  | Number of days past due |                   |
|---------------|-------------------------|-------------------|
|               | 91-365 days             | 3 years and above |
| ₱1,089,869.07 | ₱64,938.00              | ₱1,024,931.07     |

1.26 These are collectibles from PCC-MLPC's personnel still in the service, personnel who are already separated from the service, and other customers, consisting of government agencies and non-government entities:

| Particulars                              | Amount               |
|--|----------------------|
| PCC Personnel currently in the service   | ₱ 136,415.07         |
| PCC Personnel separated from the service | 29,157.00            |
| Government                               | 878,445.00           |
| Non-Government                           | 45,852.00            |
| <b>Total</b>                             | <b>₱1,089,869.07</b> |

1.27 Management explained that the receivables from the PCC-MLPC personnel have actually been collected and paid by the employees concerned. Accordingly, there was an error in the recording of sales in the official receipt. When payment was made, the same was recorded as sales and not as collection of receivables from the employees, hence, not deducted from their account balances. In addition, Management also claimed that some of the milk products were used for promotional purposes but taken up in the books as credit sales to some employees, increasing the receivable balance. Meanwhile, Management encountered difficulty in the collection thereof due to change of administration. Relatedly, a demand letter was sent on August 17, 2018 but no reply had been received as of this writing.

1.28 It was suggested by the Audit Team of the PCC-MLPC that the reported incorrect recording be substantiated for possible reduction of the receivable balance. It was also recommended that efforts be exerted and coordination be made with the concerned government agency/debtor for the settlement of the balance which constitutes about 80% of the collectible amount.

1.29 Despite the foregoing recommendations, the account balance remained non-moving for a period of three years (CYs 2018 to 2021), which indicates a very low collection efficiency. Nonetheless, no provision for impairment was made by the PCC-MLPC in CY 2021.

1.30 The foregoing inadequacy of controls over Receivables did not only pose threats on the security of government resources but also on the reliability and fairness of the presentation of other affected accounts in the financial statements (FSs) as at year-end.

1.31 **We recommended and the OIC - Executive Director agreed to instruct the:**

- (a) Accounting Unit of PCC at NHGP, CLSU and VSU to (i) prepare and submit the Schedule of Accounts Receivable (SAR); (ii) strictly comply with the accrual basis of accounting on the recognition of financial transactions in the books of accounts; (iii) exert more effort in the collection of long outstanding accounts; (iv) continue to issue demand letters to the individual debtors on a regular basis; and (v) effect the necessary adjustments in the books, as warranted;**

- (b) Center Director of PCC at MLPC to direct the Accounting Unit to (i) assess the collectability of the Other Receivables account and provide the necessary Allowance for Impairment Loss based on the assessment made; (ii) provide documents to support the claim of incorrect recording of credit collection as sales; and (iii) intensify collection efforts and send demand letters to debtors on a regular basis;
- (c) Center Director of PCC at UPLB and CMU to (i) direct the accountable officers (AOs) concerned to (1) file for relief from property accountability duly supported with complete documentations; and (2) submit to the Bookkeeper/Accountant the requisite documents supporting the loss, thru death of animals; and (ii) instruct the Bookkeeper/Accountant to recognize in the books of accounts the amount of liability of each particular AO equivalent to the value of deceased animals; and
- (d) Center Director of PCC at CSU to initiate efforts in requesting for authority from the COA to write-off dormant receivables that are deemed uncollectible after all remedies have been exhausted, pursuant to COA Circular No. 2016-005 dated December 19, 2016.

1.32 During the Exit Conference, the OIC-Executive Director of PCC committed that they would conduct the necessary orientation and trainings among personnel concerned from the different Regional Centers to facilitate accurate and timely recording of receivables.

*Deficient Biological Assets accounting and management*

2. *Deficiencies were noted on the accounting and management of Biological Assets of the PCC Regional Centers such as (a) unrecognized gains on initial recognition of harvested milk and meat totaling ₱3,889,153.20 by the PCC-CLSU and calf drops totaling ₱151,000.00 by the PCC at Don Mariano Marcos Memorial State University (DMMMSU); (b) inconsistent application of the policy on the valuation of biological assets resulting to understatement of Assets and Accumulated Surplus/(Deficit) accounts by ₱472,700.00; (c) unreconciled variance of ₱1.04 million between the Accounting and Property records as reported by the PCC at CMU and VSU; (d) unsubstantiated derecognition of sold, transferred and dead animals totaling ₱13,588,237.50 as reported by the PCC at UPLB, VSU and CLSU; and (e) non-preparation of Quarterly Report on Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC) by the PCC at CMU, DMMMSU and Mariano Marcos State University (MMSU), inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.*

2.1 Review of the accounting and management of Biological Assets of the PCC disclosed that Management had not fully addressed some of the deficiencies raised in the previous year's CAAR, affecting the reliability of the related General Ledger (GL) controlling account balance totaling ₱130,795,779.50 as of December 31, 2021. These deficiencies include the following:

(a) *Unrecognized agricultural produce- ₱3,889,153.20*

2.2 Chapter 11 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, provides the standards, policies, procedures and guidelines on the recognition, measurement, presentation and disclosure requirements of agricultural activity prescribed under the International Public Sector Accounting Sector (IPSAS) 27, Agriculture. Agencies shall apply these policies to biological assets and agricultural produce at the point of harvest when they relate to agricultural activity.

2.3 Likewise, Sections 7 and 9, Chapter 11 of the GAM for NGAs, Volume I, state the following accounting policies:

*Section 7 (par. 3). Agricultural produce harvested from an entity's biological assets shall be measured at its fair value less costs to sell at the point of harvest.*

xxx ...

*Section 9. Gain or loss arising on initial recognition of agricultural produce at fair value less costs to sell shall be included in surplus or deficit for the period in which it arises.*

2.4 Additionally, Section 12 of the same Chapter of the GAM for NGAs, Volume I states, among others, that to recognize new born breeding stocks, *an amount equivalent to Fair Value Less Cost to Sell shall be debited to the account Breeding Stocks and credited to account Gain on Initial Recognition of Biological Assets.*

2.5 In CY 2021, six heads of buffaloes were slaughtered for meat production and processing at PCC-CLSU. However, it was noted that the agricultural produce from the carcass of slaughtered buffaloes were not recognized at the time of harvest. The total unrecognized gains on the initial recognition of such agricultural produce in CY 2021 are computed as follows:

| <b>Animal Ear Tag No.</b> | <b>Book Value</b> | <b>Total Meat Utilized (in kgs.)</b> | <b>Fair Value @<br/>₱90.00/kg</b> |
|---------------------------|-------------------|--------------------------------------|-----------------------------------|
| 2CL17027                  | ₱ 29,250.00       | 1,235.25                             | ₱111,172.50                       |
| 2CL15016                  | 29,250.00         |                                      |                                   |
| 2CL11038                  | 9,750.00          |                                      |                                   |

| Animal Ear Tag No. | Book Value         | Total Meat Utilized (in kgs.) | Fair Value @<br>₱90.00/kg |
|--------------------|--------------------|-------------------------------|---------------------------|
| 2GP11006           | 9,750.00           | 1,486.73                      | 133,805.70                |
| GR1169             | 27,950.00          |                               |                           |
| 7CL19066           | 30,875.00          |                               |                           |
| <b>Total</b>       | <b>₱188,825.00</b> | <b>2,721.98</b>               | <b>₱244,978.20</b>        |

2.6 Interview with the personnel concerned at the Meat Processing Plant disclosed that the fair value of harvested meat totaling ₱244,978.20 is based on the average market price per live weight of buffalo.

2.7 The same holds true with the Milk Production of the Center as it was also noted that there has been no recognition of agricultural produce equivalent to the fair value of harvested milk totaling ₱3,644,175.00 during the year.

2.8 Meanwhile, review of records pertaining to the calf drops for CY 2021 in which the PCC-DMMMSU was entitled to 50% share disclosed that at least 64 calves were produced under the "Paiwi" or Buffalo Entrustment Scheme. Based on the pricing guidelines, the calves had an aggregate Fair Value of ₱302,000.00. Considering that the Center was entitled to 50%, it should have recorded at least ₱151,000.00 (see **Appendix B** for details) as Gain on Initial Recognition of Biological Assets. As such, it is the Audit Team's contention that the calf drops produced by the carabaos of the PCC-DMMMSU should have been properly recorded in its books of accounts, and regularly monitored.

2.9 The non-recognition by the PCC-DMMMSU of its share in the calves born in CY 2021 under the Paiwi Scheme understated both the Livestock Held for Consumption/Sale/ Distribution and Gain on Initial Recognition of Biological Assets accounts by ₱151,000.00 as at year-end.

2.10 In summary, the non-recognition of the foregoing transactions resulted in the misstatement of the following accounts as at December 31, 2021; viz:

| Account   | Understated   |
|---|---------------|
| Gain on Initial Recognition of Agricultural Produce | ₱3,889,153.20 |
| Gain on Initial Recognition of Biological Assets    | 151,000.00    |
| Livestock Held for Consumption/Sale/Distribution    | 151,000.00    |

(b) *Undervalued animals due to inconsistent application of valuation policy-₱472,700.00*

2.11 Section 7, Chapter 11 of the same Manual states, among others, the following related provision:

**Sec. 7. Measurement.** *A biological asset shall be measured on initial recognition and at each reporting date at its fair value less costs to sell, except where market-determined prices or values are not available, and for which alternative estimates of fair value are determined to be clearly*

*unreliable. In such a case, that biological asset shall be measured at its cost less any accumulated depreciation and any accumulated impairment losses. (Pars. 16 and 34, IPSAS 27)*

2.12 Relatedly, the Program Management Committee (PMC) of the PCC approved Resolution No. 01, series of 2018 on March 24, 2018, superseding the previous resolutions, to adopt revised guidelines for the valuation, acquisition and sale/disposal of imported and island born breeding and non-breeding stocks of water buffaloes.

2.13 The abovementioned Resolution provides for the determination of fair value (FV) less cost to sell of buffaloes, tabulated as follows:

| Age (in months)   | Fair value less cost to sell (in Philippine Peso) |                    |                     |
|---|---|--------------------|---------------------|
| <b><i>For Imported Heifers and Bulls, Riverine Buffaloes*</i></b> |   |                    |                     |
| 1 to 35   | ₱61,750.00  |                    |                     |
| 36 to 47  | 55,757.00   |                    |                     |
| 48 to 59  | 49,400.00   |                    |                     |
| 60 to 95  | 46,312.50   |                    |                     |
| more than 96  | 30,875.00   |                    |                     |
| <b><i>For Island Born Heifers and Bulls,</i></b>                  |   |                    |                     |
|   | Riverine Buffaloes                                | Philippine Carabao | Crossbred Buffaloes |
| 1 to 11   | ₱5,000.00   | ₱3,000.00          | ₱4,250.00           |
| 12 to 17  | 19,500.00   | 9,750.00           | 11,050.00           |
| 18 to 35  | 22,750.00   | 13,000.00          | 19,500.00           |
| 36 to 95  | 29,250.00   | 19,500.00          | 22,500.00           |
| more than 96  | 9,750.00  | 6,500.00           | 6,500.00            |

2.14 Meanwhile, verification and re-computation made by the Audit Team at PCC-CLSU disclosed discrepancies in the valuation of some animals, resulting in the understatement of ₱472,700.00 in both the accounts Biological Assets and Gain from Changes in Fair Value Less Cost to Sell of Biological Assets Due to Physical Change as at year-end (see **Appendix C** for the details).

*(c) Unreconciled variance between the Accounting and Property records- ₱1.04 million*

2.15 Comparison of the Report on the Physical Count of Property, Plant and Equipment (RPCPPE) for Biological Assets (Breeding Stocks) provided by the Property Custodian of the PCC-CMU and the General Ledger (GL) on the Breeding Stocks account disclosed a total variance of ₱993,735.00. The GL showed a total balance of ₱6,011,735.00 whereas the reported physical count was only ₱5,018,000.00. The difference could be attributed to the year-end adjustment for the increase/decrease of the fair value of buffaloes.

2.16 In the case of livestock transferred to the recipient farmers, the Audit Team at PCC-VSU reported a difference of ₱45,250.00 between the fair values of the buffaloes in the Accounting records vis-à-vis the values per physical count as presented in the succeeding page.

| Item No.     | Buffalo ID No. | Per Accounting Records | Per RPCPPE         | Difference          |
|--------------|----------------|------------------------|--------------------|---------------------|
| 1            | M-2LSI9008     | ₱ 19,500.00            | ₱ 22,750.00        | (₱3,250.00)         |
| 2            | M-2LSI8006     | 22,750.00              | 29,250.00          | (6,500.00)          |
| 3            | M-2LS20001     | 19,500.00              | 22,750.00          | (3,250.00)          |
| 4            | M-2LS20004     | 5,000.00               | 19,500.00          | (14,500.00)         |
| 5            | M-2LS20008     | 5,000.00               | 19,500.00          | (14,500.00)         |
| 6            | M- 2LS19006    | 19,500.00              | 22,750.00          | (3,250.00)          |
| <b>Total</b> |                | <b>₱91,250.00</b>      | <b>₱136,500.00</b> | <b>(₱45,250.00)</b> |

2.17 Further verification revealed that the amounts recorded in the books of the PCC-VSU were different from the amounts in the RPCPPE. The difference can be attributed to the change in the fair value due to the revaluation of the assets. However, the Audit Team found it difficult to undertake a detailed analysis of the transactions due to incomplete documentation.

(d) *Unsubstantiated derecognition of sold, transferred and dead animals- ₱13.59 million*

2.18 Examination by the Audit Team at PCC-UPLB showed that 38 Journal Entry Vouchers (JEVs) were drawn to derecognize a total of 323 breeding stocks costing ₱13,259,987.50. The JEVs for the following transactions were not substantially supported with pertinent documentation:

| Transactions       | Animals |              | No. of JEVs | Documentary Requirements  |
|--------------------|---------|--------------|-------------|---|
|                    | Qty.    | Amount       |             |   |
| <i>Sale</i>        |         |              |             |   |
| Culled             | 23      | ₱ 567,125.00 | 6           | <ul style="list-style-type: none"> <li>• Official Receipt</li> <li>• Farmer's request form</li> <li>• Approved Authority to Release, if culling</li> <li>• Certification of Property Officer: JEV and PAR, Book Value, Selling Price</li> <li>• Notice of date of culling</li> </ul>  |
| Calf Share         | 24      | 606,000.00   | 9           |   |
| <i>Slaughtered</i> | 16      | 345,312.50   | 5           | <ul style="list-style-type: none"> <li>• Approved Authority to Release</li> <li>• Certification of Property Officer: JEV and PAR, Book Value, Selling Price</li> <li>• Notice of date of slaughter (state reason if emergency)</li> <li>• Slaughter Data for Carabeef: Weight</li> <li>• Carcass data for carabeef on forequarter</li> <li>• Official Receipt, if sold</li> </ul> |
| <i>Transfer</i>    |         |              |             |   |
| Govt. Agencies     | 28      | 709,800.00   | 7           | <ul style="list-style-type: none"> <li>• Letter request with approval of the Center Director</li> <li>• Approved Authority to Release</li> <li>• Property Transfer Report (PTR)</li> <li>• Memorandum of Agreement (MOA)</li> <li>• Certification of Property Officer: JEV and PAR, Book Value</li> </ul>   |
| CBIN               | 150     | 8,980,000.00 | 1           | <ul style="list-style-type: none"> <li>• PTR (Local Government Unit)</li> </ul>   |

| Transactions | Animals    |                       | No. of JEVs | Documentary Requirements   |
|--------------|------------|-----------------------|-------------|--|
|              | Qty.       | Amount                |             |  |
|              |            |                       |             | <ul style="list-style-type: none"> <li>List of Beneficiaries/Recipients</li> <li>MOA</li> <li>Acceptance Form</li> </ul>   |
| Awarded      | 6          | 200,687.50            | 1           | <ul style="list-style-type: none"> <li>Letter request with approval of the Center Director</li> <li>Approved Authority to Release</li> <li>MOA</li> <li>Acceptance Form</li> </ul> |
| Dispersal    | 6          | 159,250.00            | 1           | <ul style="list-style-type: none"> <li>MOA with LGU</li> <li>Contract</li> <li>Acceptance Form</li> </ul>  |
| First Calf   | 36         | 916,500.00            | 1           | <ul style="list-style-type: none"> <li>Contract</li> <li>Acceptance Form</li> </ul>  |
| Death        | 34         | 775,312.50            | 7           | <ul style="list-style-type: none"> <li>Notice of Loss/Death</li> <li>Certification of Property Officer: JEV and PAR, Book Value</li> </ul>   |
| <b>Total</b> | <b>323</b> | <b>₱13,259,987.50</b> | <b>38</b>   |  |

*All transactions include List of Animals with details as to Description, Ear Tag No., Date of Birth, Date Acquired, Unit Value, Accountable Officer, Location and Remarks*

2.19 Inquiry with the Bookkeeper of PCC-UPLB disclosed that only the breakdown/list of the affected animals from the Property and accountable officers were initially forwarded to her as an attachment to the JEVs. However, the officers concerned failed to complete all the other necessary documents supporting the transactions before submitting the same for audit and verification.

2.20 Meanwhile, review of the journal entries during the year also disclosed that there were buffaloes costing ₱247,000.00 that had been dropped from the books of the PCC-VSU for reasons such as transfers, death, selling and culling of the latter yet these transactions were not supported with complete documentation. Presented below is the list of transactions covered by JEVs to recognize the dropping of the animals from the books of accounts.

| No.                            | Explanation  | JEV No.            | Amount (Credit)  |
|--------------------------------|--|--------------------|------------------|
| <b>Breeding Stocks Account</b> |  |                    |                  |
| 1.                             | To drop from the books of accounts of Breeding Stock with ID No. Bulgarian Murrah Buffalo-F2LC00019 Culled 6-1-2021.   | JEV-2021-09-000508 | ₱9,750.00        |
| 2.                             | To drop from the books of account of Breeding Stock of dead animal dated August 6, 2021 to the accountable officer in charge .   | JEV-2021-09-000509 | 29,250.00        |
| 3.                             | To drop from the books account of Breeding Stock and transfer to PCC UPLB Two heads with ID No. Bulgarian Murrah Buffalo-M-2LS19005 and Bulgarian Murrah Buffalo-M-2LS19012 dated September 3, 2021. | JEV-2021-09-000510 | 39,000.00        |
| <b>Sub-total</b>               |  |                    | <b>78,000.00</b> |



| No.  | Explanation  | JEV No.            | Amount (Credit)    |
|--|--|--------------------|--------------------|
| <b><i>Livestock Held for Consumption/Sale/Distribution Account</i></b> |  |                    |                    |
| 4.   | To drop from the book of accounts of Livestock with ID No. 2LS16015.   | JEV-2021-12-000810 | 29,250.00          |
| 5.   | To drop from the book of accounts of Livestock Held for Consumption with ID No. 2LS15019.  | JEV-2021-12-000811 | 29,250.00          |
| 6.   | To drop from the book of accounts of Livestock Held for Consumption with ID No. 2LS13010.  | JEV-2021-12-000812 | 29,250.00          |
| 7.   | To drop from the book of accounts of Livestock Held for Consumption with ID No. 2CM13056.  | JEV-2021-12-000813 | 29,250.00          |
| 8.   | To drop from book of accounts transferred to Other Receivables – Edgar S. Nuñez, the AI and Bull Loan Coordinator with ID No. 2LS17016 dated March 2, 2021.                              | JEV-2021-12-000817 | 29,250.00          |
| 9.   | To drop from the book of accounts of Livestock Held for Consumption/Sale/Distribution transferred to Benedicto Uribe from Brgy. Macalpi Carigara Leyte as Bull Loan Entrustment Program. | JEV-2021-12-000832 | 22,750.00          |
| <b>Sub-total</b>   |  |                    | <b>169,000.00</b>  |
| <b>TOTAL</b>   |  |                    | <b>₱247,000.00</b> |

2.21 In the same manner, review of pertinent documents disclosed that the culling of three heads of buffaloes was not supported by duly approved Authority to Releases (ATRs) based on the ATR Database System maintained by the PCC-NHGP, summarized as follows:

| Animal Ear Tag No. | Book Value        |
|--------------------|-------------------|
| 2CL15016           | ₱29,250.00        |
| 2CL17027           | 29,250.00         |
| 2AB18044           | 22,750.00         |
| <b>Total</b>       | <b>₱81,250.00</b> |

2.22 In the absence of an approved ATR, the Audit Team could not fully evaluate the Center's compliance with minimum requirements such as the recommendation of the National Genetic Improvement Program (GIP) Coordinator as the basis of breed values and genetic evaluation of the animal and whether the culling was approved by the Executive Director of PCC.

2.23 The foregoing deficiency could have also stemmed from the apparent lack of specific guidelines on the procedures and documents to be accomplished related to the culling of animals amounting to ₱13,588,237.50, affecting the validity and propriety of their disposal in CY 2021.

*(e) Non-preparation of Quarterly Report on Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC)*

2.24 Section 11, Chapter 11 of the GAM for NGAs, Volume I, provides the Narrative Procedures for the acquisition and recognition of biological assets. It states, among others, that the Biological Asset's Caretaker/Officer in-Charge shall:

*Upon receipt of biological assets and based on the approved Inspection and Acceptance Report, Delivery Receipt and other supporting documents, records the biological asset in the BAPC (Appendix 78). Moreover, he shall prepare QRBA (Appendix 79) containing, among others, the balances at the beginning of the quarter and the changes in fair value of the biological assets due to physical changes such as a) growth, b) degeneration, c) production, and d) procreation.*

2.25 Information gathered by the Audit Team of PCC at DMMMSU, MMSU and CMU disclosed that BAPCs were not regularly updated and could not be used as a basis for the preparation of the QRBA. Be that as it may, the QRBA was also not prepared and submitted despite the prior year's recommendation. Management of the said Regional Centers explained that due to the lack of manpower, afore-cited activities were not undertaken. In lieu thereof, animal health records are maintained to serve as the Center's database for monitoring and reporting. Those records, however, contained data which were different from the requirements of the BAPC; thus, there is a need to comply with the prescribed format. The health record was maintained for each buffalo, while the BAPC shall be maintained for each type of biological asset, wherein the data shall be summarized in the QRBA.

2.26 The non-preparation of QRBA and non-maintenance of BAPC prevented the Audit Team from ascertaining the existence and accuracy of the Center's biological assets as of a given period.

2.27 **We recommended that the OIC-Executive Director agreed to undertake the following courses of action:**

- (a) instruct the Accounting Unit of (i) PCC-CLSU to (1) consistently apply the valuation policy established on Biological Assets; (2) secure the Carabeef Meat Processing and Dairy Production Reports as basis for the recognition of Gain on Initial Recognition of Agricultural Produce account; (3) draw the necessary adjustments in the books to correct the undervaluation of the animals; (ii) PCC-DMMMSU to regularly monitor the recording of the amount of PCC shares in the calf drops under the Paiwi Scheme;**
- (b) advise the Property Officer or the accountable officers concerned of the PCC at CLSU, UPLB and VSU to submit to the Bookkeeper the requisite documents to support the sale, transfer, dispersal and death of identified breeding stocks to justify the derecognition from the books of accounts;**

- (c) direct the Property and Accounting Units of PCC at CMU and VSU to reconcile their records on a periodic basis to come up with accurate data for recognition in the books of accounts; and
- (d) advise the Property Unit of PCC at CMU, DMMMSU and MMSU to regularly update the Biological Assets Property Card (BAPC) and prepare and submit the required Quarterly Report of Biological Assets (QRBA).

2.28 During the Exit Conference, the OIC-Executive Director of PCC committed to instruct the Center officials concerned to comply with the audit recommendations. Management also disclosed its plans to discuss among the top officials of PCC the need to update/revise the fair value computation of animals considering that Program Management Committee (PMC) Resolution No. 01, series of 2018 was issued way back on March 24, 2018.

*Deficient property accounting and management*

3. *Deficiencies were noted on the accounting and management of Property, Plant and Equipment (PPE) accounts of the PCC Regional Centers at NHGP, CLSU, CMU, MLPC, and UPLB with carrying amount totaling ₱873,738,579.48 as of December 31, 2021, such as (a) unrecognized equipment and other structures valued at ₱1,748,635.00; (b) under-depreciation of some PPE items by ₱1,751,235.45; (c) unreconciled variance of ₱5,159,326.04 between the General Ledger (GL) controlling account balance and the Report on the Physical Count of PPE (RPCPPE); (d) non-derecognition of 12 units of donated PPE items totaling ₱244,788.85; (e) unsubstantiated derecognition of some PPE items totaling ₱1,825,834.45; (f) non-disposal of unserviceable properties valued at ₱1,544,927.66, exposing the same to further deterioration; and (g) non-adoption of uniform property identification system, which is not in harmony with the standards called for under certain provisions of Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and COA Circular No. 2020-006 dated January 31, 2020.*

3.1 In the audit of the Property, Plant and Equipment (PPE) accounts of the Philippine Carabao Center (PCC) and its Regional Centers, the following carrying amounts were noted based on the year-end financial statements; to wit:

| Regional Center                                     | Carrying Amount of PPE as at 12/31/2021 |
|---|---|
| PCC- National Headquarters and Gene Pool (NHGP)     | ₱681,854,731.88                         |
| PCC- Central Luzon State University (CLSU)          | 48,657,274.27                           |
| PCC- Central Mindanao University (CMU)              | 69,447,461.52                           |
| PCC- Mindanao Livestock Production Center (MLPC)    | 16,575,512.30                           |
| PCC- University of the Philippines-Los Baños (UPLB) | 57,203,599.51                           |
| <b>Grand Total</b>                                  | <b>₱873,738,579.48</b>                  |

3.2 Verification of the PPE accounts disclosed that Management had not fully addressed some of the deficiencies raised in the previous year's CAAR, affecting the reliability of the related General Ledger (GL) controlling account balance as at year-end. These deficiencies include the following:

(a) *Unrecognized equipment and other structures- ₱1,748,635.00*

3.3 Sections 8 and 26, Chapter 10 of the GAM for NGAs, Volume I, provide the following provisions on the purchase or construction of PPE; to wit:

*Sec. 8. PPE acquired through cash purchase shall initially be recognized at cost which includes cash paid plus all costs incurred in bringing the asset to the location necessary for its intended use such as delivery, installation costs, etc. These are **recognized in the books of accounts as PPE after inspection and acceptance of delivery.** (Emphasis supplied.)*

xxx ...

*Sec. 26. Additions and Rearrangements. Additions are modifications which increase the physical size or function of the PPE. Two types of expenditures which shall be both capitalized are namely, entirely new unit and expansion, and enlargement or extension of the old asset. For example, the addition of a wiring to a building or the addition of an air-conditioning system increases the service potential of that facility and shall be capitalized. xxx*

3.4 Meanwhile, test procedures at year-end disclosed that 11 units of procured technical and scientific equipment were not recognized both in the Accounting and Property Records of the PCC-NHGP as provided in the table below:

| Inspection and Acceptance Report (IAR) |                             | Property Description       | No. of Units | Acquisition Cost     |
|--|-----------------------------|----------------------------|--------------|----------------------|
| IAR No.                                | Date Inspected and Accepted |                            |              |                      |
| 2021-12-0019                           | 12/10/21                    | Bio-Freezer w/ Accessories | 1            | ₱1,215,000.00        |
| 2021-12-108                            | 12/10/21                    | Electrophoresis System     | 10           | 440,000.00           |
| <b>Total</b>                           |                             |                            | <b>11</b>    | <b>₱1,655,000.00</b> |

3.5 The failure to recognize the above PPE items in the accounting books could have stemmed from the omission to set up the corresponding Payable account at year-end as it was only paid and recognized on January 6, 2022. As a result, the PPE account was understated by ₱1,655,000.00 as of December 31, 2021.

3.6 Meanwhile, the construction of a comfort room at the PCC-MLPC was undertaken "By Administration Scheme" which started in CY 2020 and completed in CY 2021, the nature of which was an addition as defined in the above-mentioned provision of the GAM.

3.7 Various materials and labor services have been procured in relation to this project. Following the accounting requirement during the construction period, all expenses incurred in relation to the construction of the PPE shall be taken up in the books as Construction in Progress (CIP) with the appropriate asset classification.

3.8 On December 31, 2021, Journal Entry Voucher (JEV) No. 2021-12-000947 was drawn with the following entries:

| Account Name  | Account Code | Debit      | Credit     |
|---|--------------|------------|------------|
| Repairs and Maintenance- Buildings and Other Structures   | 50213040     | ₱93,635.00 |            |
| Construction Materials Inventory  | 10404130     |            | ₱83,635.00 |
| Construction in Progress- Buildings and Other Structures  | 10698030     |            | 10,000.00  |
| <i>Issuance of Supplies and Materials used in the construction of comfort room enclosed at the Administration Building.</i> |              |            |            |

3.9 The amount of ₱93,635.00 consisted of the labor cost paid for the construction of comfort room of ₱10,000.00 and materials procured at ₱83,635.00.

3.10 The full amount should have been debited to the CIP account when issued or incurred for projects which are still in the process of construction and reclassified to the appropriate asset account (Buildings and Other Structures) upon completion.

3.11 It was gathered that by the end of CY 2021, the construction of the comfort room was already completed. As such, all related construction costs should have formed part of the PPE account.

3.12 As a result of the foregoing error, the Buildings and Other Structures account of the PCC-MLPC was understated by ₱93,635.00 while the affected Expense account was overstated by the same amount.

*(b) Under-depreciation of PPE items- ₱1,751,235.45*

3.13 Section 27 (c and e), Chapter 10 of the GAM for NGAs, Volume I, provides the following policies on the provision of depreciation:

*c. Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. For simplicity and to avoid proportionate computation, depreciation shall be for one month if the PPE is available for use on or before the 15th of the month. However, if the PPE is available for use after the 15th of the month, depreciation shall be for the succeeding month.*

xxx ...

*e. The straight line method of depreciation shall be adopted unless another method is more appropriate for entity operation. That method is applied consistently from period to period unless there is a change in the expected pattern of consumption of those future economic benefits or service potential.*

3.14 Nonetheless, the above policy was not fully observed by some PCC Regional Centers as there were recognized PPE items not accurately provided with Allowance for Depreciation as summarized below:

| Regional Center | Understatement       |                          |
|-----------------|----------------------|--------------------------|
|                 | Depreciation Expense | Accumulated Depreciation |
| PCC-NHGP        | ₱384,363.16          | ₱384,363.16              |
| PCC-CLSU        | 105,282.79           | 857,178.01               |
| PCC-MLPC        | 209,257.82           | 509,694.28               |
| <b>Total</b>    | <b>₱698,903.77</b>   | <b>₱1,751,235.45</b>     |

3.15 Collectively, the incorrect or non-provision of depreciation for some PPE items resulted in the understatement of corresponding Depreciation Expense and Accumulated Depreciation accounts by ₱698,903.77 and ₱1,751,235.45, respectively. Consequently, the affected PPE accounts were incorrectly valued in the Statement of Financial Position as at year-end.

*(c) Unreconciled balances per Books and RPCPPE - ₱15,496,599.63*

3.16 The reconciliation of Accounting and Property records is required under Section 42, Chapter 10 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, which states, among others, the following:

*The balance per Property Card (PC) shall be reconciled with PPE Ledger Card (PPELC) maintained by the Accounting Division/Unit. They shall also be reconciled with other property records like Property Acknowledgement Receipt (PAR).*

3.17 The Accounting Unit maintains PPELCs and PPE Schedules thru the electronic New Government Accounting System (eNGAS) which provides the list of all PPE items per General Ledger (GL) controlling account.

3.18 However, as at year-end, it was noted that the reported carrying amounts of some PPE accounts disagreed with the balances as per Report on the Physical Count of PPE (RPCPPE) submitted by some Regional Centers, resulting in a variance of ₱15,496,599.63, as summarized in the succeeding page.

| Regional Center | Consolidated Balance of PPE (at cost) |                          | Variance              |
|-----------------|---------------------------------------|--------------------------|-----------------------|
|                 | Per GL                                | Per RPCPPE               |                       |
| PCC-NHGP        | ₱1,292,250,369.94                     | ₱1,295,891,946.84        | ₱ 3,641,576.90        |
| PCC-CLSU        | 28,978,153.28                         | 25,190,266.58            | 3,787,886.70          |
| PCC-CMU         | 127,237,569.69                        | 119,170,433.66           | 8,067,136.03          |
| <b>Total</b>    | <b>₱1,448,466,092.91</b>              | <b>₱1,440,252,647.08</b> | <b>₱15,496,599.63</b> |

3.19 Further verification by the Audit Team at PCC-NHGP disclosed the following causes of variances:

- The Office Equipment account balance per PPE Schedule was higher by ₱183,438.67 due to various items of office equipment such as air conditioning units and office copiers procured in CY 2021 but not accounted for in the RPCPPE;
- The account balance of Information and Communication Technology Equipment as per RPCPPE was higher by ₱1,614,782.73 as compared to that of the PPELC due to the inclusion of various Information Technology (IT) equipment such as desktop computers, projectors and printers which were already donated to other government agencies or transferred to other PCC Regional Centers during the year;
- Meanwhile, the Technical and Scientific Equipment and Other Equipment accounts disclosed variances between the RPCPPE and the PPELC amounting to ₱2,642,625.24 and ₱538,889.40, respectively, due to differences in account classification of some equipment items procured in CY 2021. For instance, some 38 units of equipment were recognized in the PPELC as Other Equipment but the same were treated as Technical and Scientific Equipment in the RPCPPE as shown in the table below:

| Particulars                 | No. of units | Amount                |
|-----------------------------|--------------|-----------------------|
| Ice Tube Maker machine      | 1            | ₱ 1,058,890.00        |
| 5 HP Centrifugal Motor Pump | 1            | 62,000.00             |
| Liquid Nitrogen Tanks       | 36           | 1,868,400.00          |
| <b>Total</b>                | <b>38</b>    | <b>₱ 2,989,290.00</b> |

- On the other hand, the variance of ₱179,590.00 in the Furniture and Fixtures account was due to non-derecognition in the RPCPPE of 11 units of television which were already donated to a public school on January 14, 2020 as per Property Transfer Report (PTR) No. 2020-01-004.

3.20 Interview with the Property Officer of PCC-NHGP disclosed that the non-derecognition of the abovementioned PPE items in the Property records could be attributed to their failure to complete the physical inventory-taking of agency assets. She also averred that in view of the strict implementation of agency protocols on quarantine and lockdown measures due to the COVID-19 pandemic, the Property Unit had been

subjected to several lockdowns not to mention some staff who were under separate quarantine or isolation. As a result, some PPE items procured during the year as well as items already donated or transferred were not fully accounted for, hindering the completion of the physical inventory report.

3.21 The Audit Team assigned at the PCC-CLSU also reported a variance of ₱3,787,886.70 due to the non-inclusion in the RPCPPE of three completed structures as presented below:

| Property Description/Location                          | Date Completed  | Total Cost            |
|--|-----------------|-----------------------|
| Dairy Store and Building Facility- Victoria, Tarlac    | June 25, 2021   | ₱ 1,280,659.95        |
| Dairy Store and Building Facility- Dinalupihan, Bataan | June 25, 2021   | 1,250,822.05          |
| Dairy Store and Building Facility- Orani Bataan        | October 7, 2021 | 1,256,404.70          |
| <b>Grand Total</b>                                     |                 | <b>₱ 3,787,886.70</b> |

3.22 Meanwhile, the Audit Team at the PCC-CMU disclosed a variance of ₱8,067,136.03 which was attributable to the failure of the Accounting and the Property Units to conduct regular reconciliation of the PPE records.

3.23 In sum, the foregoing lack of reconciliation had resulted in significant variances totaling ₱15,496,599.63 between the GL and the RPCPPE as at year-end.

*(d) Non-derecognition of one unit of donated vehicle and 11 units of equipment - ₱244,788.85*

3.24 Section 15, Chapter 10 of the GAM for NGAs, Volume I, provides that *transfer from one government entity to another shall be recognized by the recipient entity at net carrying value. The transferor shall derecognize the PPE account upon transfer.* (emphasis supplied)

3.25 Relatedly, Section 39, Chapter 10 of the same Manual provides the following principles on the derecognition of PPE:

*Sec. 39. Derecognition. The cost of the PPE together with the related accumulated depreciation and accumulated impairment loss shall be removed from the accounts (2014 ed. Financial Accounting, Volume I, Valix). The carrying amount of an item of PPE shall be derecognized on disposal or when no future economic benefits or service potential is expected from its use or disposal.*

3.26 Verification of the donated machineries and equipment of the PCC-NHGP in CY 2021, as evidenced by Property Transfer Reports (PTRs), disclosed that the following PPE items with a carrying amount of ₱244,788.85 were still included in the PPE Schedule and the RPCPPE maintained by the Accounting and Property Units, respectively, itemized as follows:



| Account Code  | Particulars           | Property No | Cost                 | Accumulated Depreciation | Book Value         |
|---|-----------------------|-------------|----------------------|--------------------------|--------------------|
| <b>Donated to Public School per PTR No. 2021-11-038</b> |                       |             |                      |                          |                    |
| 10605020  | Projector             | 13025       | ₱20,800.00           | ₱19,760.13               | ₱1,039.87          |
| 10605140  | Dehumidifier          | 09084       | 60,000.00            | 57,000.15                | 2,999.85           |
| 10605030  | Desktop Acer          | 10-101      | 39,495.00            | 37,520.25                | 1,974.75           |
| 10605030  | Desktop Acer          | 10-031      | 39,950.00            | 46,075.00                | 2,425.00           |
| 10605030  | Desktop Jooyon        | 12-012      | 40,876.35            | 38,832.47                | 2,043.88           |
| 10605030  | CPU Triton            | 12-050      | 19,495.00            | 18,520.20                | 974.80             |
| 10607010  | TV Samsung            | 12-032      | 20,200.00            | 18,911.14                | 1,288.86           |
| 10607010  | TV Samsung            | 12-122      | 17,990.00            | 15,518.07                | 2,471.93           |
| <b>Transferred to PCC at CLSU per PTR No. 21-037</b>    |                       |             |                      |                          |                    |
| 10605990  | Milk Cooling Tanks    | 13-014      | 330,000.00           | 273,992.77               | 56,007.23          |
| 10605990  | Milk Cooling Tanks    | 13-015      | 330,000.00           | 273,992.77               | 56,007.23          |
| 10605990  | Milk Cooling Tanks    | 13-016      | 330,000.00           | 273,992.77               | 56,007.23          |
| <b>Transferred to PCC at DMMSU per PTR No. 2021-023</b> |                       |             |                      |                          |                    |
| 10606010  | Mitsubishi L-300 2014 | 14-002      | 1,302,880.00         | 1,241,331.78             | 61,548.22          |
| <b>Total</b>  |                       |             | <b>₱2,551,686.35</b> | <b>₱2,315,447.50</b>     | <b>₱244,788.85</b> |

3.27 Interview with the Accountant and the Property Officer of the PCC-NHGP disclosed that while there was careful scrutiny of the documents supporting each transaction, it was also admitted that they had possibly overlooked the review of some PTRs issued, which resulted in their failure to derecognize donated or transferred PPE items still included in their respective records. As a result, the PPE and Accumulated Surplus/(Deficit) accounts were both overstated by ₱244,788.85 as of year-end.

*(e) Unsubstantiated derecognition of some PPE items- ₱1,825,834.45*

3.28 COA Circular No. 2020-006 dated January 31, 2020, prescribes the guidelines and procedures on inventory-taking, recognition of those found at station and disposition for non-existing/missing PPE items for the one-time cleansing of PPE accounts of government agencies, to establish PPE balances that are verifiable as to existence, condition and accountability.

3.29 Paragraph 7.11(d) of the same Circular states that: *If accountability/responsibility over the missing PPE could not be pinpointed after investigation, authority for derecognition thereof from the books of accounts may be requested from the COA, in accordance with Paragraph 8 of this Circular. Pending the grant of authority by the COA, the said PPEs shall remain in the books of accounts.*

3.30 In last year's audit report, 34 units of PPEs reported in the books of the PCC-UPLB amounting to ₱1,825,834.45 (see **Appendix D** for the details) under the Other Assets account were recommended to be reinstated in the PPE account. Review of records revealed that they were eventually derecognized in the books of accounts as per Journal Entry Voucher (JEV) No. 2021-02-000152 dated February 1, 2021. The said JEV

was only supported by a list of PPEs and Semi-Expendable items for dropping in the books. The Bookkeeper and the Property Officer explained that these unserviceable properties were already disposed and sold/donated in prior years. The transaction was, however, not supported by Property Transfer Report (PTR) or Inventory and Inspection Report of Unserviceable Property (IIRUP) and other documentations as evidence of the transfer/ donation to other government agencies or disposal thereof, hindering timely verification by the Audit Team.

3.31 Consequently, the derecognition of properties without appropriate documentation affected the accuracy and reliability of the PPE accounts.

*(f) Non-disposal of unserviceable properties- ₱17,601,963.57*

3.32 Section 40, Chapter 10 of the GAM for NGAs, Volume I, provides that *a PPE is said to be unserviceable if it is no longer capable of providing the entity with future economic benefits or service potential.*

3.33 Likewise, the Manual on the Disposal of Government Property as prescribed under National Budget Circular No. 425 dated January 28, 1992 states, among others, that *the disposal proceedings should be immediately initiated to avoid further deterioration of the property and consequent depreciation in its value.*

3.34 Based on the RPCPPE submitted by the Property Unit of the PCC Regional Centers concerned, unserviceable PPEs with a carrying amount of ₱17,601,963.57 were not yet disposed, as summarized below:

| <b>Regional Center</b> | <b>Carrying Amount of Unserviceable Properties as at 12/31/2021</b> |
|------------------------|---|
| PCC-NHGP               | ₱ 1,544,927.66  |
| PCC-CLSU               | 6,655,444.20  |
| PCC-MLPC               | 4,378,682.27  |
| PCC-UPLB               | 5,022,909.44  |
| <b>Total</b>           | <b>₱17,601,963.57</b>   |

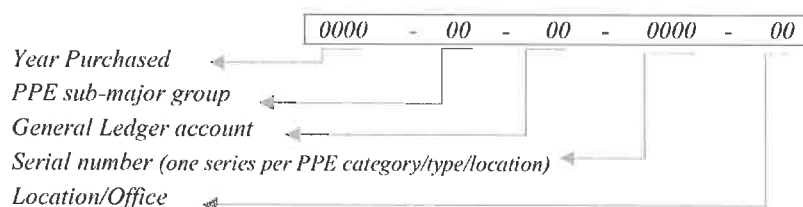
3.35 Unserviceable and obsolete PPEs were continually exposed to elements which further deteriorated the same, decreasing their possible selling value and depriving the government of additional revenues that may have been realized from their disposal. Moreover, the facility or area where these unserviceable assets were kept could have been utilized for other purposes that may have redounded to the best interest of the public service.

3.36 Furthermore, the said Centers failed to submit the Inventory and Inspection Report of Unserviceable Property (IIRUP) contrary to Section 40, Chapter 10 of the same Manual requiring that *all unserviceable property shall be reported in the IIRUP (Appendix 74).*

(g) *Non-adoption of uniform property identification system*

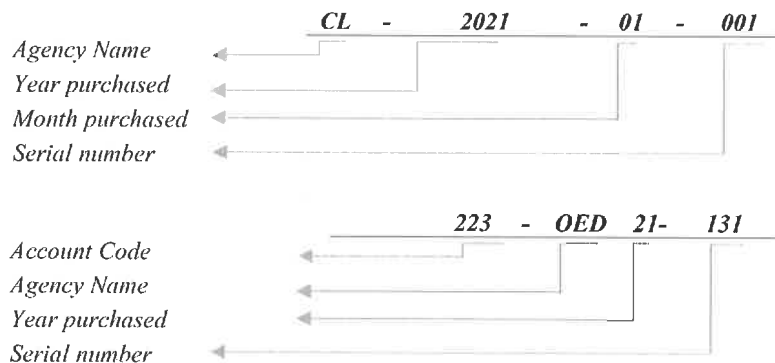
3.37 Section 5 of COA Circular No. 2020-006 dated January 31, 2020 states, among others, the following general guidelines in assigning property numbers; viz:

5.6 *Each government agency shall adopt a uniform property identification system for PPE wherein a unique Property Number shall be assigned for each PPE item, using the following numbering system:*



*The codes for the PPE sub-major account group and General Ledger account correspond to those provided in the Revised Chart of Accounts prescribed under the Accounting Manuals of the respective Sectors (National, Local and Corporate). Additional digits may be used for serial number and location/office, as necessary.*

3.38 The format currently being used by the PCC at NHGP and CLSU was still based on the old property numbering system as exemplified below:



3.39 The failure to comply with the afore-cited guidelines made the reconciliation and identification of each item of PPE more difficult, especially during the physical count.

3.40 Overall, the lapses and deficiencies in accounting and management of PPEs raised doubts on the accuracy, valuation and completeness of the recorded amount of PPE totaling ₱873,738,579.48 as at year-end. Moreover, the non-disposal of unserviceable items deprived the Agency of additional cash inflow from the sale thereof, if still saleable, and of the alternative use of the storage space.

3.41 We recommended and the OIC-Executive Director agreed to undertake the following courses of action:

- (a) Direct the Accounting Unit of the PCC at NHGP, CLSU and MLPC to (i) revisit the Schedule of PPEs to ensure the accuracy of recognized costs and depreciation for each PPE item; and (ii) draw the necessary adjusting entries in the books of accounts;
- (b) Instruct the Property Unit and Disposal Committee of the PCC at NHGP, CLSU, MLPC and UPLB to (i) expedite the request for the timely disposal of unserviceable PPE items to prevent further loss and deterioration of the same; (ii) prepare the Inventory and Inspection Report of Unserviceable Property (IIRUP) for the said unserviceable properties carried in the PPE accounts and submit the same together with necessary supporting documents for review and verification of the Audit Team; and (iii) update the Inventory Tag or Property Numbers based on the prescribed format under Section 5 of COA Circular No. 2020-006 dated January 31, 2020; and
- (c) Advise the Accounting and Property Units of the PCC at NHGP, CLSU and CMU to conduct regular reconciliation of the balances of PPE per GL Controlling accounts with their respective subsidiary records.

3.42 During the Exit Conference, Management admitted that aside from the constraints brought by the COVID-19 pandemic, the turnover of staff in both Accounting and Property Units of some Regional Centers has contributed to the lack of regular and timely reconciliation of property records. Nevertheless, the Property Officers have committed that they will expedite the finalization of the IIRUP for the disposal of unserviceable properties in CY 2022. The Accountants and the Bookkeepers also commented that they will immediately prepare the necessary Journal Entry Vouchers (JEVs) to adjust the errors noted in some PPE account balances.

*Overstated Cash and Cash Equivalents account*

4. *The reported balances of the Cash and Cash Equivalents accounts of the PCC at VSU and UPLB were not fairly presented in the year-end financial statements due to (a) accumulation of unrecognized reconciling items in the Bank Reconciliation Statements (BRS) resulting in a net overstatement of the Cash in Bank account by ₱1,371,017.41; (b) unadjusted stale checks totaling ₱261,677.03 and (c) unsupported/undocumented book reconciling items in the BRS totaling ₱738,197.38, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.*

4.1 Verification of the Cash and Cash Equivalents accounts of the PCC at VSU and UPLB disclosed that Management had not fully addressed some of the deficiencies raised

in the previous year's audit report, affecting the reliability of the General Ledger (GL) controlling account balances as at year-end. These deficiencies include the following:

(a) *Unrecognized reconciling items- ₱1.37 million*

4.2 Section 44, Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I provides that:

*Accounting for Cancelled Checks. Checks may be cancelled when they become stale, voided or spoiled. The depository bank considers a check stale, if it has been outstanding for over six months from the date of issue or as prescribed. A stale, voided or spoiled check shall be marked cancelled on its face xxx.*

4.3 Meanwhile, Section 56, Chapter 19 of the same Manual prescribes the following procedures:

*Sec. 56. Adjustments for Unreleased Commercial Checks. A Schedule of Unreleased Commercial Checks shall be prepared by the Cashier for submission to the Accounting Division/Unit. All unreleased checks at the end of the year shall be reverted back to the cash accounts. A JEV shall be prepared to recognize the restoration of the cash equivalent to the unreleased checks and the recognition of the appropriate liability/payable account. The accounting entry for the restoration of the unreleased check to the cash account shall be a debit to "Cash in Bank, Local Currency Current" account with credit to the appropriate liability account. There shall be no physical cancellation of the checks. The JEV supporting such restoration shall form part of the supporting document to the financial statements to be submitted to COA at year end. At the start of the ensuing year, another JEV shall be drawn to reverse the previous entry made and recognize the availability of the checks for release. X x x.*

4.4 Additionally, Section 6, Chapter 21 of the same Manual provides that *the Chief Accountant/Designated Staff shall prepare JEV to recognize all reconciling items that require adjustment and correction in the books of accounts.*

4.5 Verification by the Audit Team of the monthly Bank Reconciliation Statements (BRS) of the PCC-VSU showed various reconciling items of ₱1,371,017.41 (net) covering the years 2016 to 2021 that have remained unadjusted or unrecorded in the books as of December 31, 2021. These items are summarized below:

| Particulars             | Amount    |             | Total<br>(Over)/ Under |
|-------------------------|-----------|-------------|------------------------|
|                         | CY (2021) | PY          |                        |
| Unrecorded Credit Memos | ₱.00      | ₱2,600.00   | ₱2,600.00              |
| Unrecorded Debit Memos  | 0.00      | (11,365.18) | (11,365.18)            |

| Particulars  | Amount               |                      | Total                  |
|--|----------------------|----------------------|------------------------|
|  | CY (2021)            | PY                   | (Over)/ Under          |
| Unrecorded interest income net of withholding tax (3 <sup>rd</sup> Quarter of 2020 to 4 <sup>th</sup> Quarter of 2021) | 8,163.46             | 3,529.11             | 11,692.57              |
| Unrecorded tax remittances   | (46,747.77)          | (23,607.74)          | (70,355.51)            |
| Unrecorded 51 check disbursements  | (710,856.76)         | (492,308.80)         | (1,203,165.56)         |
| Unadjusted over recording of check disbursements   | 0.00                 | 2,600.62             | 2,600.62               |
| Unadjusted under recording of check disbursements  | (0.01)               | (103,176.70)         | (103,176.71)           |
| Unadjusted double recording of tax remittance  | 152.37               | 0.00                 | 152.37                 |
| Understated tax remittance (2020)  | 0.00                 | (0.01)               | (0.01)                 |
| <b>Net Overstatement/ Adjustment</b>   | <b>(P749,288.71)</b> | <b>(P621,728.70)</b> | <b>(P1,371,017.41)</b> |

4.6 The above deficiencies could be attributed to the lack of effort to ensure the correctness of the Cash in Bank balance and inadequacy of supervision and review of the work of the Bookkeeper.

*(b) Unadjusted stale checks- P261,677.03*

4.7 Meanwhile, verification of the BRS of the PCC-UPLB as of December 31, 2021 showed 21 stale checks totaling P261,677.03 that have not yet been cancelled and still formed part of the outstanding checks as of the end of the year.

4.8 Stale checks necessitate an adjustment in the books since they are no longer negotiable, as stated in the aforementioned regulations.

4.9 The non-cancellation and the eventual reversion of stale checks to cash account resulted in the understatement of Cash in Bank (CIB)-Local Currency, Current Account (LCCA) and the corresponding Payable accounts by P261,677.03.

*(c) Unsupported/undocumented book reconciling items- P738,197.38*

4.10 Additional reconciling items were noted in the BRS of the PCC-VSU in the nature of overstated tax remittances, unrecorded releases and other items, and unrecorded/understated disbursements totaling P395,807.38 which could not be relied upon for lack of supporting evidence and/or supporting schedules to warrant their existence or adjustment.

| Particulars                                  | Treatment in the BRS |            |
|--|----------------------|------------|
|  | Additions            | Deductions |
| BIR dated June 30, 2016                      | P12,145.09           |            |
| BIR dated Sept. 30, 2016                     | 2,871.49             |            |
| BIR  | 40,272.35            |            |
| BIR Suppliers                                | 2,798.02             |            |
| Adjustment (Liquid nitrogen/ CRJ 12/19/2017) | 5,850.00             |            |

| Particulars                               | Treatment in the BRS |                    |
|---|----------------------|--------------------|
|   | Additions            | Deductions         |
| Various adjustments                       | 48,404.38            |                    |
| Adjustment (Bank Statement 2020)          | 0.01                 |                    |
| Adjustment (Nov. 2016 – Cash in Bank)     | 8,299.57             |                    |
| Refund (April 21, 2017)                   | 14,164.20            |                    |
| Check No. 284002 dated 5/30/2017          |                      | ₱14,164.20         |
| Check No. 284196 dated 8/15/2017          |                      | 3,250.09           |
| Check No. 339693                          |                      | 1,424.95           |
| Adjustment 12/31/2017 (JEV2017-12-001100) |                      | 192,186.20         |
| Various adjustments                       |                      | 28,840.33          |
| <b>Sub-total</b>                          | <b>₱155,941.61</b>   | <b>₱239,865.77</b> |
| <b>Total</b>                              | <b>₱395,807.38</b>   |                    |

4.11 These items either overstated or understated the cash and other related accounts, and eventually affected the fair presentation of the financial statements.

4.12 Meanwhile, the submitted BRS of the PCC-UPLB for the month of December 2021 under Land Bank of the Philippines (LBP) Account No. 1892-1014-90 showed the following details:

| Particulars                               | Agency                | Bank                  |
|---|-----------------------|-----------------------|
| Unadjusted balance                        | ₱ 52,763,424.89       | ₱ 53,480,791.92       |
| <i>Add/Deduct: Bank</i>                   |                       |                       |
| Deposit in transit                        |                       | 330.00                |
| Errors which understated the bank balance |                       | 200.00                |
| Outstanding Checks                        |                       | (374,977.03)          |
| Errors which overstated the bank balance  |                       | (340,000.00)          |
| <i>Add/Deduct: Agency</i>                 |                       |                       |
| Unrecorded Deposit/Credit Memo            | 2,920.00              |                       |
| <b>Adjusted Balances</b>                  | <b>₱52,766,344.89</b> | <b>₱52,766,344.89</b> |

4.13 Analysis of the BRS revealed reconciling items of ₱342,390.00, which remained unadjusted as of December 31, 2021; to wit:

| Date       | Particulars  | Amount               |
|------------|--|----------------------|
| 8/23/2021  | Deposit Excess Cash Advance                          | ₱ 330.00             |
| 6/30/2018  | Understatement of Salaries as reflected in June 2018 | 200.00               |
| 10/31/2015 | Fund Transfer-awaiting                               | (340,000.00)         |
| 2/3/2020   | Unrecorded Deposit/Credit Memo                       | (2,920.00)           |
|            | <b>Net Amount</b>                                    | <b>(₱342,390.00)</b> |

4.14 The Bookkeeper explained that the UPLB Accounting personnel in-charge of the preparation of the monthly BRS in the prior years did not provide supporting documents to enable recording of the related transactions in the books of accounts.

4.15 The failure to present sufficient evidence and appropriate documents to support the BRS hindered the immediate identification and verification of the items for adjustment in the Cash in Bank, LCCA and other affected accounts as of year-end.

4.16 We recommended and the OIC-Executive Director agreed to instruct the Center Director of the:

- (a) The PCC at VSU to direct the Bookkeeper to: (i) record/adjust immediately the reconciling items found valid to ensure correctness of the Cash in Bank, LCCA; (ii) investigate the unsupported/undocumented reconciling items to determine their validity so that the necessary adjustments/corrections could be made; (iii) coordinate with the VSU Cashier for the year-end submission of the Schedule of Unreleased Checks which serves as basis for their restoration to the cash accounts; and (iv) henceforth, resolve the reconciling items and immediately draw the necessary adjusting entries to correct the Cash in Bank balances. Bank errors, if any, should likewise be immediately reconciled with the bank; and
- (b) The PCC at UPLB to advise the Bookkeeper to (i) secure and verify from the UPLB Accountant the pertinent documents for the reconciling items of ₱342,390.00 as basis for recording in the books of accounts; and (ii) draw necessary adjusting entries for all reconciling items including stale checks duly supported with adequate documentation to adjust the balance of Cash in Bank and other affected accounts in the books.

4.17 During the Exit Conference, Management committed to immediately instruct the Bookkeeper of the PCC Regional Centers concerned to secure and verify pertinent documents to serve as the basis for recognition and adjustment of various reconciling items in the books of accounts.

#### *Deficient Inventory Management*

5. *Deficiencies in Inventory Management were observed during the validation of the Report on the Physical Count of Inventories (RPCI) of the PCC at NHGP, MLPC and VSU as of December 31, 2021, such as (a) unreconciled variances of ₱6,250,846.54 noted between the Accounting records and the RPCI; (b) non-recognition of milk products as Finished Goods Inventory totaling ₱202,239.00; and (c) non-observance of the Perpetual Inventory Method in the recognition of some inventories, inconsistent with the related provisions under the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volumes I and II and the cardinal principles of internal control.*

5.1 Review and validation of Inventory accounts of PCC Regional Centers at NHGP, MLPC and VSU disclosed the following deficiencies:



(a) *Unreconciled variance between Accounting and Property records- ₱6,250,846.54*

5.2 Instruction C of Appendix 66, Report on the Physical Count of Inventories (RPCI) of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume II, Accounting Books, Registries, Records, Forms and Reports states that *the report shall be reconciled with the SLCs and SCs maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively. Any discrepancy shall be verified and/or adjusted accordingly.*

5.3 Following the aforementioned guidelines, the Property Unit of the PCC-NHGP conducted a semi-annual and year-end physical inventory-taking of supplies and materials as witnessed by the representatives of the Audit Team. Results of the validation disclosed that Inventory accounts totaling ₱10,715,929.50 in the Inventory Schedule of the Accounting Unit did not tally with the RPCI submitted by the Property Unit, the details of which are presented in the table below:

| <b>Inventory Account</b>                          | <b>Per Books</b>      | <b>Per RPCI</b>      | <b>Variance</b>      |
|---|-----------------------|----------------------|----------------------|
| Office Supplies Inventory                         | ₱ 807,853.16          | ₱ 627,414.77         | ₱ 180,438.39         |
| Accountable Forms, Plates and Stickers Inventory  | 29,384.00             | 29,384.00            | 0.00                 |
| Animal/Zoological Supplies Inventory              | 1,967,620.18          | 3,069,173.70         | 1,101,553.52         |
| Medical, Dental and Laboratory Supplies Inventory | 1,486,888.14          | 1,194,132.37         | 292,755.77           |
| Fuel, Oil and Lubricants Inventory                | 634,051.84            | 634,187.09           | 135.25               |
| Other Supplies and Materials Inventory            | 5,790,132.18          | 1,114,168.57         | 4,675,963.61         |
| <b>Total</b>                                      | <b>₱10,715,929.50</b> | <b>₱6,668,460.50</b> | <b>₱6,250,846.54</b> |

5.4 As shown above, it seemed that there was no periodic reconciliation made between the Accounting and Property Units as evidenced by the variances noted in most Inventory accounts, inconsistent with the afore-cited provision under Instruction C, Appendix 66, supra.

5.5 Further examination of the abovementioned reports disclosed that the discrepancies could be largely attributed to the exclusion of the following inventory items charged under the Business Type Income/Revolving Fund (RF) totaling ₱4,183,511.50, as summarized below:

| <b>Inventory Account (RF)</b>           | <b>Per TB</b>        | <b>Per RPCI</b>      | <b>Variance</b>      |
|---|----------------------|----------------------|----------------------|
| Office Supplies                         | ₱ 180,438.39         | ₱ 0.00               | ₱ 180,438.39         |
| Medical, Dental and Laboratory Supplies | 92,989.50            | 0.00                 | 92,989.50            |
| Other Supplies and Materials            | 5,024,252.18         | 1,114,168.57*        | 3,910,083.61         |
| <b>Total</b>                            | <b>₱5,297,680.07</b> | <b>₱1,114,168.57</b> | <b>₱4,183,511.50</b> |

\*Only the production of Raw Milk with total cost of ₱1,114,168.57 from the RF was included in the RPCI for Other Supplies and Materials Inventory Account (under the GF and RF combined).

5.6 Moreover, comparison of the Report on Purchases and Consumption of Fuel, Oil and Lubricants Inventory vis-à-vis the RPCI submitted by the General Services Section (GSS) of PCC-NHGP as of December 31, 2021 revealed the following discrepancies:

| Description                            | Unit Cost | Quantity (L) |       | Over/ (Short) | Variance (Absolute) |
|--|-----------|--------------|-------|---------------|---------------------|
|  |           | GSU          | RPCI  |               |                     |
| Gasoline (Unleaded)                    | ₱59.80    | 52           | 122   | (70)          | ₱ 4,186.00          |
| Lubricant / Oil (2T Oil)               | 183.07    | 28           | 38    | (10)          | 1,830.70            |
| Lubricant / Oil (Brake Fluid)          | 224.38    | 24.50        | 25.50 | (1)           | 224.38              |
| Lubricant / Oil (Oil 40 Engine Oil R1) | 168.18    | 0            | 40    | (40)          | 6,727.20            |
| Lubricant / Oil (Oil 40 Engine Oil R3) | 199.58    | 60           | 59    | 1             | 199.58              |
| <b>Total</b>                           |           |              |       |               | <b>₱13,167.86</b>   |

5.7 As observed during the count, different divisions/sections/units have been visited and subjected to physical inventory-taking. The RPCI, for instance, reported that inventory items classified under Animal/Zoological Supplies Inventory and Medical, Dental and Laboratory Supplies Inventory are located in various divisions/sections/units; to wit:

| Location/Division/Section/Unit   | Account Code         |                      | Total                |
|--|----------------------|----------------------|----------------------|
|  | 10404040             | 10404070             |                      |
| Gene Pool  | ₱1,709,259.60        | ₱ 24,760.37          | ₱1,734,019.97        |
| Animal Breeding and Genomics Section (ABGS)  | 755,000.00           | 866,202.82           | 1,621,202.82         |
| Biosafety and Environment Section (BES)  | 215,759.02           | 174,164.62           | 389,923.64           |
| Cryobank Unit/Section  | 0.00                 | 26,722.50            | 26,722.50            |
| Learning Events Coordination Section   | 0.00                 | 7,955.00             | 7,955.00             |
| National Impact Zone (NIZ)   | 47,308.20            | 0.00                 | 47,308.20            |
| Operations   | 19,755.30            | 47,705.77            | 67,461.07            |
| Production Systems and Nutrition Section (PSNS)  | 0.00                 | 26,780.29            | 26,780.29            |
| Reproduction and Physiology Section (RPS)  | 63,735.00            | 19,471.00            | 83,206.00            |
| Livestock Bio-Technology and Research and Animal Facility (LBRAF) and Ruminant Research Clinic (RRC) | 258,356.58           | 370.00               | 258,726.58           |
| <b>Total</b>   | <b>₱3,069,173.70</b> | <b>₱1,194,132.37</b> | <b>₱4,263,306.07</b> |

5.8 The practice of decentralizing the custody over some Inventories to various requisitioning units requires an adequate degree of control, for instance, maintenance of stock cards, proper designation and appropriate bonding, and performance of duties and functions similar to being a Property Officer/Custodian. While the internal policy of the PCC-NHGP to subject inventories in the hands of end-users to physical count promotes better control and provides proof of the existence of the items, the task is deemed arduous, especially during the time of a pandemic.

5.9 Likewise, comparison of the GL balances of the Inventory Held for Consumption accounts and the submitted RPCI by the PCC-VSU showed a difference totaling ₱160,815.92, as presented hereunder:

| Account Title                          | Per Ledger           | Per Count            | Difference           |
|--|----------------------|----------------------|----------------------|
| Office Supplies Inventory              | ₱ 173,205.25         | ₱ 190,855.00         | (₱17,649.75)         |
| Animal/Zoological Supplies Inventory   | 849,617.04           | 665,249.00           | 184,368.04           |
| Fuel, Oil and Lubricants Inventory     | 639,943.42           | 0.00                 | 639,943.42           |
| Other Supplies and Materials Inventory | 251,651.31           | 1,219,128.94         | (967,477.63)         |
| <b>Total</b>                           | <b>₱1,914,417.02</b> | <b>₱2,075,232.94</b> | <b>(₱160,815.92)</b> |

5.10 From the reviewed sample of inventory items as of year-end, the difference could be attributed to the following:

- Some items were still in the inventory per SLC, but no longer reported in the RPCI;
- Some items were still reported in the RPCI; however, they were not on hand per SLC;
- Some items were reported in the SLC and RPCI at different quantities;
- Fuel, Oil and Lubricants Inventory items totaling ₱678,352.00 were reported in the RPCI under Other Supplies, and not as a separate item under the Fuel, Oil and Lubricants Inventory account; and
- The unit cost used for the ending inventory balance per accounting records was based on weighted average which is electronic New Government Accounting System (eNGAS) generated, while the unit cost per RPCI was based on the purchase price of the remaining items.

5.11 The purpose of conducting physical inventory would be defeated if a reconciliation between the accounting and property records was not performed. The RPCI should be always reconciled with the SLCs and SCs maintained by the Accounting Division/Unit, and Property and/or Supply Division/Unit, respectively, for sound internal control. Any discrepancy should have been verified and/or adjusted accordingly as soon as the same is noted.

*(b) Non-recognition of milk products as Finished Goods Inventory- ₱202,239.00*

5.12 Inventory of Finished Products of the PCC-MLPC disclosed that the following inventories remained on hand as of December 31, 2021; viz:

| Product Name                 | Quantity | Selling Price/Unit | Amount      |
|------------------------------|----------|--------------------|-------------|
| Pasteurized Plain Milk 200ml | 10,507   | ₱15.00             | ₱157,605.00 |
| Choco Milk 100ml             | 5,432    | 7.00               | 38,024.00   |
| Flavored Milk 250ml          | 101      | 25.00              | 2,525.00    |
| Flavored Milk 330ml          | 14       | 35.00              | 490.00      |
| Flavored Milk 500ml          | 24       | 50.00              | 1,200.00    |

| Product Name            | Quantity | Selling Price/Unit | Amount             |
|-------------------------|----------|--------------------|--------------------|
| Pastillas de Leche 100g | 71       | 35.00              | 2,485.00           |
| <b>TOTAL</b>            |          |                    | <b>₱202,329.00</b> |

5.13 However, analysis of the books maintained for the Revolving Fund showed that the said inventories were not recognized, resulting in an understatement of Finished Goods Inventory by ₱202,329.00 as at year-end.

*(c) Non-observance of Perpetual Inventory Method of accounting*

5.14 Meanwhile, Section 9, Chapter 8 of the GAM for NGAs, Volume I, states the following:

*Sec. 9. Perpetual Inventory Method. Supplies and materials purchased for inventory purpose shall be recorded using the perpetual inventory system, resulting in a more accurate inventory records and a running total for the cost of goods sold in each period. Xxx. Regular purchases shall be coursed through the inventory account and issues thereof shall be recorded as they take place except for supplies and materials purchased out of PCF for immediate use or on emergency cases which shall be charged directly to the appropriate expense accounts.*

5.15 In CY 2021, the PCC-MLPC purchased various supplies and materials totaling ₱449,000.00 and at the time of payment, these were taken up as a debit to Due to Central Office (CO) and a credit to Cash in Bank-LCCA (10102020) and Due to BIR (20201010) as shown below:

| Date         | Check No. | Particulars  | Delivery Date/ IAR Date | Gross Amount       | Remarks  |
|--------------|-----------|--|-------------------------|--------------------|--|
| 4/28/21      | 1346321   | Payment of Zoological and Animal Supplies (Medicines)                                    | 1/8/2021                | ₱151,000.00        | Not recognized as Inventory and Accounts Payable at the time of acceptance.  |
| 4/29/21      | 1346327   | Payment of Production Supplies and Materials (e.g. planting stocks, plastic drums, etc.) | 3/22/2021               | 298,000.00         | Taken up as Inventory items notwithstanding issuance of the same thru Requisition and Issue Slip (RIS) dated April 29, 2021. |
| <b>Total</b> |           |  |                         | <b>₱449,000.00</b> |  |

5.16 Audit showed that the accounting entry prepared was incomplete considering that it did not recognize the receipt of supplies and materials delivered and accepted by the Center at the time of delivery and acceptance. Further, it failed to recognize the issuance of these items to the end-user, inconsistent with the perpetual inventory method.

Likewise, the accountability of the Supply Officer who accepted the supplies and materials purchased was not established.

5.17 The foregoing lapses signaled weaknesses in accounting control over Inventory accounts which may eventually expose the assets to risk of loss or misuse. Consequently, Management's assertion on the proper valuation of the reported inventories already issued, obsolete, and expired could not be fully relied upon.

5.18 **We recommended and the OIC-Executive Director agreed to direct the Center Directors concerned to undertake the following courses of action:**

- (a) instruct the (i) Chief of Administrative and Financial Management Division (AFMD) of PCC-NHGP to identify the accountable officers for each Division/Unit which may require proper designation clearly specifying their respective duties and responsibilities similar to a Property Custodian; and (ii) Inventory Committee to properly plan the execution of a complete physical inventory-taking of supplies and materials for the succeeding semesters;**
- (b) Direct the Accounting and Property Units of the PCC at NHGP and VSU to (i) reconcile the balances of their respective records on a periodic basis; and (ii) Accounting Unit to take up the necessary adjustments in the books as noted from the reconciliation performed; and**
- (c) Advise the Accounting Unit of PCC-MLPC to (i) see to it that purchases for supplies and materials out of fund transfers shall be accounted under the Perpetual Inventory Method; and (ii) prepare the appropriate adjusting entries to reflect the unrecognized inventories.**

5.19 During the Exit Conference, the Property Officers concerned admitted that the omission to account for the inventory items could be attributed to inadequate coordination with other concerned Units having custody thereof. Management further committed to devise an Inventory Plan to ensure the completeness of physical count and the conduct of reconciliation between the Accounting and Inventory records.

*Unreliable Intangible Assets account balance- ₱5.7 million*

6. *The accuracy, existence and completeness of the Computer Software account of the PCC-NHGP amounting to ₱5,765,932.48 could not be ascertained due to erroneous (a) capitalization of subscription for software licenses with one-year expiration amounting to ₱811,828.50; and (b) provision of amortization amounting to ₱647,492.69 charged to various computer software packages with perpetual licenses, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volumes I and III.*

6.1 Section 2, Chapter 12 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I defines Intangible Assets as *identifiable non-monetary asset without physical substance*. (Underlining supplied.)

Common examples of intangible assets are computer software, patents, copyrights, franchise, motion picture films, trademarks or brand names, licenses, acquired import quotas, lists of users of a service, and relationships with users of a service.

6.2 Verification of the composition and validity of the Intangible Assets amounting to ₱5,765,932.48 as of December 31, 2021 disclosed the following deficiencies:

(a) *Erroneous capitalization of one-year subscription for software licenses - ₱811,828.50*

6.3 Chapter 3 of the GAM for NGAs, Volume III prescribing the Revised Chart of Accounts provides, among others, the following description related to subscription of software licenses; viz:

|                       |   |
|-----------------------|---|
| <i>Account Title</i>  | <i>Prepaid Subscription</i>   |
| <i>Account Code</i>   | <i>19902100</i>   |
| <i>Normal Balance</i> | <i>Debit</i>  |
| <i>Description</i>    | <i>This account is debited to recognize the amount advanced for the <b>subscription of Information and Communication Technology (ICT) software</b>, data center service, cloud computing service, library and other reading materials, and the like, used in government operations. This account is credited for the expended amount, and/or adjustments. (emphasis supplied)</i> |

6.4 Inquiry with the Information Technology (IT) Officer of the PCC-NHGP disclosed that subscriptions for software licenses totaled ₱811,828.50, with an expiration period of one year from the time of installation and/or activation. These were recognized as Computer Software contrary to the GAM. As of December 31, 2021, the subscription has an unexpired amount of ₱520,000.00, as illustrated below:

| Software   | Date Acquired | Balance as of 12/31/2021 |                       |
|--|---------------|--------------------------|-----------------------|
|  |               | Per Books                | Per Audit             |
| Renewal Software Subscription of Virtual Environment (Promax VE Basic Subscription for 1 year) | 8/19/2021     | ₱780,000.00              | ₱520,000.00           |
| Adobe Master Collection CS6 Multiple Platforms International English A00                       | 6/13/2012     | 19,384.44                | Expired - per inquiry |
| Sequencer, DNA Sequencing Software   | 6/2/2009      | 12,444.06                |                       |
| <b>Total</b>   |               | <b>₱811,828.50</b>       | <b>₱520,000.00</b>    |

6.5 Such erroneous accounting policy overstated the Computer Software account by ₱811,828.50 and inversely understated the related Prepaid Subscription under the Prepayments account by ₱520,000.00.

(b) *Erroneous amortization of various computer software with no expiration- ₱647,492.69*

6.6 Meanwhile, Section 11, Chapter 12 of the GAM for NGAs, Volume I, states that *an intangible asset with an indefinite useful life shall not be amortized.*

6.7 Relatedly, review of the product description and technical specifications of the recorded computer software disclosed that there were eight units/lots of computer software packages with non-expiring/perpetual licenses totaling ₱2,836,657.12. However, it was noted that the subject intangible assets, though with indefinite useful lives, were provided with accumulated amortization totaling ₱647,492.69, as detailed below:

| Software   | Total Cost           | Accumulated Amortization | Net Book Value       |
|--|----------------------|--------------------------|----------------------|
| MS SQL Server 2008 R2 Standard Single, MS Model: SQLSvr Std 2008 SNGL OLP NL         | ₱ 131,103.21         | ₱124,548.01              | ₱ 6,555.20           |
| MS ISA Server Standard, MS Model: Forefront TMG Std. OLP NL 1 Proc.                  | 71,637.14            | 68,055.28                | 3,581.86             |
| MS Visual Studio 2010 Professional, MS VS Pro 2010 SGL OLP NL                        | 41,203.27            | 39,143.17                | 2,060.10             |
| Office Pro Plus 2016 OLP NL GOV Part no 79P-05572                                    | 42,185.50            | 8,683.22                 | 33,502.28            |
| Pinnacle Studio Deluxe (for video editing)   | 18,000.00            | 14,860.80                | 3,139.20             |
| Statistical Software, JMP8   | 95,200.00            | 85,680.00                | 9,520.00             |
| Data Collection System Software (RUO 3500 Series DCS3xV3.1, User Docs 3500 DCS3V3.1) | 2,298,000.00         | 291,080.00               | 2,006,920.00         |
| JMP Software Version 13.0 (Statistical Software)                                     | 139,328.00           | 15,442.21                | 123,885.79           |
| <b>Total</b>   | <b>₱2,836,657.12</b> | <b>₱647,492.69</b>       | <b>₱2,189,164.43</b> |

6.8 Additionally, the IT Officer concerned confirmed that the above items are likewise transferrable, or which can be transferred from one computer unit/equipment to another. The term and nature of said licenses/software validate our position that the items should not have been capitalized.

6.9 Inquiry with the Accounting Unit disclosed that the erroneous provision of amortization on the above-cited items of computer software could be attributed to the initial recognition of the same assets under the Information and Communication Technology Equipment account which was subsequently reclassified to the appropriate Computer Software account in CY 2017.

6.10 In view of the foregoing error, the Computer Software account was understated by ₱647,492.69 on account of Accumulated Amortization which decreased the cost of subject computer software packages.

**6.11 We recommended and the OIC-Executive Director agreed to instruct the Accountant to draw the necessary adjustment in the books on the (a) reclassification of subscription for short-term software licenses to the appropriate Prepaid Subscription account and take into consideration the related expenses for the expired portion of the same; and (b) reversal of the recorded amortization erroneously charged to the cost of computer software packages with indefinite useful life.**

6.12 During the Exit Conference, the Accountant commented that they will coordinate with the IT Officer concerned to determine misclassified computer software subscriptions and committed to prepare the necessary adjusting entries in the books.

*Unexpended balances of Due to National Government Agencies (NGAs) - ₱4.67 million*

**7. The unexpended fund balances for 19 completed projects totaling ₱4,676,601.45 were not remitted to the respective Source Agencies (SAs) contrary to Section 63(g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, and the related Memorandum of Agreement (MOA) entered into by and between the PCC-NHGP and the SAs. Moreover, the source of funds received in CY 2021 amounting to ₱2,984,520.00 has yet to be identified, causing uncertainty in the execution of the project.**

7.1 This is a reiteration of the prior year's observation on the unexpended balances of funds transferred by other government agencies to the PCC-NHGP, as Implementing Agency (IA), for the implementation of various programs/projects/activities (PPAs).

7.2 Section 63(g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, states that *the Implementing Agency (IA) shall return to the Source Agency (SA) any unused balance upon completion of the project, if stipulated in the MOA.*

7.3 All funds transferred by various NGAs were based on a duly executed Memorandum of Agreement (MOA) entered into by and between the NGA as source agency (SA) and the PCC-NHGP as the implementing agency (IA). The MOA states that any unexpended balance after the completion of the project shall be returned by the PCC-NHGP to the SAs.

7.4 As of December 31, 2021, the outstanding balance of the Due to NGAs account amounted to ₱281,925,343.85, representing a total of 69 projects with outstanding subsidiary ledger (SL) balances. Nonetheless, review of the different MOAs and other



pertinent records disclosed that the outstanding balance of 19 projects totaling ₱4,676,601.45 should have already been liquidated inasmuch as the period of their project implementation had already lapsed, as summarized in the following aging schedule and as detailed in **Appendix E** of this CAAR.

| Source Agency  | Total Past Due Accounts as of 12/31/21 | Age                |                   |                      |
|--|--|--------------------|-------------------|----------------------|
|  |  | 1 Year and Below   | More than 1 Year  | More than 2 Years    |
| Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD) | ₱2,369,690.29                          | ₱ 1,100.00         | ₱ 0.00            | ₱2,368,590.29        |
| Bureau of Agricultural Research (BAR)  | 2,242,767.16                           | 837,474.11         | 32,000.00         | 1,373,293.05         |
| Philippine Council for Agriculture and Fisheries (PCAF)  | 64,144.00                              |                    |                   | 64,144.00            |
| <b>Grand Total</b>   | <b>₱4,676,601.45</b>                   | <b>₱838,574.11</b> | <b>₱32,000.00</b> | <b>₱3,806,027.34</b> |

7.5 Analysis of the past due accounts showed that most projects have outstanding fund balances as of year-end which could be attributed to unexpended funds on some line-item expenditures in the budget and savings realized from the procurement of some supplies and materials in the course of project implementation.

7.6 Interview with the Accountant disclosed that they have yet to reconcile and update their records to be able to submit the required liquidation reports. Likewise, some of the Project Leaders and Staff admitted that the Terminal Reports and other project documents for submission to SAs are still in the stage of finalization.

7.7 The continued practice of keeping excess funds after the purposes for which have been accomplished is inconsistent with Section 63(g) of the GAM for NGAs, Volume I. Moreover, the continuous failure to return unused funds to the SAs deprived the latter of additional funds to finance other related PPAs or provide assistance to other agencies in need.

7.8 Meanwhile, funds received on November 19, 2021 amounting to ₱2,984,520.00 were recognized as Due to NGAs on December 30, 2021 as per Journal Entry Voucher (JEV) No. 2021-12-005063 but the PCC-NHGP failed to identify the source and purpose of the funding as the SL indicated the name of the Source Agency as “Others”, causing uncertainty in project execution.

7.9 Interview with the Accountant of the PCC-NHGP disclosed that tracing was already conducted given the location or area code of the agency depositor as indicated in the Bank Statement maintained by the PCC-NHGP for project funds. It turned out that the SA was the Department of Social Welfare and Development (DSWD) Region IV-B for the implementation of the School-Based Milk Feeding Program. Nevertheless, subsequent verification by the Audit Team revealed that the SL maintained for the

subject purpose was not yet properly identified which may affect the proper recording of the financial transactions.

**7.10 We recommended and the OIC-Executive Director agreed to instruct the Administrative and the Financial Management Division of the PCC-NHGP to (a) strictly comply with Section 63 (g) of the GAM for NGAs, Volume I, and the terms and conditions of the MOA; (b) expedite the (i) updating and reconciliation of Accounting and Budget records to facilitate the preparation of liquidation reports; (ii) coordinate with the concerned Project Leaders for the submission of Project Terminal Reports; (iii) properly indicate the name of the source agency on the Subsidiary Ledger of the project identified as “Others”; and (iv) immediately remit the unexpended fund balances of completed projects to Source Agencies (SAs).**

7.11 During the Exit Conference, Management commented that they will coordinate with the concerned Project Leaders to determine the status of projects with unexpended balances after the targeted completion date. It is also worthy to mention that Management committed to reconstitute a Committee tasked to undertake review of externally-funded projects to evaluate compliance with the corresponding Memorandum of Agreement (MOA) on the timely completion of projects.

*Unliquidated fund transfers- ₱1.5 million*

**8. Management’s failure to monitor and enforce timely reporting and liquidation of the funds transferred to various Government Agencies resulted in the accumulation of long outstanding Inter-Agency Receivables amounting to ₱1,525,770.61, inconsistent with the related provisions of the Memorandum of Agreement (MOA) between the PCC-NHGP and the Implementing Agencies (IAs) concerned and Section 63, Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I.**

8.1 This is a reiteration of the prior year’s audit observation on the balances of unliquidated funds transferred to other government agencies, as Implementing Agencies (IAs), for the implementation of various programs/projects/activities (PPAs).

8.2 Relevant accounting policies for Inter-Agency Transferred Funds (IATF) were provided under Section 63 (f) to (g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, which are quoted below:

*f. Within ten (10) days after the end of each month/end of the agreed period for the Project, the IA shall submit the Report of Checks Issued (RCI) and the Report of Cash Disbursements (RCDisb) to report the utilization of the funds. Only actual project expenses shall be reported. The reports shall be approved by the Head of the IA.*

*g. The IA shall return to the SA any unused balance upon completion of the project, if stipulated in the Memorandum of Agreement (MOA).*

8.3 Meanwhile, among the obligations of the IA as stipulated in the Memorandum of Agreement (MOA) was to return to the PCC-NHGP any unutilized amount or refund the amount disallowed in audit after the completion of the project or activity.

8.4 As of December 31, 2021, the balance of Due from NGAs account in the books of the PCC-NHGP amounted to ₱1,592,070.79. As already discussed in the previous years' CAARs, out of this amount, a sum of ₱1,525,770.61 remained unliquidated despite lapsed contract duration as shown in the table below; viz:

| Account  | Year Transferred | Project/<br>Delivery Period<br>per MOA | Balance as of<br>12/31/2021 | Age               |                      |
|--|------------------|--|-----------------------------|-------------------|----------------------|
|  |                  |  |                             | Current           | Past Due             |
| National Dairy Authority (NDA)   | 3/28/2012        | Until December 31, 2016                | ₱1,375,562.58               | ₱ 0.00            | ₱1,375,562.58        |
| Philippine Rice Research Institute (PhilRice)                          | 3/16/2015        | Until patenting process was completed  | 85,000.00                   | 0.00              | 85,000.00            |
| Procurement Service (PS)-<br>Department of Budget and Management (DBM) | CY 2020-2021     | Until deliveries were made             | 66,300.18                   | 66,300.18         | 0.00                 |
| University of the Philippines-Diliman (UP-Diliman)                     | 12/29/2014       | April 2016                             | 65,208.03                   | 0.00              | 65,208.03            |
| <b>Grand Total</b>   |                  |  | <b>₱1,592,070.79</b>        | <b>₱66,300.18</b> | <b>₱1,525,770.61</b> |

8.5 Further review of various MOAs and relevant supporting documents disclosed the following information:

- On March 28, 2012, PCC-NHGP transferred to NDA the total amount of ₱32,337,000.00 to facilitate the purchase of one Lot Tandem Milking System and five Lots Mini Dairy Processing Plant. Although the project should have long been completed since December 31, 2016, NDA's last submitted liquidation report was on November 22, 2019 for the purchase of various supplies and equipment, leaving a balance of ₱1,375,562.58;
- In CY 2015, a fund transfer amounting to ₱85,000.00 was made to the Philippine Rice Research Institute (PhilRice), an accredited institution by the Intellectual Property Office of the Philippines (IPOPhil) to draft, search and facilitate patenting of highly technical research products. As such, PhilRice was commissioned by the PCC-NHGP for patent processing services for the project entitled *Development of RT-Lamp Assay & Quick Test Kit for Viral Gastro Intestinal Infection of Swine*. However, the result of confirmation with the PhilRice disclosed that only a sum of ₱55,700.00 out of the fund transfer

remained unexpended as of August 31, 2016. This could be attributed to the non-recognition of the expenses or the cost of a Patent, which should have been recognized as an Intangible Asset to be amortized over its useful life of 20 years from the time of actual filing;

- The receivable of ₱66,300.18 from the DBM-Procurement Service emanated from overpayments made for the purchase of various common-use supplies, computer software and equipment in CYs 2019 to 2021 due to the changes in the actual price of such items upon actual delivery; and
- University of the Philippines (UP) – Diliman was granted by the PCC-NHGP the amount of ₱6,000,000.00 for the project entitled *Policy Analysis supportive of Carabao-Based Enterprise Development*. In CY 2014, a total of ₱4,200,000.00 or 70% of the total budget was released, with the latest liquidation on November 29, 2017 amounting to ₱4,134,791.97, leaving a balance of ₱65,208.03. It was also specified in the MOA that the project ended in April 2016 with no written request for extension.

8.6 Meanwhile, the Audit Team of the PCC-NHGP sent confirmation letters to the abovementioned four IAs to verify the correctness of the unliquidated balances as of September 30, 2021. Of the said number of IAs, only PhilRice reported a difference vis-à-vis the subject amount of confirmation, while there were no responses received from the other three agencies.

8.7 It is also worth mentioning that Management has been exerting effort to enforce liquidation by continuously sending demand letters to the concerned IAs.

8.8 Due to the failure on the part of the IAs to liquidate project funds, there was difficulty in determining the status of project implementation and compliance with the project requirements. Moreover, the reliability of the Assets account was compromised since the collectability of the overdue receivables- Due from NGAs was uncertain.

**8.9 We recommended and the OIC-Executive Director agreed to instruct the (a) Chief of AFMD of the PCC-NHGP and the Accountant to (i) coordinate with the counterpart Accounting Unit of the concerned IAs for the immediate submission of liquidation reports pertaining to the utilized funds; and (ii) continue to issue demand letters on a regular basis to other concerned IAs to remind them of their duties to liquidate the funds transferred to them; and (b) Project Leaders or staff concerned to coordinate with the IAs for updates on the status of project implementation and request for copy of Progress/Terminal Report, as warranted.**

8.10 During the Exit Conference, Management committed to coordinate with the respective officials of IAs concerned to demand an immediate refund of unexpended balances of completed projects.

*Unrecognized Expenses- ₱1.23 million*

9. ***Various expenses incurred in CY 2021 which remained unpaid as of year-end totaling ₱1,229,499.32 were not taken-up in the books of PCC Regional Center at La Carlota Stock Farm (LCSF) and University of the Philippines- Los Baños (UPLB), inconsistent with Section 119 of Presidential Decree (PD) No. 1445 and the accrual basis of accounting as prescribed by International Public Sector Accounting Standards (IPSAS) 1- Presentation of Financial Statements, understating the Accounts Payable and the corresponding Expenses accounts.***

9.1 Section 119 of Presidential Decree (P.D.) No. 1445 states that *all lawful expenditures and obligations incurred during the year shall be taken up in the accounts of that year.*

9.2 Relatedly, the accrual basis of accounting as per International Public Sector Accounting Standards (IPSAS) 1- Presentation of Financial Statements provides that *expenses shall be recorded in the period these were incurred.*

9.3 Review of the PCC-LCSF's disbursements disclosed that the issuance of checks was until December 15, 2021 only. An inquiry by the Audit Team with the Accounting Staff on why there was no check issuance after that date disclosed that the Center had run out of checks and was not able to request for replenishment with the Land Bank of the Philippines (LBP) ahead of time. She also added that the non-payment of the expenses was due to the retirement of the Center Chief, Bureau of Plant Industry – La Grania National Crop Research, Development and Production Support Center (BPI – LNCRDPS), who is one of the primary signatories on both the Disbursement Voucher and check, effective December 17, 2021. She further explained that the authority of the new BPI Chief as the primary signatory was issued only on December 20, 2021, so Management did not have enough time to process the change of check signatories with the LBP before the end of the year.

9.4 The Accounting Office provided the List of Unpaid Expenses during the year totaling ₱785,396.82. Further verification disclosed that these pertained to the purchase of supplies and materials and payment of services rendered to the Center.

9.5 The Audit Team commented that even if Management of the PCC-LCSF was not able to issue checks for the payment of the expenses incurred, it should not have prevented them from recording and recognizing the transactions in the books by debiting Expenses and crediting Accounts Payable, or the appropriate liability account to properly recognize the transactions exactly in the period which they occurred pursuant to the accrual basis of accounting.

9.6 Likewise, a review of records disclosed that various expenses incurred by the PCC-UPLB in CY 2021 totaling ₱444,102.50 remained unpaid as of year-end. However, no obligation of expenses was made as at December 31, 2021 and no provision for payment of Accounts Payable was made for the succeeding year.

9.7 Inquiry with the Bookkeeper of the Center revealed that year-end obligation of expenses was not made due to the non-submission to the Accounting Unit of the required documents by the claimants before the closing of the books. Consequently, Accounts Payable or other liability accounts were understated. Inversely, Accumulated Surplus was overstated.

9.8 We recommended and the OIC-Executive Director agreed to instruct the Center Director of the PCC at LCSF and UPLB to advise their respective Accounting Unit to (a) determine and account all valid unpaid obligations by prompting the concerned personnel/claimants to submit the required documents before the year-end; (b) ensure that all expenditures incurred which could not be paid during the year they were incurred are recognized as Accounts Payable before the close of the year; and (c) comply with the accrual basis of accounting for complete reporting of all financial transactions in the financial statements as required in Section 119 of Presidential Decree (P.D.) No. 1445. Otherwise, the unbooked obligations, which were improperly charged to the current year's appropriation/allotment, would be questioned in the post audit of the PCC's accounts and transactions.

9.9 During the Exit Conference, Management commented that despite the failure of the Accounting Unit to take up these expenses and obligations in the year they were rendered, they made sure that payments were sourced from the appropriation for the particular year these were incurred. They also committed that all expenditures not yet paid will be recognized as Accounts Payable starting CY 2022.

*Unaccounted animals used for research purposes- ₱749,000.00*

10. *Deficiencies were noted on the accounting treatment of animals used for research purposes by the PCC-NHGP such as (a) non-recognition of 40 heads of animals totaling ₱437,000.00 as semi-expendable properties; and (b) non-capitalization of 15 heads of animals valued at ₱312,000.00 to the appropriate Asset account, specifically Work, Zoo and/or Other Animals account, all of which are deviations from the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volumes I and III and the related PCC Program Management Committee (PMC) Resolution dated March 24, 2018 which provides the Guidelines on the Valuation, Acquisition and Sale/Disposal of Imported and Island Born Breeding and Non-Breeding Stocks of Water Buffaloes.*

10.1 Verification showed that research animals of the PCC-NHGP were generally taken up in the books at fair value less cost to sell. As of December 31, 2021, we noted deficiencies in accounting for research animals amounting to ₱749,000.00; to wit:

(a) *Non-recognition of 40 heads of animals as semi-expendable properties-₱437,000.00*

10.2 One of the primary mandates of the PCC as a government institution is to promote the genetic improvement of carabaos in the entire country. In this process of improvement of carabaos for breeding, the PCC-NHGP conducts various research requiring a herd of animals as subject.

10.3 In the PCC Program Management Committee (PMC) Resolution dated March 24, 2018, non-breeding stocks such as *research animal* are defined as being unsuitable for breeding per their genetic evaluation and breeding program design as determined by the Genetic Improvement Program Coordinator of the PCC. The same Resolution provides that breeding or non-breeding buffaloes of PCC shall be revalued based on their Fair Value Less Cost to Sell. As such, fair value computations are provided based on age and breed, such as Brazilian Murrah Buffalo (BrMB), Bulgarian Murrah Buffalo (BMB), Italian Murrah Buffalo (ItMB), or Philippine Carabao (PC), among others.

10.4 Relatedly, we noted in the books of accounts of the PCC-NHGP that some animals collectively referred to as “research animals”, such as buffaloes and cattle, were recognized or reclassified as Animal/Zoological Supplies Expenses upon issuance for research purposes. To illustrate, the Accounting Unit of PCC-NHGP made the following journal entry upon reclassification from Breeding Stocks to research animals:

| Account  | Debit | Credit |
|--|-------|--------|
| Animal/Zoological Supplies Expenses                | xxx   |        |
| Breeding Stocks                                    |       | xxx    |
| <i>To reclassify buffaloes as research animals</i> |       |        |

10.5 Re-evaluation of the previous accounting entries made by the Accounting Unit of the PCC-NHGP disclosed that all identified research animals were charged to expense regardless of their individual value.

10.6 Nonetheless, upon verification of the Report on the Physical Count of Research Animals as of December 31, 2021, we noted that there were 40 heads of animals totaling ₱437,000.00 which were neither recognized in the books nor previously charged to expense as presented in **Appendix F** of this CAAR.

10.7 Section 10, Chapter 8, *Inventories*, of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, declares that research animals below the capitalization threshold of ₱15,000.00 shall be accounted as semi-expendable property. Accordingly, the accounting entries should have been drawn as follows:

| Account   | Debit       | Credit      |
|---|-------------|-------------|
| Semi-Expendable Other Equipment   | ₱437,000.00 |             |
| Cash-Treasury, Modified Disbursement System (MDS), Regular or other appropriate account |             | ₱437,000.00 |
| <i>To recognize research animals below the capitalization threshold of ₱15,000.00</i>   |             |             |

10.8 Subsequently, the same shall be charged to expense upon issuance to the end-users as follows:

| Account  | Debit       | Credit      |
|--|-------------|-------------|
| Semi-Expendable Machinery and Equipment Expenses                                 | ₱437,000.00 |             |
| Semi-Expendable Other Equipment  |             | ₱437,000.00 |
| <i>To recognize the issue of semi-expendable animals for research activities</i> |             |             |

10.9 The purpose of most researches is to study the genetic potentials and breeding values of the animals which include collection of blood samples and other animal specimen. Nevertheless, the animals may or may not necessarily need to be slaughtered to undertake such procedures. As a matter of fact, most research animals are still alive even after being subjected repeatedly to research, and some have already given birth to calves.

10.10 We are concerned that since the research animals and their offspring were treated as expenses in the books of accounts, nobody has been made accountable therefor. In effect, upon the loss thru death of such animals, it has been the practice not to formally report the deaths and request for relief from property accountability; thus, losses arising from negligent or fraudulent acts, if any, may not be duly accounted for which is prejudicial to the interest of the government.

10.11 Research animals previously reclassified from Breeding Stocks to Animal/Zoological Supplies Expense were issued Inventory Custody Slips whenever there were issuances to end-users. However, the unrecognized 40 heads of semi-expendable animals used for research purposes were not covered by corresponding ICS, contrary to Section 11, Chapter 8 of the GAM for NGAs, Volume I, quoted as follows:

*Inventory Custodian Slip (ICS) (Appendix 59) shall be issued to end-user of Semi-Expendable Property to establish accountability over them. Accountability shall be extinguished upon return of the item to the Property and Supply Division/Unit or in case of loss, upon approval of the relief from property accountability.*

*(b) Non-capitalization of 15 heads of animals to Work, Zoo and/or Other Animals account-₱312,000.00*

10.12 Meanwhile, the Audit Team wrote a Memorandum dated November 11, 2021, addressed to the Assistant Commissioner of the Government Accountancy Sector (GAS), Commission on Audit (COA), Commonwealth Avenue, Quezon City which sought for a more authoritative view on the proper accounting treatment of animals used for research purposes in the PCC.



10.13 In response thereto, the COA-GAS reiterated the related provision under Chapter 3 of the GAM for NGAs, Volume III prescribing the Revised Chart of Accounts which provides, among others, the following description of account:

*Work, Zoo and/or Other Animals – this account is debited to recognize the cost or fair value, if acquired through donation or transfers without cost, of animals acquired by an agency for research, education, transportation, entertainment, recreation and customs control. This includes animals used in military and police operations; animals in farms, fields, zoos, wildlife sanctuaries, aviaries, aquariums; animals for research purposes; and the like. This account is credited upon transfer to other agency, loss due to death or other causes, other disposal, and/or adjustments.*

10.14 In consonance with the above quoted definition, research animals, except those with an individual value of less than ₱15,000.00, shall be recorded as Work, Zoo and/or Other Animals. It should be noted that such animals used for research purposes are categorized as Other Property, Plant and Equipment; thus, the accounting treatment, recognition, measurement, and derecognition procedures provided under Chapter 10 of the GAM for NGAs, Volume I, shall be applied.

10.15 However, the review of the Inventory Schedules submitted by the coordinators concerned at the PCC Gene Pool and Livestock Biotechnology Research and Animal Treatment Facility (LBRAF) revealed that there were 15 heads of research animals which were not capitalized to the appropriate Work, Zoo and/or Other Animals account, with details as shown in the table below:

| Ear Tag No.  | Breed | Age (in months) | No. of Head(s) | Fair Value Less Cost to Sell |
|--------------|-------|-----------------|----------------|------------------------------|
| 1LBF18002    | PC    | 41.4            | 1              | ₱ 19,500.00                  |
| 1LBF18003    | PC    | 40.9            | 1              | 19,500.00                    |
| 1LBF19001    | PC    | 36.3            | 1              | 19,500.00                    |
| 2GP20006     | BMB   | 26.0            | 1              | 22,750.00                    |
| 2GP20007     | BMB   | 25.9            | 1              | 22,750.00                    |
| 2GP20009     | BMB   | 25.8            | 1              | 22,750.00                    |
| 2GP20022     | BMB   | 23.7            | 1              | 22,750.00                    |
| 2GP20028     | BMB   | 20.7            | 1              | 22,750.00                    |
| 2GP20035     | BMB   | 19.7            | 1              | 19,500.00                    |
| 2GP19095     | BMB   | 29.80           | 1              | 22,750.00                    |
| 1CS15009     | PC    | 86.49           | 1              | 19,500.00                    |
| 1CS18032     | PC    | 50.56           | 1              | 19,500.00                    |
| 1CS15004     | PC    | 86.49           | 1              | 19,500.00                    |
| 1CS17041     | PC    | 62.52           | 1              | 19,500.00                    |
| 1CS16019     | PC    | 74.03           | 1              | 19,500.00                    |
| <b>Total</b> |       |                 | <b>15</b>      | <b>₱312,000.00</b>           |

10.16 Out of the total 15 heads, 7 heads with Ear Tag Nos. 2GP20006; 2GP20007; 2GP20009; 2GP20022; 2GP20028; 2GP20035; and 2GP19095 were still included under

the Breeding Stocks account, resulting in the overstatement of the same account by the total fair value of the said animals of ₱156,000.00.

10.17 Overall, the Semi-Expendable Equipment and Work, Zoo and/or Other Animals accounts were understated by ₱437,000.00 and ₱312,000.00, respectively. Conversely, the Semi-Expendable- Machinery and Equipment Expenses and Breeding Stocks accounts were overstated by ₱437,000.00 and 156,000.00, respectively.

**10.18 We recommended and the OIC-Executive Director agreed to instruct the (a) Chief of AFMD of the PCC-NHGP to coordinate with the Genetic Improvement Program (GIP) Coordinator on the need to update the policy on proper valuation of animals used for research purposes; (b) Accountant to provide necessary adjustment in the books on the (i) recognition of 40 heads of animals totaling ₱437,000.00 as semi-expendable properties; and (ii) capitalization of 15 heads of animals valued at ₱312,000.00 to the appropriate Work, Zoo and/or Other Animals account; and (c) Property Unit to ensure preparation of corresponding Inventory Custodian Slip (ICS) or Property Acknowledgement Receipt (PAR) to establish accountability over research animals.**

10.19 During the Exit Conference, Management averred that they plan to review the existing PMC Resolution to determine the need to update the fair value computations to be used for revaluation of animals. The same Resolution will also include the valuation policy for animals used for research purposes by the PCC.

*Losses sustained due to mortality of animals- ₱577,125.00*

**11. *Notwithstanding the continuous commitment of Management towards attaining good animal husbandry practices, the mortality rate of buffaloes under the institutional herd of the PCC-NHGP had increased by 29 percent or from 17 heads in CY 2020 to 24 heads reported in CY 2021. Nevertheless, animal mortalities during CY 2021 were due to various diseases, some of which may be considered as preventable or treatable, resulting in financial losses of at least ₱577,125.00 for the calendar year.***

11.1 The PCC was operationalized by virtue of Republic Act (R.A.) No. 7307 or the Philippine Carabao Act of 1992 with the aim to conserve, propagate, and promote the carabao as a source of draft animal power, meat, milk, and hide for the benefit of rural farming communities.

11.2 Over the years, PCC has invested in breeding and herd improvement to accelerate expansion and maintain a steady supply of better dairy carabao stock. However, such investments are normally constrained by several internal and external factors, such as mortality or death of animals.

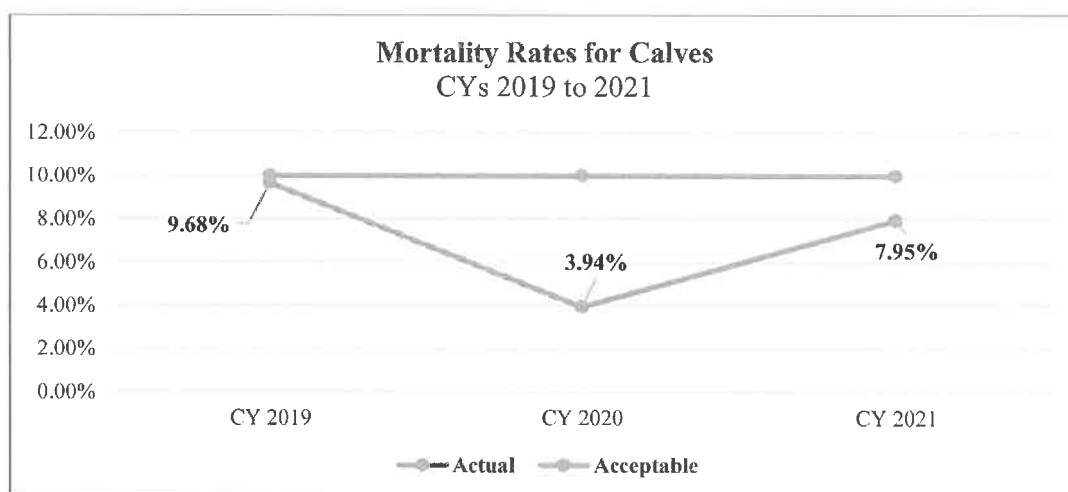
11.3 Animal mortality basically refers to death in an animal population. According to the Biosafety and Environment Section of the PCC-NHGP, below is the formula to calculate animal mortality over a time period:

$$\text{Mortality Rate (calves)} = \frac{\text{No. of mortality (deaths)}}{\text{Beginning inventory} + \text{No. of newborns in a given year}} \times 100$$

$$\text{Mortality Rate (adults)} = \frac{\text{No. of mortality (deaths)}}{\text{Beginning inventory} + \text{No. of animals that reached 1 y/o}} \times 100$$

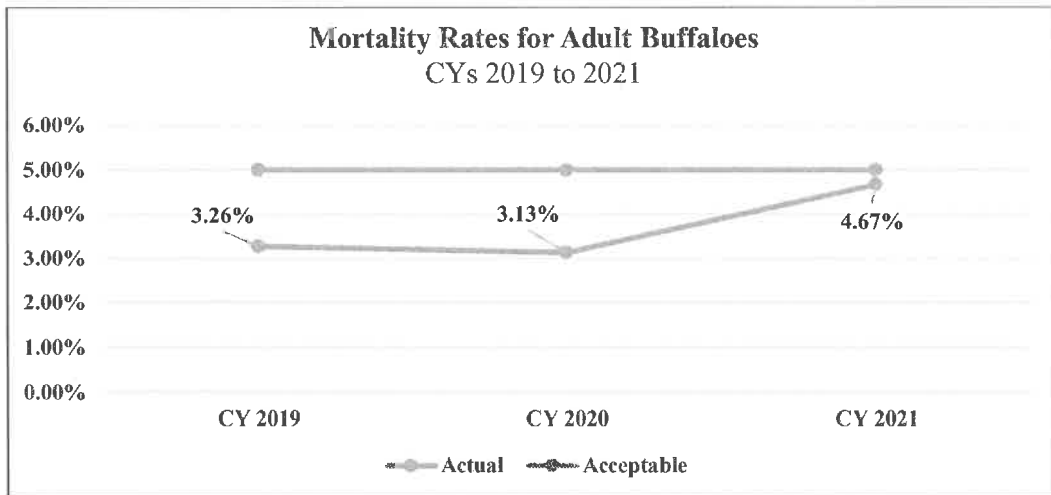
11.4 According to the PCC Veterinarians, the acceptable rate of mortality for calves is 10% and only 5% for adult buffaloes based on the established standard in line with the objective of Integrated Management Systems (IMS). The reason provided for such is that calves are more prone to health risk factors from birth to weaning stage which could result to higher incidence of deaths than adult buffaloes.

11.5 Relatedly, actual mortality rate of calves and adult buffaloes from CYs 2019 to 2021 had been managed within the acceptable range, signifying the continuous commitment of Management and its stakeholders towards improving the overall welfare of animals.



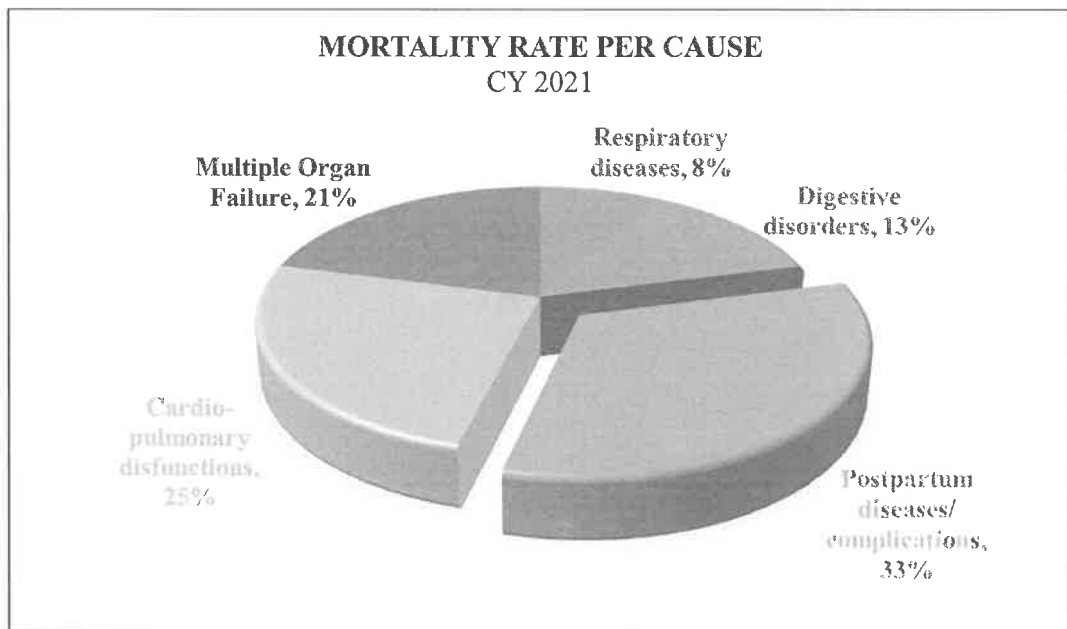
11.6 For CY 2021, the beginning inventory of calves was recorded at 122 heads. An additional 142 calves were born during the year, of which 21 heads died, resulting in a 7.95% mortality rate. As shown in the above line graph, the incidence of mortality among calves had increased in CY 2021, which was mainly caused by digestive disorders such as *trichobezoars (hairballs)*, a form of obstruction as a result of ingestion of hair during periods of excessive licking.

11.7 Meanwhile, the graph presented in the succeeding page also showed an increase in mortality among adult buffaloes.



11.8 As demonstrated in the above figure, the mortality rate of 4.67% in CY 2021 represents 23 heads of adult buffaloes which expired due to various diseases.

11.9 Further evaluation of various notices and pertinent records submitted to the Audit Team related to the death of said 24 heads of buffaloes showed that postpartum diseases or complications were the common causes of deaths reported at 33 percent or 8 out of 24 mortalities in 2021.



11.10 The usual cases of postpartum diseases identified among animals at the PCC Gene Pool are *puerperal metritis*, *uterine prolapse* and *ruptured ovarian artery*.

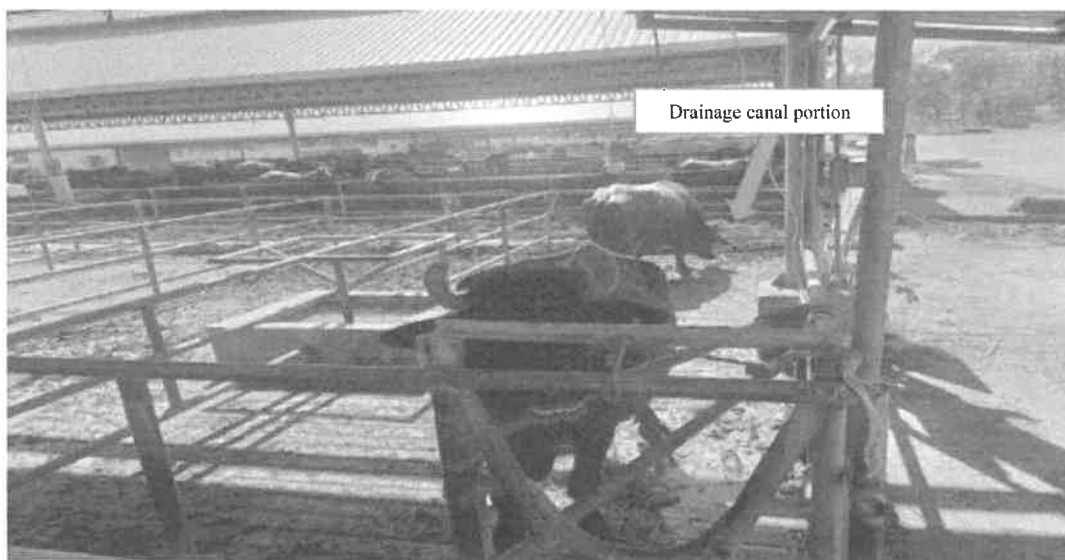
11.11 Veterinary Medicine often describes *Metritis* as one of the most frequent disorders affecting dairy cows during the postpartum period. The condition is characterized by an abnormal uterine discharge, with local or systemic symptomatology.

11.12 Metritis is diagnosed by a complete physical examination of the cow including attitude, hydration status, rectal temperature, and palpation of the uterus per rectum to evaluate uterine discharge.

11.13 People who manage dairy cows can also help prevent uterine diseases by using extended lactations, avoiding trauma to the genital tract, maintaining hygiene, and supplying appropriate nutrition during the transition period and after parturition to counter the metabolic stress of lactation. Another approach is to limit the impact of risk factors for uterine disease. Cows should have a clean, comfortable, quiet, and spacious environment to calve without stress. If there is a need for intervention during parturition, farmers and veterinarians should ensure that they use aseptic techniques, provide gentle care for the animals, and maintain the cleanliness of the environment. Veterinary examination of the reproductive tract is also useful to identify animals with disease that may need treatment.

11.14 Worthy to note that, as an example, one female Bulgarian Murrah Buffalo with Ear Tag No. 2GP13033 died on December 5, 2021 due to *Multiple Organ Failure secondary to Metritis, Endometritis and Pyometra*, as indicated in the Necropsy Report of the attending Veterinarian.

11.15 Nonetheless, review of pertinent records did not show that the supposed interventions were implemented by way of ensuring that the animal had a clean and comfortable environment to calve without stress. The following picture shows the portion of the Maternity Pen where the animal with Ear Tag No. 2GP13033 was once kept.



11.16 A visual inspection by the Audit Team during the year-end physical inventory of animals disclosed that a drainage of animal stool and urine was flowing along the open edge of the animal pen. The floor design of the pen, however, showed that the supposed drainage of waste had occasionally bounced back to the flooring of the animal pen which may possibly cause infections to the animals if not adequately attended to.

11.17 According to the Gene Pool Coordinator, the schedule of disinfection for the maternity pen where the animal initially stayed was every after transfer and prior to occupancy, while there are at least four times a year at the lactating cow barn. Be that as it may, prudence dictates that when the animal initially exhibits signs of postpartum infections after parturition, disinfection should be conducted immediately in order to prevent opportunistic bacteria from invading the sterile environment of the animal's uterus. On the contrary, the records neither mentioned any disinfection conducted after the onset of symptoms nor there was additional support in ensuring proper hygiene of both the animal and its environment.

11.18 Considering the clinical manifestations of illnesses suffered by the animals, the same should have been properly guided by the accountable officer (AO) thru the animal caretakers. More intensified care and treatment of the underlying symptoms of their illnesses could have been administered.

11.19 In sum, the mortality of 24 animals in just a period of one year did not only result in losses of government funds amounting to ₱577,125.00 but may also pose threats to PCC's goal of improving productivity of the carabaos.

**11.20 We recommended and the OIC-Executive Director agreed to instruct the National Gene Pool Coordinator to (a) continuously introduce specific solutions to optimize the animals' well-being and minimize mortality rate; (b) conduct a thorough review of the animal care practices to identify areas that need improvement; (c) coordinate with the Agency Engineers for possible repair/renovation of existing floor designs of animal pens, particularly the maternity pens, if the agency budget permits; and (d) implement economically sound medical treatment for animals exhibiting clinical signs of diseases to avoid wastage of funds and resources.**

11.21 During the Exit Conference, Management acknowledged the audit observation and instructed the Gene Pool Coordinator to submit a proposal relevant to the rehabilitation and/or improvement of existing animal pens towards ensuring proper sanitation of animals. It is also worthy to mention that Management will consider the need for the establishment of an area for animal clinic to address the causes of mortality of buffaloes.

*Deficient disbursement vouchers (DVs)- ₱33.64 million*

12. *Several deficiencies were noted in the post-audit of disbursement vouchers (DVs), mandatory records and reports of some PCC Regional Centers in which requisite documents attached to the DVs totaling ₱33,636,328.34 were either incomplete, lacking of required signatures or not in the prescribed form which was not harmonized with certain relevant provisions of Presidential Decree (P.D.) No. 1445 and COA Circular No. 2012-001 dated June 14, 2012.*

12.1 Section 4.5 of Presidential Decree (P.D.) No. 1445 states that *Disbursements or disposition of government funds or property shall invariably bear the approval of the proper officials.*

12.2 Section 4.6 of the same P.D. also states that *Claims against government funds shall be supported with complete documentation.*

12.3 Moreover, COA Circular No. 2012-001 dated June 14, 2012 provides the general and specific documentary requirements for all types of disbursements using government funds.

12.4 Complete documentation includes duly accomplished supporting documents, proper signatures, dates, places, names and other indispensable information as may be required by the nature of the transaction. For a document to be deemed “complete” and “sufficient”, it must be complete in its face, that is, it contains all the information required. More importantly, it must undergo the proper review and evaluation by officials and employees for the legality and correctness of the claims.

12.5 Upon vouching of the disbursements totaling ₱33,636,328.34 covering the period January to December 2021, it was noted that the afore-cited provisions of P.D. No. 1445 were not fully complied with by some PCC Regional Centers as summarized below; viz:

| <b>Regional Center</b> | <b>Nature of Payment</b>   | <b>Total Amount</b>   |
|------------------------|--|-----------------------|
| PCC-NHGP               | Payment/reimbursement of expenses such as supplies, materials, repairs, wages, etc.  | ₱ 3,023,619.88        |
| PCC-CSU                | Payment for equipment  | 3,977,345.00          |
| PCC-MLPC               | Payment/reimbursement of various expenses such as supplies, materials, repairs, etc. | 24,087,806.93         |
| PCC-MMSU               | Final payment for the construction of Dairy Processing Plant building                | 1,279,482.60          |
| PCC-VSU                | Payment of wages and calf drop incentives  | 674,273.93            |
| PCC-UPLB               | Payment of administrative costs  | 593,800.00            |
| <b>Grand Total</b>     |  | <b>₱33,636,328.34</b> |

12.6 The practice of allowing claims for payment despite insufficient documentation or lack of complete signatures contradicts the certification of the Accountant in “Box C” of the disbursement voucher (DV) that documentary requirements to support the payment are complete and the amount claimed is proper.

12.7 Interview with the Accountant of the PCC-NHGP disclosed that while the Accounting Unit staff were carefully checking on the documents supporting each payment, it was also admitted that they may have possibly overlooked the review of some disbursement transactions, resulting in incomplete attachments. Reportedly, there were also prior instances when some attachments to the DVs such as original copies of receipts and invoices, were directly given by the suppliers to the end-user Units, but the same may have been misplaced upon processing of documents.

12.8 When asked regarding the above noted deficiencies, the Bookkeeper of the PCC-VSU also averred that there were DVs and supporting documents that were not forwarded on time to their Office from the VSU Main Cash Division or Procurement Office. This practice would have been prevented had there been stricter controls in the compliance of proper documentation/attachments to the DVs before the issuance of the check for payment. The regular coordination between the VSU Main Cash Division, the Procurement Office, and the PCC at the VSU Accounting Section will ensure that reports are submitted complete and on time.

12.9 Meanwhile, the disbursements of the PCC-MLPC totaling ₱24,087,806.93 were suspended in audit and Notices of Suspensions (NSs) were properly served to Management and the persons responsible.

12.10 Likewise, interview with Management of the PCC-UPLB disclosed that UPLB was paid by the Center for administrative cost in CY 2021 for the use of its facilities by the Accounting, Budgeting, Cashiering, Internal Audit Divisions and other UPLB Offices in charge of processing business transactions and operations of the PCC. However, the Consolidated MOA already expired on December 31, 2015 and the payment of the CY 2021 administrative cost was not supported by a valid Memorandum of Agreement (MOA) between the PCC and the University of the Philippines System.

12.11 It is emphasized that the determination of the propriety of the transactions and their conformity with laws, rules and regulations largely depend on the completeness of the documentary requirements presented.

12.12 The absence of the aforementioned requisite documents or the lack of complete information thereof put the Agency in a disadvantageous situation, since the terms and conditions of the procurement contracts could not be enforced against the suppliers found non-compliant therewith. This also implies a weakness in internal control over disbursements, exposing government funds to risk of loss or misuse.

**12.13 We recommended and the OIC-Executive Director and Center Directors concerned agreed to instruct their respective Accounting Unit to (a) submit all the disbursement vouchers (DV) and their supporting documents; and (b) check the completeness of the DVs and supporting documents prior to the submission to the Audit Team.**



*Improper payment of Administrative Costs - ₱878,410.95*

13. ***The PCC-LCSF paid administrative cost amounting to ₱878,410.95 to the Bureau of Plant Industry – La Granja National Crop Research, Development and Production Support Center (BPI-LNCRDPSC) out of the funds received for the implementation of the Milk Feeding Program contrary to Section 84(2) of Presidential Decree (P.D.) No. 1445 and COA Circular No. 2012-003, casting doubt on the regularity of the expenditures.***

13.1 Section 84 of Presidential Decree (P.D.) No. 1445 or the Government Auditing Code of the Philippines states that *trust funds shall not be paid out of any public treasury or depository except in fulfillment of the purpose for which it was created or funds received, and upon authorization of the legislative body or head of any other agency of the government having control thereof, and subject to pertinent budget law, rules and regulations.* Any disbursement of government funds that is contrary to law are therefore illegal expenditures which shall be disallowed in audit.

*Use of funds intended for a specific purpose/project, for other purposes such as administrative and miscellaneous expenses of the implementing agency, and for projects not intended to be implemented under the program.*

13.2 Pursuant to the foregoing provision, the PCC La Carlota Stock Farm (PCC-LCSF) and the Bureau of Plant Industry – La Granja National Crop Research, Development and Production Support Center (BPI-LNCRDPSC), which is under the umbrella of the Department of Agriculture, entered into a Memorandum of Agreement (MOA) on November 29, 1993 which obligates the latter to make available its administrative staff and personnel to the former to be tapped by the PCC-LCSF to assist in its fiscal disbursement and other related functions.

13.3 However, this provision was amended on March 10, 2014 when the new Center Chief of BPI-LNCRDPSC who assumed on May 2, 2011, made a request to the OIC Executive Director of PCC National Headquarters in Nueva Ecija to delete the clause “but not more than Three Hundred Thousand (₱300,000.00)” which was subsequently considered as approved when a new MOA was executed between the parties on February 22, 2019 containing the amended provision as follows:

*x x x pay annually the administrative cost, equivalent to five percent (5%) of the sub-allotted budget of PCC at LCSF, for the use of the administrative facilities of BPI-LGNCRDPS in pursuing the business transactions of PCC. The rates paid to BPI-LNCRDPSC staff follow guidelines formulated by the National Research and Development System of DOST.*

13.4 In comparison with the other Centers, only the PCC-LCSF removed the ₱300,000.00 cap on the administrative cost granted to another agency for the rendition of

administrative and financial services to the PCC. In fact, the Deputy Executive Director of the PCC National Headquarters, when interviewed by the Audit Team, affirmed that the MOAs executed between other Centers and servicing agencies all contain a stipulation that the total amount to be paid for administrative cost must not exceed ₱300,000.00. Only the PCC at La Carlota Stock Farm stipulates otherwise.

13.5 Post audit of transactions for CY 2021 showed that the Center paid to the personnel of BPI-LNCRDPSC a total amount of ₱1,358,361.36 broken down as follows:

| Particulars                              | Amount               |
|--|----------------------|
| Personnel Services (PS)                  | ₱ 51,600.00          |
| Maintenance and Other Operating Expenses | 428,350.41           |
| Milk Feeding Program                     | 878,410.95           |
| <b>Total</b>                             | <b>₱1,358,361.36</b> |

13.6 Nonetheless, the PCC-LCSF also received funds from the Department of Education (DepEd) and the Department of Social Welfare and Development (DSWD) for the implementation of the Milk Feeding Program. However, these cannot be considered as part of the sub-allotted budget for the Center's regular operations because the funds were intended for a specific purpose, which is the implementation of the Milk Feeding Program. In addition, there are also separate MOAs between the PCC-LCSF and these two funding agencies, which also include, among others, a provision for the program's administrative costs.

13.7 The Accountant explained that due to voluminous work load and the additional accountability that the three BPI-LNCRDPSC personnel assumed pertinent to the Milk Feeding Program, the BPI-LNCRDPSC and the PCC-LCSF verbally agreed to grant administrative cost amounting to ₱878,410.95 or 1.5% of the of the gross amount billed by the PCC-LCSF to DepEd and DSWD.

13.8 However, the said verbal agreement between the PCC-LCSF and the BPI-LNCRDPSC may not be valid because it does not bear the approval of the source agencies, DepEd and DSWD.

13.9 Therefore, the payments made by the Center to the BPI- LNCRDPSC amounting to ₱878,410.95 may constitute illegal expenditures taking into account that the funds specifically intended for another Program were utilized without legal basis and authority from the fund owners. Finally, the transaction is similarly situated with Item 12, Annex B of COA Circular No. 2012-003 which illustrates cases involving illegal expenditures.

**13.10 We recommended and Management, thru the Center Director, agreed to henceforth, strictly ensure that the administrative cost paid to the BPI- LNCRDPSC is correctly computed as provided for in the MOA and submit documents authorizing the use of funds intended for the Milk Feeding Program for the payment of administrative costs of the BPI-LNCRDPSC, otherwise the amount of ₱878,410.95 shall be disallowed in audit.**

13.11 During the Exit Conference, although Management agreed to stop the grant of administrative cost to the BPI-LNCRDPSC out of that fund for the Milk Feeding Program, the Accountant requested for reconsideration not to disallow the amount of ₱878,410.95 already paid.

*Auditor's Rejoinder:*

13.12 The Audit Team of PCC-LCSF appreciated Management's explanation, but it emphasized that trust funds such as the Milk Feeding Program funds shall be exclusively applied to disbursements in fulfillment of the specific purpose for which the same were received. When disbursed for other intent and purposes, prior authorization from the source agencies should have been secured. Otherwise, disbursements deemed unlawful or bereft of legal basis, as expressly stated in the 2009 Revised Rules of Procedures of the Commission on Audit (RRPC), shall be disallowed in audit.

*Overpayment of Hazard Allowance- ₱73,757.60*

**14. *The computation of Hazard Allowance paid to various Science and Technology (S&T) personnel of the PCC-NHGP for the period covered January to September 2021 was not in accordance with certain relevant provisions of the Department of Budget and Management (DBM)-Department of Science and Technology (DOST) Joint Circular (JC) No. 1 dated June 25, 2013, resulting in an overpayment of ₱73,757.60.***

14.1 The Department of Budget and Management (DBM)-Department of Science and Technology (DOST) Joint Circular (JC) No. 1 dated June 25, 2013 sets forth the revised implementing rules and regulations on the grant of compensation-related Magna Carta benefits to Scientists, Engineers, Researchers and other Science and Technology (S&T) personnel in the government.

14.2 Relatively, Section 9.0 of the same JC provides the following guidelines:

*Hazard Allowance is an additional compensation for performing hazardous duties and for enduring physical hardships in the course of performance of duties.*

*S&T Personnel whose nature of duties and responsibilities, actual services, and location of work expose them to great danger, occupational risks, perils to life, and physical hardships, may be granted Hazard Allowance, but only during periods of actual exposure to hazards and hardships.*

14.3 Furthermore, as basis for the computation of Hazard Allowance, Section 9.2 of the same JC provides that *the Hazard Allowance for the month shall be based on the degree of risk to hazards and the number of actual work exposure over 22 workdays in*

*a month, at rates not to exceed 30% of monthly basic salary as presented in the following matrix:*

| <b>Level of Risk</b>   | <b>High Risk</b>            | <b>Low Risk</b>             |
|------------------------|-----------------------------|-----------------------------|
| <b>Actual Exposure</b> |                             |                             |
| 15 or more days        | 30% of monthly basic salary | 15% of monthly basic salary |
| 8 to 14 days           | 23% of monthly basic salary | 12% of monthly basic salary |
| Less than 8 days       | 15% of monthly basic salary | 10% of monthly basic salary |

14.4 For the purpose of identifying the personnel entitled to receive Hazard Allowance and their corresponding level or risk exposure to work areas, the Officer-in-Charge (OIC), Executive Director of the PCC issued an undated Certificate of Eligibility, upon the recommendation by the PCC Hazard Allowance Committee, specifying the names, level of risk and percentage (%) of hazard exposure of the S&T personnel of the Agency. It was unanimously agreed upon that the said personnel are exposed to High Risk Level during the year.

14.5 Comparison of the Hazard Allowance per payroll vis-à-vis the actual Daily Time Record (DTR) of the S&T personnel concerned disclosed an overpayment of ₱73,757.60 as detailed below:

| <b>Division/Employee Position</b>         | <b>Hazard Allowance</b> |                      | <b>Overpayment</b> |
|---|-------------------------|----------------------|--------------------|
|   | <b>Per Payroll</b>      | <b>Per Audit</b>     |                    |
| <i>Knowledge Management Division</i>      |                         |                      |                    |
| Information Officer V                     | ₱181,810.46             | ₱180,794.76          | ₱1,015.70          |
| Training Specialist III                   | 102,637.39              | 101,023.59           | 1,613.80           |
| <i>Research and Development Division</i>  |                         |                      |                    |
| Scientist II                              | 230,724.25              | 227,280.60           | 3,443.65           |
| Senior Science Research Specialist (SSRS) | 113,377.01              | 110,523.08           | 2,853.93           |
| SSRS                                      | 107,386.62              | 105,190.57           | 2,196.05           |
| SSRS                                      | 105,265.43              | 99,266.43            | 5,999.00           |
| Science Research Specialist (SRS) II      | 68,969.66               | 52,876.74            | 16,092.92          |
| SRS II                                    | 80,065.55               | 79,055.26            | 1,010.29           |
| SRS II                                    | 68,194.64               | 61,122.60            | 7,072.04           |
| SRS II                                    | 79,307.84               | 78,802.69            | 505.15             |
| Farm Superintendent (FS) II               | 72,573.82               | 72,058.78            | 515.04             |
| SRS I                                     | 64,910.03               | 63,818.45            | 1,091.58           |
| <i>Production Support Services</i>        |                         |                      |                    |
| Scientist I                               | 273,056.81              | 270,009.31           | 3,047.50           |
| Scientist I                               | 253,705.13              | 248,727.54           | 4,977.59           |
| Scientist I                               | 208,754.37              | 199,510.26           | 9,244.11           |
| SSRS                                      | 147,653.54              | 139,161.73           | 8,491.81           |
| SSRS                                      | 153,489.85              | 150,173.71           | 3,316.14           |
| FS II                                     | 83,708.00               | 82,436.70            | 1,271.30           |
| <b>Grand Total</b>                        | <b>₱2,395,590.40</b>    | <b>₱2,321,832.80</b> | <b>₱73,757.60</b>  |

14.6 The Audit Team noted that the Human Resource Management Section (HRMS) computed the Hazard Allowance reflected in the payroll based on a fixed rate at a high

risk level regardless of the number of actual work exposures in a given month, inconsistent with Section 9.2 of the abovementioned DBM-DOST JC.

14.7 Moreover, audit showed that Hazard Allowance was also paid to employees while on work-from-home (WFH) arrangement or on half-day leave of absence; and to those who are on study leave, in which the number of days of actual work exposure was fixed to 15 days based on the Minutes of the PCC Hazard Allowance Committee Meeting dated December 21, 2021.

14.8 Section 9 of the aforementioned JC clearly states that Hazard Allowance may be granted only during actual exposure to hazards and hardships. As such, employees working from home shall not be allowed to receive any hazard allowance as they are working in the comfort of their homes. The same principle applies to personnel on leave of absence, as they are not considered exposed to hazards in their work area.

14.9 Additionally, we observed that the payment of Hazard Allowance to some S&T personnel who were on study leave abroad during CY 2021 were not supported with certification from their respective schools as regards the conduct of laboratory research related to their course; thus, the propriety of payments made to them could not be fully ascertained.

**14.10 We recommended and the OIC-Executive Director agreed to instruct the (a) Chief of Human Resource Management Section (HRMS) to strictly follow the instructions under Section 9.2 of DBM-DOST Joint Circular No. 1 dated June 25, 2013 in the preparation of the payroll for Hazard Allowance; (b) PCC Hazard Allowance Committee to submit a copy of the Certification issued by the school for S&T personnel concerned who were on study leave; and (c) Accounting Unit to review the accuracy of payroll computation and require the S&T personnel concerned to refund the overpayment of Hazard Pay for CY 2021 to avoid disallowance in audit.**

14.11 During the Exit Conference, Management instructed the Chairman of the PCC Hazard Allowance Committee to re-evaluate the policy on granting Hazard Allowance to qualified S&T personnel to ensure that the same policy conforms with DBM-DOST JC No. 1 dated June 25, 2013. Meanwhile, the Accountant committed to immediately review the accuracy of payroll computation and resulting overpayments will be adjusted accordingly thru deduction from the amount of succeeding Hazard Allowance of S&T personnel concerned.

*Deficiencies in the grant and liquidation of cash advances*

***Deficiencies were observed in the management and utilization/liquidation of cash advances such as (a) granting of cash advances totaling ₱570,200.00 to officers and employees who were not duly bonded; (b) liquidations totaling ₱769,500.00 were not properly and completely supported with the necessary documents; (c) non-maintenance***

*of Petty Cash Vouchers (PCVs) and Petty Cash Fund Record (PCFRec); and (d) PCVs were not duly accomplished for each petty cash transaction, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and COA Circular No. 97-002 dated February 10, 1997.*

14.12 Audit of related documents and inquiries with the personnel concerned disclosed practices and conditions indicating weaknesses in internal control on cash management which may expose the cash advances to possible loss or misuse, as enumerated below:

*(a) Granting of cash advances to officers and employees not duly bonded*

14.13 Sections 7 of COA Circular No. 97-002 dated February 10, 1997 states the following:

*Section 7. BONDING OF ACCOUNTABLE OFFICERS*

*7.1 Each accountable officer with a total cash accountability of ₱2,000.00 or more shall be bonded. The amount of bond shall depend on the total accountability of the officer as fixed by the Head of the Agency. An official or employee who has both money and property accountability, shall be bonded only once to cover both accountabilities, but the amount of the bond shall be in accordance with the Schedule.*

14.14 In Calendar Year 2021, the PCC at VSU had four regular employees who were granted cash advances for the operating expenses of the office, delivery/transportation of cylinder tanks and various expenses in the conduct of orientations and trainings. However, only one accountable officer (AO) was bonded. Below is the list of AOs who were not bonded and the corresponding amount of cash advances granted during the year, as follows:

| <b>Position of Accountable Officer</b> | <b>Total Cash Advance Granted</b> |
|--|-----------------------------------|
| Agricultural Center Chief IV           | ₱233,300.00                       |
| Farm Superintendent II                 | 105,500.00                        |
| Science Research Analyst               | 231,400.00                        |
| <b>Total</b>                           | <b>₱570,200.00</b>                |

14.15 It is emphasized that public officials and employees whose duties require the custody of funds or property shall be bonded and insured. According to the Bookkeeper, the fidelity bond of the aforementioned AOs is now being processed at the PCC Central Office.

*(b) Liquidations not properly and completely supported with the necessary documents*

14.16 Further verification of the Advances for Operating Expenses and Advances to Officers and Employees accounts disclosed that cash advances totaling ₱769,500.00 were

granted to officers and employees during the year without adequate supporting documents, which include, among others, (a) detailed estimates of expenses for the purpose stated in the disbursement vouchers; and (b) certification from the Accountant that previous cash advances have been liquidated.

14.17 The lack of supporting documents cast doubt on the propriety of the purpose and the reasonableness of the cash advance drawn.

*(c) Non-maintenance of Petty Cash Vouchers (PCVs) and Petty Cash Fund Record (PCFRec)*

14.18 Section 37, Chapter 6 of GAM for NGAs, Volume I, requires that *the PCFC shall prepare the RPPCV and maintain the Petty Cash Fund Record (PCFR) (Appendix 50) to monitor and control the granting and utilization of the fund. The RPPCVs shall be the basis in the preparation of the DV to replenish the PCF. The Accounting Division/Unit shall record the replenishment of PCF in the CkDJ through a JEV and shall maintain SL to monitor and control accountability.*

14.19 During the conduct of cash examination, it was observed by the Audit Team of PCC-CMU that the Petty Cash Fund Custodian (PCFC) did not comply with the prescribed records to be maintained for the Petty Cash Fund transactions such as the Petty Cash Vouchers (PCVs) and the Petty Cash Fund Record (PCFRec). Only the Petty Cash Liquidation Report was presented at the time of audit.

*(d) Petty Cash Voucher (PCV) not duly accomplished*

14.20 Item (a) of Section 35, Chapter 6 of the GAM for NGAs, Volume I, provides that *payments out of PCF, which shall be made through a Petty Cash Voucher (PCV), should be allowed only for amounts not exceeding P15,000 for each transaction, except when a higher amount is allowed by law and/or specific authority by the COA. It further requires that all disbursements out of PCF shall be covered by duly accomplished and approved PCV supported by cash invoices, ORs or other evidence of disbursements.*

14.21 Verification of the PCVs attached to the replenishment reports of the PCFC assigned at the PCC-NHGP disclosed the following deficiencies; to wit:

- Only one PCV ranging from ₱24,247.90 to ₱83,174.75 was attached to each replenishment representing the total amount of expenses as reported under the Report on Paid Petty Cash Vouchers (RPPCV); and
- Some PCVs did not bear the approval of the immediate supervisor of the requestor. Instead, the same were signed by the requestor himself/herself or by the PCFC even though he was not the immediate supervisor of the requesting party.

14.22 It was noted that in various instances, the PCFC was the sole signatory on all boxes A, B, C and D of the PCV. Based on the instructions set forth under Appendix 48 of the GAM for NGAs, Volume II, the PCFC shall affix his/her signature on Box B.

14.23 The foregoing practices were not harmonized with the standards called for under the pertinent provisions of the GAM for NGAs, thus, exposing the PCF to possible loss or misuse if not properly controlled or utilized.

**14.24 We recommended and the OIC-Executive Director agreed to instruct the Center Directors concerned to direct the (a) Accountant/Bookkeeper to (i) review and check the completeness of supporting documents of cash advances granted to officers and employees and their subsequent liquidation; and (ii) refrain from granting cash advances to officers and employees who are not bonded; and (b) require the PCFC to ensure that the (i) grant of petty cash to requesting parties is covered with duly accomplished Petty Cash Voucher (PCV); (ii) PCV is properly approved by the immediate supervisor of the requestor; and (iii) PCVs and Petty Cash Fund Record (PCFRec) are prepared and maintained for close monitoring and tracing of the transactions.**

14.25 During the Exit Conference, Management committed to instruct the Bookkeepers and AOs concerned to strictly observe the pertinent provisions of the GAM for NGAs on the granting and utilization of cash advances.

## **B. Compliance Audit**

*Inadequate compliance with R.A. No. 9184*

**15. Various deficiencies were noted in the procurement activities of the PCC-NHGP such as (a) incorrect use of Value Added Tax (VAT) in the computation of the Approved Budget for the Contract (ABC) increasing the contract prices by ₱320,412.02; and (b) Guaranty/Security Deposits Payable totaling ₱4,458,059.27 were not released to the concerned suppliers or contractors despite the lapse of warranty period, inconsistent with certain relevant provisions of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184.**

15.1 Generally, procurement should be done through public bidding. However, the law allows the use of alternative methods of procurement in some exceptional instances, provided there is prior approval of the head of the procuring entity and the conditions required by law for the use of alternative methods are present.

15.2 Section 53 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184, otherwise known as the "Government Procurement Reform Act" allows the use of Negotiated Procurement as alternative method of procurement for goods, infrastructure projects and consulting services, subject to certain



conditions in order to facilitate the procurement process for purchases not exceeding the thresholds specified.

15.3 One of the reasons for the use of alternative methods of procurement is administrative convenience. This means that the Procuring Entity is given the opportunity to procure at advantageous terms without having to undergo the entire public bidding process which could be time-consuming.

15.4 However, in the post-audit of related transaction documents, weaknesses in internal control were noted in various phases of the procurement of goods, services and infrastructure projects. The weaknesses were generally manifested in the preparation of the Approved Budget for the Contract (ABC) and deficiencies in documentation; thus, the regularity of the payments made could not be fully relied upon as discussed below:

(a) *Incorrect computation of Value Added Tax (VAT) increasing the Approved Budget for the Contract (ABC) - ₱320,412.02*

15.5 Section 31.1 of the RIRR of R.A. No. 9184 states that *the ABC shall be the upper limit or ceiling for acceptable bid prices.*

15.6 Meanwhile, Department of Public Works and Highways (DPWH) Department Order (D.O.) No. 197, series of 2016 dated October 7, 2016 provides for the Revised Guidelines in the Preparation of Approved Budget for the Contract (ABC). Section B.5 of the said Guidelines states the following:

*Value Added Tax (VAT) Component- shall be 5% of the sum of the Estimated Direct Cost (EDC), Overhead, Contingencies and Miscellaneous (OCM) and Profit.*

15.7 During CY 2021, various repair and renovation projects were undertaken by the PCC-NHGP on its existing office buildings and facilities. In the implementation of the said projects, the Agency employed public bidding and small value procurement (SVP) as method of procurement considering the thresholds specified under Annex H of the RIRR of R.A. No. 9184.

15.8 However, audit disclosed that the percentage of VAT used in the preparation of ABC was 12% which exceeded the allowable percentage of 5%, resulting to higher computation of ABC by ₱336,334.50 as summarized below; viz:

| Project Title                                       | ABC computation<br>(per Agency) | ABC computation<br>(per Audit) | Variance    |
|---|---------------------------------|--------------------------------|-------------|
| Renovation of Office Gene Pool                      | ₱ 998,447.52                    | ₱ 936,044.55                   | ₱ 62,402.97 |
| Repair and Rehabilitation of Various Facilities     | 289,210.10                      | 271,134.47                     | 18,075.63   |
| Renovation and Improvement of Hall and Laundry Area | 750,145.03                      | 703,260.97                     | 46,884.06   |
| Repair and Maintenance of Main Guard House          | 194,500.88                      | 182,344.58                     | 12,156.30   |

| Project Title  | ABC computation (per Agency) | ABC computation (per Audit) | Variance           |
|--|------------------------------|-----------------------------|--------------------|
| Water Proofing of Hostel Roof Deck Slab                    | 359,609.60                   | 337,134.00                  | 22,475.60          |
| Concreting of Slope Surface at Basement                    | 236,678.40                   | 221,886.00                  | 14,792.40          |
| Repair and Rehabilitation of Gene Pool Housing             | 1,930,691.84                 | 1,810,023.60                | 120,668.24         |
| Repair and Improvement of Various Offices at LIB Complex   | 116,571.84                   | 109,286.10                  | 7,285.74           |
| Repair of Row House No. 8                                  | 110,001.00                   | 103,125.94                  | 6,875.06           |
| Construction of Roofing Extension of Milk Processing Plant | 202,663.10                   | 189,996.66                  | 12,666.44          |
| Construction of Comfort Room and Roofing Repair            | 192,833.00                   | 180,780.94                  | 12,052.06          |
| <b>Grand Total</b>   | <b>₱5,381,352.31</b>         | <b>₱5,045,017.81</b>        | <b>₱336,334.50</b> |

15.9 Applying the aforementioned DPWH D.O. No. 197, the contract price was also higher than the re-computed ABCs as shown below:

| Project Title  | Contract Price       | ABC computation (per Audit) | Variance           |
|--|----------------------|-----------------------------|--------------------|
| Renovation of Office Gene Pool                             | ₱ 998,447.52         | ₱ 936,044.55                | ₱ 62,402.97        |
| Repair and Rehabilitation of Various Facilities            | 289,210.10           | 271,134.47                  | 18,075.63          |
| Renovation and Improvement of Hall and Laundry Area        | 750,145.03           | 703,260.97                  | 46,884.06          |
| Repair and Maintenance of Main Guard House                 | 194,500.88           | 182,344.58                  | 12,156.30          |
| Water Proofing of Hostel Roof Deck Slab                    | 359,609.60           | 337,134.00                  | 22,475.60          |
| Concreting of Slope Surface at Basement                    | 236,678.40           | 221,886.00                  | 14,792.40          |
| Repair and Rehabilitation of Gene Pool Housing             | 1,930,691.84         | 1,810,023.60                | 120,668.24         |
| Repair and Improvement of Various Offices at LIB Complex   | 111,432.21           | 109,286.10                  | 7,285.74           |
| Repair of Row House No. 8                                  | 107,631.72           | 103,125.94                  | 6,875.06           |
| Construction of Roofing Extension of Milk Processing Plant | 198,320.64           | 189,996.66                  | 12,666.44          |
| Construction of Comfort Room and Roofing Repair            | 188,761.89           | 180,780.94                  | 12,052.06          |
| <b>Grand Total</b>   | <b>₱5,365,429.83</b> | <b>₱5,045,017.81</b>        | <b>₱320,412.02</b> |

15.10 As could be gleaned in the above table, the Contract Costs for the aforementioned projects were relatively higher by ₱320,412.02 as compared to the computed ABC arrived at by the Audit Team, inconsistent with Section 31.1 of the RIRR of R.A. No. 9184 resulting in forgone savings which could have been utilized for other priority projects of the government.

15.11 Inquiry with the Chief of General Services Section (GSS) disclosed that he was not fully aware that the percentage of VAT has already changed from 12 percent (12%) to 5 percent (5%). They used to apply the 12% VAT rate based on the previous DPWH D.O. No. 72, series of 2012. Nonetheless, the officials in-charge of recommending the

approval/final approval of the ABC should have been cautious in the preparation and review of the accuracy of the computation. By attentively checking for updates in the guidelines on the preparation of ABC would ensure that the same is within the prescribed DPWH standards as adopted by the COA.

*(b) Unreleased Guaranty/Security Deposits Payable - ₱4.46 Million*

15.12 Chapter 3 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume III, prescribes the Revised Chart of Accounts (RCA) which provides, among others, the following description of the Guaranty/Security Deposits Payable account:

|                       |  |
|-----------------------|--|
| <i>Account Title</i>  | <i>Guaranty/Security Deposits Payable</i>  |
| <i>Account Number</i> | <i>20401040</i>  |
| <i>Normal Balance</i> | <i>Credit</i>  |
| <i>Description</i>    | <i>This account is used to recognize the incurrence of liability arising from the receipt of cash or cash equivalents to guaranty: (a) that the winning bidder shall enter into contract with the procuring entity; and (b) performance by the contractor of the terms of the contract. Debit this account for refund after the fulfillment of the purpose of the bond or forfeiture or upon failure to comply with the purpose of the bond.</i> |

15.13 Furthermore, Section 39.5 of the RIRR of R.A. No. 9184 provides the following provision:

*The performance security may be released by the Procuring Entity (PE) after the issuance of the Certificate of Final Acceptance, subject to the following conditions:*

- a. PE has no claims filed against the contract awardee or the surety company;*
- b. It has no claims for labor and materials filed against the contractor; and*
- c. Other terms of the contract.*

15.14 Relatedly, subsections of Section 62 of the same RIRR provides the following provisions as to warranties; to wit:

*62.1 For the procurement of goods, in order to assure that manufacturing defects shall be corrected by the supplier, a warranty security shall be required from the contract awardee for a minimum period of three (3) months, in the case of Expendable Supplies, or a minimum period of one (1) year, in the case of Non-Expendable Supplies, after acceptance by the PE of the delivered supplies.*

*The obligation for the warranty shall be covered by either retention money in an amount equivalent to at least one percent (1%) of every progress payment, or a special bank guarantee equivalent to at least one percent (1%) of the total contract price. The said amounts shall only be **released after the lapse of the warranty period or, in the case of Expendable Supplies, after consumption thereof**; Provided, however, that the supplies delivered are free from patent and latent defects and all the conditions imposed under the contract have been fully met. (Emphasis and underscoring supplied.)*

62.2 For the procurement of infrastructure projects, the following warranties shall be made:

62.2.2 One (1) year from the project completion up to final acceptance of the defects liability period.

15.15 The Guaranty/Security Deposits Payable account of the PCC-NHGP had a balance of ₱6,403,248.34 as of December 31, 2021. This represents the total amount of one (1) percent and ten (10) percent retention money from various suppliers and contractors of the Agency. The retention money will guarantee that any factory or structural defect shall be corrected within the warranty period.

15.16 However, verification of pertinent records disclosed that most of the retention moneys aggregating to ₱4,458,059.27 were not yet returned to the concerned suppliers or contractors despite the lapse of the warranty period (see **Appendix G** for details). Based on the Schedule of Guaranty/Security Deposits Payable submitted by the Property Unit, the estimated date of release of the retention money is specifically indicated which also implies that monitoring is being made as to when the supplier may file for a refund. However, the said schedule only covered the retention money withheld from the years 2019 to 2021.

15.17 Inquiry with the Accountant also disclosed that in the previous years, the Accounting Unit processed the refund of retention money only when the concerned suppliers/contractors filed their claims for refund. It was also mentioned that most of these suppliers/contractors were informed thru phone calls but were unable to claim their deposits, thus, still remained in the books.

15.18 Shown below is the breakdown per year of the number of suppliers/contractors who may claim the retention money based on the Subsidiary Ledger (SL) and Aging Schedule provided by the Accounting Unit; viz:

| <b>Calendar Year (CY)</b> | <b>No. of Suppliers/Contractors that may claim the release of Retention Money</b> | <b>Total Amount of Retention Money</b> |
|---------------------------|---|--|
| 2014                      | 2   | ₱ 444,448.58                           |
| 2015                      | 3   | 99,945.00                              |
| 2016                      | 12  | 952,909.32                             |
| 2017                      | 17  | 1,424,880.19                           |

| <b>Calendar Year (CY)</b> | <b>No. of Suppliers/Contractors that may claim the release of Retention Money</b> | <b>Total Amount of Retention Money</b> |
|---------------------------|---|--|
| 2018                      | 9   | 534,619.09                             |
| 2019                      | 15  | 475,438.22                             |
| 2020                      | 12  | 167,301.09                             |
| 2021                      | 10  | 358,517.78                             |
| <b>Total</b>              | <b>80</b>   | <b>₱4,458,059.27</b>                   |

15.19 Interview with the Accountant of the PCC-NHGP disclosed that the Accounting Unit used to prepare a schedule of unreleased security deposits for verification by the Property Unit. However, due to the volume of procurement transactions and given that other suppliers and contractors were not responsive thru phone calls, it became taxing for the concerned units to consistently monitor the lapse of the warranty period upon which the related retention money could be released.

15.20 Nevertheless, it was noted that most of the retention money in CYs 2020 and 2021 were guaranty/security deposits from the same suppliers in the previous years. As such, the Property and Accounting Units could have reminded said suppliers and required them to claim their refundable deposits during or prior to their recent schedule of supplies delivery with the PCC-NHGP.

**15.21 We recommended and the OIC-Executive Director agreed to instruct the (a) Chief of General Services Section and the Agency Engineers to keep updated on laws, rules and regulations such as DPWH standards, which are relevant to the procurement of infrastructures, to avoid errors during the preparation of budgets which would unnecessarily bloat the contract cost to the disadvantage of the government; and (b) Property Unit to (i) include in the monitoring all retention money withheld beginning CY 2012; (ii) exert more effort in communicating with the proper officials of the suppliers or contractors concerned either thru by phone or email; and (iii) require the regular suppliers of the PCC-NHGP who are still unable to claim the retention money despite several follow-ups to file their claims for refund prior to or during their schedule of supplies delivery; and (c) Accounting Unit to (i) strictly monitor the balances of guaranty/security deposits payable to prevent further accumulation of the balances of the said account; and (ii) facilitate release of retention money to the suppliers/contractors concerned in accordance with Sections 39.5 and 62 of the Revised IRR of R.A. No. 9184.**

15.22 During the Exit Conference, the Head of GSS acknowledged that they were not previously aware of the updated guidelines in the computation of ABC. Management committed to comply with the updated guidelines of the DPWH in the computation of ABC for the succeeding infrastructure projects of the PCC-NHGP. Management also committed to exert utmost effort in communicating with various suppliers/contractors to file their claims as basis for the release of their guaranty/security deposits.

*Delayed or non-submission of various documents*

16. ***Delayed or non-submission of disbursement vouchers (DVs) and other transaction documents of the PCC at CMU and DMMMSU has precluded the prompt audit of accounts and financial transactions, as well as early detection, and correction of errors/deficiencies, and timely reporting of the audit results to Management, inconsistent with Section 122 of Presidential Decree (P.D.) No. 1445, Section 60, Chapter 19 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs) Volume I, COA Accounting Circular Letter No. 2007-001 dated January 19, 2007 and COA-Department of Budget and Management (DBM) Joint Circular (JC) No. 2019-1 dated January 1, 2019.***

16.1 Section 122, Paragraph 1 of Presidential Decree (P.D.) No. 1445 otherwise known as the State Audit Code of the Philippines provide:

*Submission of reports. Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, physical inventory reports, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.*

16.2 Meanwhile, Section 60, Chapter 19 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, provides for the deadlines on the submission of financial reports; to wit:

*Sec. 60. Deadline on Submission of Reports. All NGAs shall prepare and submit the following financial statements and schedules as follows, within the prescribed deadline:*

| <b>Entity/Office</b> | <b>Statement/Report</b>                             | <b>Deadline</b>                       | <b>Submit to</b>          |
|----------------------|---|---------------------------------------|---------------------------|
| Monthly              | Trial Balances (TBs) and Supporting Schedules (SSs) | Ten days after the end of the month   | Auditor, DBM, Management  |
| Quarterly            | TB, FSs, SSs  | Ten days after the end of the quarter | Auditor, DBM, Management  |
| Year-end             | TBs, FS, SSs (combined CO, ROs and OUs)             | February 14 of the following year.    | COA Auditor, DBM, COA-GAS |

16.3 Review and verification of disbursement vouchers (DVs), trial balances, and other reports covering the period January to December 2021 disclosed the following:

- Based on available documents, paid DVs and their supporting documents totaling ₱12,784,338.88 were not yet submitted for audit; hence, the validity and propriety of the said disbursements could not be ascertained and an audit thereof could not

be undertaken. The summary of such disbursements is presented in the table below:

| Month        | LCCA                  | MDS                   | Total                 |
|--------------|-----------------------|-----------------------|-----------------------|
| January      | ₱ 7,099,327.85        | ₱ 1,294,354.00        | ₱ 8,393,681.85        |
| February     | 3,148,339.13          | 2,190,934.52          | 5,339,273.65          |
| March        | 3,521,822.66          | 4,727,755.89          | 8,249,578.55          |
| April        | 333,191.94            | 2,533,650.02          | 2,866,841.96          |
| May          | 2,952,382.74          | 11,885,573.97         | 14,837,956.71         |
| June         | 2,534,681.00          | 2,441,786.23          | 4,976,467.23          |
| July         | 16,577,220.81         | 2,190,189.11          | 18,767,409.92         |
| August       | 220,718.23            | 3,419,552.60          | 3,640,270.83          |
| September    | 4,565,023.34          | 1,231,970.22          | 5,796,993.56          |
| October      | 1,053,267.37          | 3,396,936.92          | 4,450,204.29          |
| November     | 631,533.55            | 2,140,451.15          | 2,771,984.70          |
| December     | 488,342.75            | 12,295,996.13         | 12,784,338.88         |
| <b>Total</b> | <b>₱43,125,851.37</b> | <b>₱49,749,150.76</b> | <b>₱92,875,002.13</b> |

16.4 Similarly, review of disbursements recorded in the Check Disbursement Journals (ChkDJ) of PCC at DMMMSU for CY 2021 disclosed that various DVs and Liquidation Reports/Payrolls totaling ₱5,780,380.29 and ₱939,938.15, respectively, were not yet submitted to the Audit Team for verification.

16.5 Delayed or non-submission of the required financial reports and source documents precluded the timely conduct of audit, and consequently, prevented the early detection and correction of errors and deficiencies as well as the timely reporting of the audit results to Management.

16.6 We recommended and the OIC-Executive Director agreed to instruct the Center Director of PCC at CMU and DMMMSU to require the Accountant/Bookkeeper to submit immediately the lacking disbursement vouchers (DV's) complete with relevant supporting documents and strictly observe the deadline set for the submission of disbursement vouchers, trial balances and supporting schedules as required by the existing rules and regulations.

16.7 During the Exit Conference, Management committed to submit the lacking DV's together with the relevant supporting documents.

*Deficiencies on requests for relief from property accountability*

17. *Deficiencies were noted on the requests for relief from property accountability for the loss, through death, of 21 heads of buffaloes with book value totaling ₱2,678,486.53, inconsistent with Section 73(1) of Presidential Decree (P.D.) No. 1445, rendering uncertainty as to the validity and accuracy of the reported information about the loss as well as the proper evaluation of the requests for decision making.*

17.1 The Animal Record (AR) is the official documentation of the identity, condition, ownership and accountability over an animal. The record captures the overall picture and condition of the animal. As such, it serves as a good basis for evaluating the performance of the animal, and at the same time helps both the farmer and the monitoring team of the PCC-NHGP in monitoring necessary interventions on health issues and the day-to-day conduct of good animal husbandry practices.

17.2 In the review and evaluation of the requests for relief from property accountability filed by the accountable officers (AOs) concerned during CY 2021, deficiencies were noted in some aspects of documentation and reporting procedures relating to the loss, through death, of animals. These deficiencies/lapses were generally observed in various stages, starting from the service of Notice of Loss up to the filing of the application for relief, as discussed below:

*(a) Filing of request for relief beyond the 30-day prescribed period*

17.3 Section 5, Rule IV of the 2009 Revised Rules of Procedures of the Commission on Audit (RRPC) states that *the Auditor shall act on requests for relief from accountability for losses due to fortuitous events or natural calamities, or due to acts of man, i.e. theft, robbery, arson, etc. involving amounts not exceeding one hundred thousand pesos (P100,000.00). (Underscoring supplied.)*

17.4 In the same manner, Section 8, Rule V of the same RRPC states that *the Director shall have original jurisdiction over requests for relief from accountability for losses due to fortuitous events or natural calamities involving amounts in excess of one hundred thousand pesos (P100,000.00) xxx. (Underscoring supplied.)*

17.5 Section 73 (1) of Presidential Decree (P.D.) No. 1445, which provides the regulations for the “credit for loss occurring in transit or due to casualty or force majeure”, states that:

*When a loss of government funds or property occurs while they are in transit or the loss is caused by fire, theft, or other casualty or force majeure, the officer accountable therefore or having custody thereof shall immediately notify the Commission or the auditor concerned and, **within thirty days** or such longer period as the Commission or auditor may in the particular case allow, shall present his application for relief, with the available supporting evidence. Whenever warranted by the evidence, credit for the loss shall be allowed. An officer who fails to comply with this requirement shall not be relieved of liability or allowed credit for any loss in the settlement of his accounts. (Emphasis supplied.)*

17.6 As a preliminary procedure to calculate the timeliness of the service of the basic notice of loss to COA, the Audit Team checks the submitted written notices and confirms



with the AOs concerned the time and location of the death of the animal. However, there were instances when the notices attached to the requests for relief had no showing that the same were duly received by the Office of the Auditor.

17.7 Corollary thereto, AOs are given a maximum period of 30 days within which to file their requests for relief to enable the Auditor to conduct an inspection while the reported incidence of death of the animal is still fresh and verifiable.

17.8 Notwithstanding such regulation, it was noted that the requests for relief on account of the deaths of 13 heads of Brazilian Murrah Buffaloes in CYs 2011 and 2012 were forwarded thru the Office of the Auditor, for the evaluation of the COA Regional Office, as late as April and June 2021. The buffaloes had a book value of ₱191,527.81 per head or an aggregate amount of ₱2,489,861.53, as summarized in the table below:

| <b>Animal Ear Tag No.</b> | <b>Date of Loss (Death)</b> | <b>Date of Filing of Request for Relief</b> | <b>No. of Days Elapsed</b> | <b>Book Value</b> |
|---------------------------|-----------------------------|---|----------------------------|-------------------|
| BR091538                  | 1/6/2012                    | 4/26/2021                                   | 3,398                      | ₱ 191,527.81      |
| BR090245                  | 4/2/2012                    |   | 3,311                      | 191,527.81        |
| BR092152                  | 4/23/2012                   |   | 3,290                      | 191,527.81        |
| BR091627                  | 5/2/2012                    |   | 3,281                      | 191,527.81        |
| BR090670                  | 5/4/2012                    |   | 3,279                      | 191,527.81        |
| BR090604                  | 7/20/2012                   |   | 3,202                      | 191,527.81        |
| BR091825                  | 8/31/2012                   |   | 3,159                      | 191,527.81        |
| BR090619                  | 9/23/2012                   |   | 3,136                      | 191,527.81        |
| BR091173                  | 10/18/2012                  |   | 3,112                      | 191,527.81        |
| BR090224                  | 4/11/2011                   |   | 6/23/2021                  | 3,726             |
| BR091477                  | 2/12/2012                   | 3,419                                       |                            | 191,527.81        |
| BR092169                  | 2/22/2012                   | 3,409                                       |                            | 191,527.81        |
| BR091862                  | 2/28/2012                   | 3,403                                       |                            | 191,527.81        |
| <b>TOTAL</b>              |                             |   |                            |                   |

17.9 As shown in the preceding table, the filing of the requests for relief together with the supporting documents was considerably late for a period ranging from 3,112 to 3,726 days or more than ten years after the date of the death of the animals. Considering the unreasonable length of time that had elapsed before the said applications for relief were filed, the relaxation of the procedural rules in those cases may not be warranted.

17.10 The AOs concerned averred in their Endorsements to the Audit Team that among the reasons for their late filing of the request for relief was lack of personnel to attend to the processing of requisite documents. Be that as it may, the late filing defeated the very purpose of the request.

*(b) Discrepancies/inconsistencies noted in the supporting documents*

17.11 Verification disclosed that out of the 29 submitted requests for relief for evaluation at the level/jurisdiction of the Audit Team, there were eight requests with

common deficiencies in the given information/identification of the animals. These covered reports on the death of eight heads of buffalo amounting to ₱188,625.00, as summarized below:

| Animal Ear Tag No. | Book Value          | Discrepancies or Inconsistencies in supporting documents |
|--------------------|---------------------|--|
| 2GP20061           | ₱ 5,000.00          | 1. Date and time of death of animal;                     |
| BR092131           | 30,875.00           | 2. Date of Endorsements of Agency officials/AO;          |
| 2GP18123           | 22,750.00           | 3. Ear Tag No.;  |
| 2GP17011           | 29,250.00           | 4. Gender of animal;                                     |
| 2GP15100           | 29,250.00           | 5. Date of drugs/medicines administration;               |
| 2GP19153           | 19,500.00           | 6. Cause of death of animal;                             |
| 2GP16093           | 22,750.00           | 7. Body condition score and weight; and                  |
| 2GP13033           | 29,250.00           | 8. Book value of animal                                  |
| <b>TOTAL</b>       | <b>₱ 188,625.00</b> |  |

17.12 Interview with the Property Officer disclosed that a staff under her Unit was responsible for the compilation of the requisite documents before the requests for relief were submitted to the Office of the Auditor. Accordingly, prior to the submission, noted errors or omissions in the documents were brought to the attention of the personnel in charge of the revision. However, the subject personnel reportedly had other functions to attend to. This is also true in the case of the Gene Pool Coordinator; thus, some requisite records were admittedly overlooked during the preparation thereof.

17.13 The Audit Team stressed that animal records provide valuable information on the identification, health condition and interventions provided by the PCC to the animals, so the same shall be properly prepared, updated and kept intact for routine checking.

17.14 In the absence of complete and accurate information about the animal, Management cannot ascertain with facility whether the objective of improving the health condition of the animals was attained and the resources utilized on animal husbandry practices were optimized.

**17.15 We recommended and the OIC-Executive Director agreed to instruct the Gene Pool Coordinator, the Property and Supply Officer and the accountable officers concerned to (a) strictly adhere to the provisions of Section 73(1) of P.D. No. 1445 on the immediate notification of loss upon death of animal and comply with the prescribed period for the filing of relief from property accountability to avoid technicalities and legal implications and provide the Audit Team adequate time to verify the veracity of the loss; (b) enjoin regular coordination between and among concerned Units on the preparation and maintenance of relevant animal records; and (c) conduct thorough review of the supporting documents to ensure that these are complete, consistent and properly filled out to serve as valid supporting evidence.**

17.16 During the Exit Conference, the Property Unit and Gene Pool staff concerned committed to carefully review all supporting documents to ensure that all information therein is correct and consistent with other relevant documents. It is also worthy to mention that, through the Information and Communication Technology Section (ICTS) Office of the PCC-NHGP, Management committed to design a computerized database to facilitate the recording of relevant animal information in the IAR.

#### *Gender and Development*

18. ***Responsiveness to gender issues and concerns was properly addressed by the PCC with the implementation of GAD-related programs, activities and projects (PAPs) amounting to ₱33,197,226.00 or 6.70% of the total agency budget of ₱495,758,000.00 for the calendar year (CY) 2021. Notwithstanding said accomplishment, the use of gender mainstreaming tools such as the Harmonized Gender and Development Guidelines (HG DG) checklist was not yet implemented inasmuch as the GAD Focal Point System (GFPS) members are still in the familiarization phase of the tool which was developed in line with the gender analysis prescribed by the Philippine Commission on Women (PCW)-National Economic and Development Authority (NEDA)-Department of Budget and Management (DBM) Joint Circular (JC) No. 2012-01 and PCW Memorandum Circular (MC) Nos. 2020-05 and 2021-06 dated September 11, 2020 and December 10, 2021, respectively.***

18.1 Section 32 of the General Provisions for the Fiscal Year (FY) 2021 as reiterated under Section 2.3 of the Philippine Commission on Women (PCW)- National Economic and Development Authority (NEDA)- Department of Budget and Management (DBM) Joint Circular (JC) No. 2012-01 provides that *all agencies of the government shall formulate a Gender and Development (GAD) Plan designed to address gender issues within their concerned sectors or mandate. The GAD Plan shall be integrated in the regular activities of the agencies, which shall be at least five percent (5%) of their budgets.*

18.2 Likewise, Section 3.4 of the aforementioned Joint Circular partly states that *to aid gender mainstreaming, agencies shall perform gender analysis using existing tools, such as the Harmonized Gender and Development Guidelines (HG DG), to ensure that the different concerns of women and men are addressed equally and equitably in their PPAs.*

18.3 The Agency's GAD Plan and Budget (GPB) for CY 2021 showed a total approved GAD budget of ₱30,597,000.00 which was 6.17% of the total appropriation of ₱495,758,000.00. The said GPB was endorsed by the PCW on October 27, 2021 but the same was only submitted to the Audit Team on March 1, 2022 or upon request for a copy thereof which is not within the prescribed date of submission as prescribed under PCW Memorandum Circular (MC) No. 2020-05 dated September 11, 2020 which states, among others, that *agencies shall furnish their respective COA Audit Team a copy of their signed GPB within 5 working days from its endorsement.*

18.4 Nevertheless, the PCW issued MC No. 2021-06 dated December 10, 2021 which provides the guidelines for the submission of the FY 2021 GAD Accomplishment Report (AR). Section 1.3 thereof identified the PCC as one of the pilot agencies to prepare its CY 2021 GAD AR using the revised form and submit the same through the Gender Mainstreaming Monitoring System (GMMS) Version 3. It also indicated the deadline for the encoding and submission to the PCW of the Center's GAD AR for CY 2021, which was on March 11, 2022.

18.5 Comparison of the GPB and the submitted GAD AR for CY 2021 showed five GAD activities undertaken under the Client-Focused section and four activities under the Organization-Focused section, for a total of nine direct GAD programs, activities and projects (PAPs), as detailed in the table below:

| Gender Issue/ GAD Mandate  | Actual GAD Activities Conducted   | GAD Budget           | GAD Expenditure      | Variance              |
|--|---|----------------------|----------------------|-----------------------|
| <b>A. Client-Focused</b>   |   |                      |                      |                       |
| Only few rural women have access to extension support, education and training services (ESETS)                             | Printing and dissemination of Information, Education and Communication (IEC) materials to women clients   | ₱800,000.00          | ₱1,276,575.00        | (₱476,575.00)         |
|  | Conduct and encourage women to attend training and education-related events   | 4,300,000.00         | 2,026,000.00         | 2,274,000.00          |
| Only few rural women have access to carabao production support services  | Orient and encourage rural farming family members including women to engage in PCC program such as AI, Bull Loan, Female Buffalo Loan and forage production | 18,700,000.00        | 25,214,634.00        | (6,514,634.00)        |
| Limited documentation and recognition of the contribution of women and youth clients in the implementation of PCC programs | Conduct the Search for Outstanding Juana and Kabataan at the Regional and National Level  | 1,000,000.00         | 575,065.00           | 424,935.00            |
| Few rural women clients have access to market development services   | Assists women clients to have access to various market development services   | 3,672,000.00         | 3,800,000.00         | (128,000.00)          |
| <b>Sub-total A</b>   |   | <b>28,472,000.00</b> | <b>32,892,274.00</b> | <b>(4,420,274.00)</b> |
| <b>B. Organization-Focused</b>   |   |                      |                      |                       |
| Provision of special leave benefits of women who have undergone surgery for gynecological                                  | Conduct orientation on the availment of special leave benefits for PCC employees afflicted with gynecological   | 125,000.00           | 6,393.00             | 118,607.00            |

| Gender Issue/ GAD Mandate   | Actual GAD Activities Conducted   | GAD Budget            | GAD Expenditure       | Variance               |
|---|---|-----------------------|-----------------------|------------------------|
| illness pursuant to Section 19 of the Magna Carta for Women and CSC Resolution 100042 s. 2010 and Solo Parent Leave | illness and the solo parent leave   |                       |                       |                        |
| Participation in the Annual Celebration of Women's Month in accordance with R.A. No. 6949                           | Participate on events and activities organized by PCW and DA such as National Women's Month Celebration | 1,000,000.00          | 230,289.00            | 769,711.00             |
| Low level of knowledge and appreciation of PCC personnel on GAD   | Conduct seminars on GAD and GAD-related policies  | 500,000.00            | 33,000.00             | 467,000.00             |
| Low level of knowledge of PCC GAD Committee to conduct Gender Analysis and use of GAD tools such as GMEF and HGDC   | Attendance to GAD related trainings organized by PCW or other agencies/institutions                     | 500,000.00            | 35,270.00             | 464,730.00             |
| <b>Sub-total B</b>  |   | <b>2,125,000.00</b>   | <b>304,952.00</b>     | <b>1,820,048.00</b>    |
| <b>Grand Total (A +B)</b>   |   | <b>₱30,597,000.00</b> | <b>₱33,197,226.00</b> | <b>(₱2,600,226.00)</b> |

18.6 It can be gleaned from the GAD AR that actual GAD expenditures totaling ₱33,197,226.00 exceeded the total approved GAD budget of ₱30,597,000.00 by ₱2,600,226.00. Interview with the GAD Focal Person (GFP) disclosed that the variance was due to the accomplishment of activities that exceeded the targets. The GFP averred that during their GPB preparation, they set lower target activities in anticipation of the continuing pandemic-related restrictions which also limited the execution of their GAD-related PAPs.

18.7 Be that as it may, further verification disclosed that the utilization of the GAD budget was optimized with the adoption of interventions that directly catered to the needs of both male and female farmers in the carabao industry. For instance, it has been the practice of PCC to enter into an Agreement or Contract with mostly male farmers on account of buffaloes entrusted to them under the "Paiwi Scheme". However, realizing the importance of gender equality to boost the agriculture sector, PCC has equally recognized the roles of men and women towards economic recovery by including women farmers among the direct recipients of the said program.

18.8 It was also noted that among the significant activities during the year was the conduct of "Search for Outstanding Juana and Kabataan at the Regional and National Level" in recognition of the contribution of women and youth clients in their involvement in the different PCC programs. Their success stories were also documented thru information, education and communication (IEC) materials such as magazines and bulletins which were disseminated to farming families and other agency stakeholders.

18.9 Aside from indulging in direct GAD PAPs to address organization or client-focused gender issues or GAD mandates, agencies may attribute a portion or the whole budget of the agency's major program/s or project/s to the GAD budget using the HGDG tool as prescribed under Section 3.4 of the PCW-NEDA-DBM JC No. 2012-01.

18.10 Notwithstanding the foregoing significant accomplishments, it was also noted that the HGDG checklist was not yet in place because the majority of the GFPS members were not yet familiar with the tool. Interview with the GFP disclosed that attendance to relevant trainings on HGDG is one of their commitments in CY 2022 so that they can already start assessing other programs or projects of the Agency.

18.11 Meanwhile, the Audit Team would like to put emphasis on the relevant guidelines provided under Section 1.2.2.2.1 of the PCW MC No. 2020-05 dated September 11, 2020; to wit:

*Aside from implementing direct GAD PAPs to address organization- or client-focused gender issues or GAD mandates, agencies may attribute a portion or the whole budget of the agency's major program/s or project/s to the GAD budget using the HGDG tool.*

18.12 While it is an accepted fact that the pandemic caused disturbances in the smooth implementation of the regular programs of the Agency, assessing other major programs/projects using the HGDG tool will enable Management to identify the Agency's strengths and areas for improvement, thus, ensuring the attainment of gender-responsiveness in all PAPs pursued during the year.

**18.13 We recommended and the OIC-Executive Director agreed to instruct the PCC GAD Focal Point System (GFPS) members concerned to (a) continuously optimize the implementation of direct GAD programs, activities and projects (PAPs) to address gender issues and concerns in pursuit of its mandate; (b) enhance their level of training on the use of the Harmonized Gender and Development Guidelines (HGDG) tool; (c) assess other PAPs of the Agency using the HGDG tool in obtaining more comprehensive inputs or bases in GAD planning and reporting; and (d) ensure timely submission of the PCW-endorsed GAD Plan and Budget (GPB) copy furnished the Audit Team within five working days from date of endorsement.**

18.14 During the Exit Conference, the PCC-NHGP GAD Focal Person committed to continuously conduct trainings among GFPS members towards sustained implementation of gender-responsive GAD activities. Orientations will also be conducted to increase awareness among Project Leaders and Staff in crafting project proposals that are more gender-sensitive or responsive.

*Implementation of the Carabao-based Business Improvement Network (CBIN) Project*

**19. The dispersal of 192 heads of female crossbred buffaloes produced thirty heads of calves and generated 7,885.64 liters of raw milk which translated to at least ₱622,064.00 additional income to farmer-beneficiaries of the Carabao-Based Business Improvement Network (CBIN) project of the PCC in three provinces of Region III. Nevertheless, concerns in the implementation of the project were noted such as (a) existence of hard breeders and mortalities; (b) non-compliance with some obligations by the parties under the Dispersal Agreement; and (c) deficiencies in supporting documents which may pose threats on the sustainability of the project and the enjoyment of optimum benefits by the beneficiaries thereof.**

19.1 The PCC was created to institutionalize the carabao development program of the government. It is mandated to conserve, propagate and promote the carabao as a source of milk, meat, draft power and hide to benefit the rural farmers in the country. In line with its mandate, the PCC implemented the program called “Accelerating Livelihood and Assets Buildup (ALAB)-KARBAWAN” to establish a robust, Carabao-based Business Improvement Network (CBIN) Project in 16 provinces during CY 2020 and 11 provinces during CY 2021 through the sponsorship of Senate Committee on Agriculture and Food Chairperson Senator Cynthia A. Villar.

19.2 The CBIN aims to strengthen carabao-based enterprises in the identified provinces to create livelihood for farmers. Its target is to catalyze the development of the dairy sector in each province through herd build-up of genetically improved dairy carabaos, provide processing equipment and supplies, establish market outlets and continued provision of capacity building activities and support services.

19.3 Among the identified provinces under the CYs 2019 and 2020 budgets under the CBIN project are Bataan, Bulacan and Tarlac with the PCC-CLSU as the implementing Regional Center. The PCC-CLSU adopted the Cooperative Conduit Scheme (CCS) to carry out the program effectively. Under this scheme, the Center assists in the identification and selection of a cooperative with a proven track record in terms of community development in coordination with the Provincial or Local Government Unit (LGU) concerned. The cooperative will serve as a channel for the provision of assets to qualified farmers and ensure that these assets will be used to improve the livelihood of their farmer-members.

19.4 The project document also outlines the role of the cooperative-recipient in the implementation of the program, which includes, among others, organizing groups of farmers within the coverage area for production, milk collection, processing and marketing of carabao-based products.

19.5 To operationalize the project, PCC-CLSU provides breeding stocks, transportation equipment, initial supplies and technical support through training and extension services to the beneficiary cooperative. On the other hand, the cooperative’s counterpart support is to provide human resources and services to its farmer-members.

19.6 In accordance with the Specific Audit Instructions (SAIs) on the audit of CY 2021 accounts and operations of PCC, evaluation of the CBIN project was conducted by the Audit Team with emphasis on the Financial and Compliance Audit. The scope of the audit covered the status of implementation of the Project as of December 31, 2021.

#### AUDIT OBJECTIVES

19.7 The audit was aimed to determine the following:

- Amount of funds transferred, received and utilized during the budget year;
- Whether the amount received was utilized in accordance with the purpose of the fund transfer;
- Whether the physical and financial targets were accomplished as scheduled;
- Existence of the dairy buffaloes in the custody of intended farmer-beneficiaries; and
- Whether the relevant provisions of the Dispersal Agreement were duly complied with by the contracting parties.

#### AUDIT METHODOLOGY

19.8 The Audit Team performed the following techniques and procedures:

- Gathered and reviewed approved Memorandum of Agreement (MOA), Usufruct Agreement, Dispersal Agreement and project documents such as Project Profile and Contract Agreement with suppliers and contractors;
- Verified procurement and distribution of buffaloes to ascertain their existence, accuracy in recording and proper transfer/distribution to beneficiaries;
- Validated status of constructed/ongoing construction of dairy processing plant and product outlet;
- Reviewed and verified physical and financial accomplishment reports vis-à-vis the physical and financial targets; and
- Interviewed (i) PCC-CLSU concerned officials and employees involved in project implementation; and (ii) cooperatives and farmer-beneficiaries of the project.

#### AUDIT RESULTS

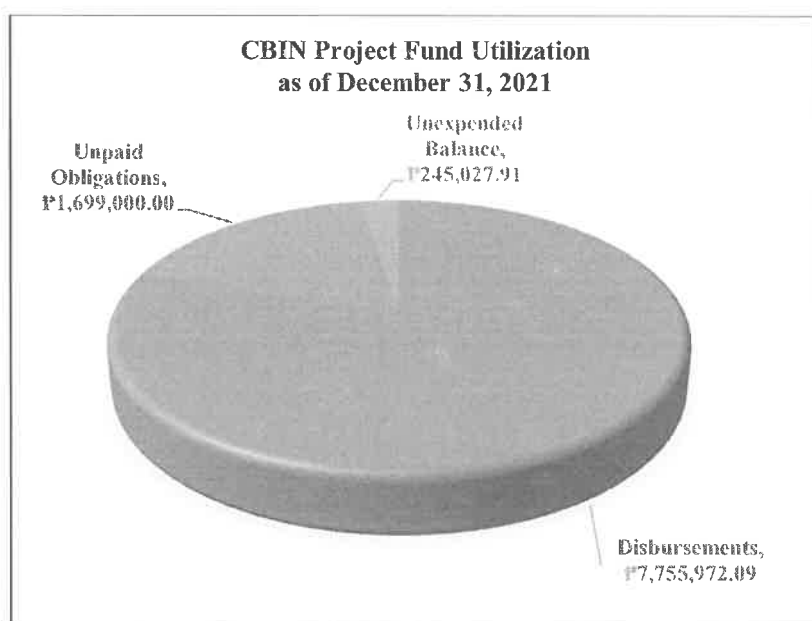
19.9 Out of the total amount of ₱110,000,000.00 under the CY 2020 budget for the CBIN project, the amount of ₱9,700,000.00 was allotted and transferred by the PCC-NHGP to the PCC-CLSU for the implementation of the following project components in CY 2021; viz:

| Line Item  | Particulars/Purpose                                     | Total Allotment |
|--|---|-----------------|
| <b>Maintenance and Other Operating Expenses (MOOE)</b> |   |                 |
| Traveling Expenses-Local                               | Expenses for project monitoring, trainings and seminars | ₱ 269,010.00    |
| Training Expenses                                      | Conduct of workshops and seminars for                   | 291,903.35      |



| Line Item  | Particulars/Purpose  | Total Allotment       |
|--|--|-----------------------|
|  | Artificial Insemination (AI) Technicians and Cooperatives  |                       |
| Supplies and Materials Expenses                    | Procurement of vitamins and animal vaccines; packaging materials of milk products and fuel for logistics support | 1,916,517.25          |
| Communication Expenses                             | For mobile phone load and internet expenses for coordination and monitoring with cooperatives                    | 10,999.00             |
| Labor and Wages                                    | Wages of personnel to monitor project implementation   | 508,890.40            |
| Taxes, Insurance Premiums and Other Fees           | Permit fee in the processing of containerized milk processing system   | 2,680.00              |
| <b>Total MOOE</b>                                  |  | <b>3,000,000.00</b>   |
| <b>Capital Outlay (CO)</b>                         |  |                       |
| Breeding Stocks                                    | Procurement of 69 heads of female crossbred buffaloes  | 4,485,000.00          |
| Information and Communication Technology Equipment | Procurement of 2 units laptop and 1 unit Point-of-Sale (POS) computer for the cooperative sales outlet           | 85,000.00             |
| Other Machinery and Equipment                      | Procurement of (i) containerized milk processing system and (ii) soft-serve ice cream machine                    | 2,130,000.00          |
| <b>Total CO</b>                                    |  | <b>6,700,000.00</b>   |
| <b>GRAND TOTAL</b>                                 |  | <b>₱ 9,700,000.00</b> |

19.10 As of December 31, 2021, the total amount of ₱7,755,972.09 was actually disbursed while ₱1,699,000.00 was obligated but not yet paid, resulting in an unexpended balance of ₱245,027.91 as of year-end as shown in the graph below:



19.11 We noted that public bidding for the procurement of breeding stocks, motor vehicles and other machineries and equipment was all facilitated by the Bids and Awards Committee (BAC) of the PCC-NHGP. However, payment thereof was made by the PCC-CLSU except for the motorcycles which were paid by the PCC-NHGP but subsequently transferred the custody and ownership of the same to the PCC-CLSU.

19.12 In CY 2021, the Luzon Dairy Cooperative (LDC) was identified and selected by the PCC-CLSU as the recipient for the implementation of the project in coordination with the Provincial Government of Bulacan pursuant to the Cooperative Conduit Scheme (CCS) guidelines in the selection of qualified beneficiaries. The Cooperative is located at Barangay Santo Tomas, Santa Maria, Bulacan. It was established in January 2015 and registered under the Cooperative Development Authority (CDA) with a registration number of 9520-103000000025251.

19.13 A total of 69 heads of crossbred buffaloes amounting to ₱4,481,550.00 were distributed on November 25, 2021 to seven farmer-beneficiaries of the LDC, covered by duly executed Dairy Buffalo Dispersal Agreement by and between the PCC and the LDC.

19.14 As of year-end 2021, a total of six Cooperatives with 66 farmer-beneficiaries located in the provinces of Bataan, Bulacan and Tarlac were identified as conduits under the project of which 192 heads of female crossbred buffalo were procured and dispersed as follows:

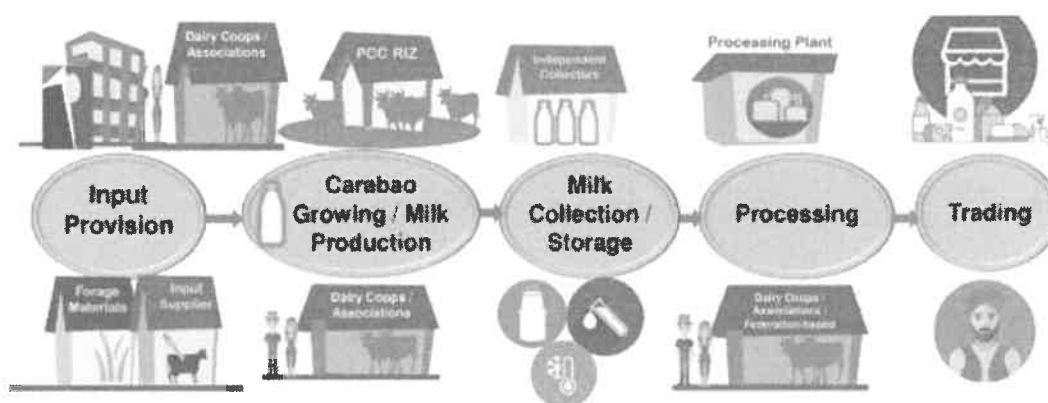
| Province           | Name of Cooperative   | No. of Farmer-Beneficiaries | No. of Dispersed Buffaloes |
|--------------------|---|-----------------------------|----------------------------|
| Bataan             | Makabagong Agrikultura ng Dinalupihan Marketing Cooperative (MADMC) | 15                          | 35                         |
|                    | Tapulao Multipurpose Cooperative (TMPC)                             | 14                          | 30                         |
| Bulacan            | Luzon Dairy Cooperative (LDC)                                       | 7                           | 69                         |
| Tarlac             | Amia Cruz Agriculture Cooperative                                   | 10                          | 12                         |
|                    | Mabulod Green Farm Producers Cooperative                            | 10                          | 23                         |
|                    | Palayamanan Agriculture Cooperative                                 | 10                          | 23                         |
| <b>Grand Total</b> |   | <b>66</b>                   | <b>192</b>                 |

19.15 With a total population of 192 buffaloes dispersed under the CBIN project funds, 30 heads of calves and 7,885.64 liters of raw milk were already produced as of December 31, 2021, distributed per province as follows:

| Province | Total no. of dairy buffaloes dispersed | Total no. of calves produced | Total volume of milk production (kg/L) |
|----------|--|------------------------------|--|
| Bataan   | 65                                     | 13                           | 6,220.64                               |

| Province           | Total no. of dairy buffaloes dispersed | Total no. of calves produced | Total volume of milk production (kg/L) |
|--------------------|--|------------------------------|--|
| Tarlac             | 58                                     | 17                           | 1,665.00                               |
| Bulacan            | 69                                     | -                            | -                                      |
| <b>Grand Total</b> | <b>192</b>                             | <b>30</b>                    | <b>7,885.64</b>                        |

19.16 As shown in the preceding table, some farmer-beneficiaries in the provinces of Bataan and Tarlac have already reported production of calves and milk due to operationalization of some Carabao-Based Enterprises (CBE) value chains which means that all the components of such chain already exist and are functioning as demonstrated below:



*Dairy Buffalo Value Chain Model, SEARCA 2017*

19.17 Meanwhile, the project site in Bulacan is still at the production stage wherein animals are already entrusted to farmers with an initial focus on the production of forage, the provision of nutrition and extension services that will enable them to produce offspring and subsequently fuel milk production.

19.18 Consequently, a total of 7,885.64 liters of raw milk were produced out of which 1,665 liters were fed to calves while 6,220.64 liters were sold by farmer-beneficiaries at an average price of ₱100 per liter which translated to at least ₱622,064.00 in additional income.

19.19 Aside from the provision of dairy buffaloes, the operationalization of dairy processing plants and product outlets in the provinces of Bataan and Tarlac did not only provide a ready market for farmers but also served as a ready supplier for the implementation of the Milk Feeding Program of the Department of Education (DepEd) and Department of Social Welfare and Development (DSWD) in the said provinces. Shown in the succeeding page are the images of the milk processing and marketing outlet more popularly known as the “Dairy Box”.



*Dinalupihan, Bataan*



*Victoria, Tarlac*

19.20 The Dairy Box at Dinalupihan, Bataan was operated by the Makabagong Agrikultura ng Dinalupihan Marketing Cooperative (MADMC) while three cooperatives namely: Amia Cruz Agriculture Cooperative, Palayamanan Agriculture Cooperative and Mabulod Green Farm Producers Cooperative share with the operation of Dairy Box at Victoria, Tarlac.

19.21 Another Dairy Box constructed at Orani, Bataan, was completed in December 2021 and was set to open in April 2022. In the meantime, the Tapulao Multipurpose Cooperative (TMPC) utilized its own Processing and Product Outlet and had started the production and selling of value-added milk and meat products such as pasteurized milk, choco milk, yogurt, pastillas de leche and carabeef tapa.

19.22 Commendable as it was, the gains from the CBIN project may not be fully optimized due to some of the following concerns in the implementation as further noted in the audit and validation with the farmer-beneficiaries; viz:

*a) Existence of hard breeders and mortalities*

19.23 One of the significant factors in ensuring the sustainability of the CBIN project lies in viewing the original stocks of dairy buffalo as investment stimulus to create a “network” or clusters of carabao milk producers which will contribute to the herd’s build-up momentum.

19.24 Article 2 of the Dairy Buffalo Dispersal Agreement by and between the PCC and the Cooperatives provides, among others, the following provisions in the dispersal scheme:

*2.2 In order to sustain the implementation of the program in the community, the cooperative has to assure compliance to the required replacement of each dispersed female buffalo with one (1) female dairy buffalo within a period of five (5) years.*

xxx ...

2.4 In the event that the cooperative cannot replace the corresponding number of buffaloes due to the presence of hard breeder, unproductive buffalo, male calves, mortalities, etc., the animals may be replaced by the Cooperative through barter or procurement of the replacement subject to inspection and approval of PCC.

19.25 A survey questionnaire was employed in the conduct of interviews with the farmer-beneficiaries thru the use of various platforms such as Zoom Videoconferencing, Messenger Video Call and mobile phone calls. Interviews were conducted in real-time with the assistance of the CBIN project coordinator and staff from PCC-CLSU. Out of the total population of 66 farmer-beneficiaries, 26 responded to the interviews while others were not able to respond due to a lack of accessible communication devices and some were due to poor internet connection problems. Culled from the said interviews were the following information:

| Province           | Total No. of Respondents | Total No. of Buffaloes Received |
|--------------------|--------------------------|---------------------------------|
| Bataan             | 10                       | 30                              |
| Bulacan            | 3                        | 19                              |
| Tarlac             | 13                       | 20                              |
| <b>Grand Total</b> | <b>26</b>                | <b>69</b>                       |

19.26 It can be gleaned from the above table that the 26 respondents confirmed the existence of 69 heads of buffalo entrusted to them. However, some farmer-beneficiaries and project staff disclosed the following information related to the ending inventory of animals dispersed; viz:

| Province           | Total Beginning Inventory* | Culling  | Mortality | Total Ending Inventory* |
|--------------------|----------------------------|----------|-----------|-------------------------|
| Bataan             | 65                         | 1        | 6         | 58                      |
| Bulacan            | 69                         | 0        | 1         | 68                      |
| Tarlac             | 58                         | 1        | 1         | 56                      |
| <b>Grand Total</b> | <b>192</b>                 | <b>2</b> | <b>8</b>  | <b>182</b>              |

\*Based on original stocks (buffaloes) distributed

19.27 As shown above, one buffalo with Ear Tag No. 2AB17033 was culled on August 5, 2020 for exhibiting downer syndrome which caused retarded growth and non-productivity of the animal. The same reason for culling was resorted to in the case of one animal with Ear Tag No. 5CL20031 which was culled on September 2021 at Victoria, Tarlac and was sold for ₱10,000.00 to recover its salvage value.

19.28 Nevertheless, both culled animals were not yet replaced as of December 31, 2021 by the Cooperative conduits concerned and were still searching for quality breeder animals for approval by the PCC.

19.29 Relatedly, some interviewed farmers also conveyed the existence of *hard breeders* among their buffaloes. This means that the buffalo did not conceive despite repeated interventions thru Artificial Insemination (AI) techniques as enumerated below:

| Location/<br>Province | Total No. of<br>Respondents | Total No. of Buffaloes<br>Received | Total No. of Hard<br>Breeders |
|-----------------------|-----------------------------|------------------------------------|-------------------------------|
| Bataan                | 10                          | 30                                 | 6                             |
| Bulacan               | 3                           | 19                                 | 0                             |
| Tarlac                | 13                          | 20                                 | 8                             |
| <b>Grand Total</b>    | <b>26</b>                   | <b>69</b>                          | <b>14</b>                     |

19.30 An interview with the CBIN Coordinator of PCC-CLSU disclosed that the said concerns were already noted and brought to the attention of PCC Management. As an alternative solution, PCC-CLSU coordinated with the Reproductive Biotechnology Unit of PCC-NHGP for the provision of the Fixed-Time AI (FTAI) technique which promised a higher pregnancy rate and shorter calving interval. The FTAI technique was initially conducted at Bataan on March 14, 2022 and if the same did not result in pregnancy among hard breeders, the PCC-CLSU allegedly planned to resort to culling or replacement of new animals.

19.31 Meanwhile, further verification with the concerned Cooperative Chairpersons and project staff disclosed the following causes of mortality of the aforementioned buffaloes:

- Bataan- as explained by the Cooperative Chairperson in Orani, Bataan, the female buffalo with Ear Tag No. IT2014647 died due to *Liver Fluke or Fascioliasis* in August 2021 while another female buffalo with Ear Tag No. IT2014521 died in December 2021 due to *Bloat*. Each of the subject buffaloes gave birth to both female calf during March 2020 and were more than 18-month old as of December 31, 2021, so the same can be considered as replacement of the original stocks with the approval thereof by PCC. On the other hand, the other four animals likewise died due to diseases such as *Tuberculosis* and *Dystocia*.
- Bulacan- the buffalo with Ear Tag No. 5CL20065 died on November 2021 due to *Hemorrhagic Septicemia* while the same was under the custody of a farmer-beneficiary in Sta. Maria, Bulacan. As at year-end, the Cooperative was still planning how they could replace it through procurement from other dairy farms.
- Tarlac- the buffalo with Ear Tag No. 5CL20024 died on December 2, 2021 due to *poisoning from ingestion of a hairy caterpillar*. At year-end, the same buffalo was still subject to replacement by the Cooperative upon the availability of sufficient funds to procure new animals subject to inspection and approval by the PCC.

19.32 The foregoing incidence of mortalities could have stemmed from the interplay of different risk factors such as the environment of the animals and inadequate care by the farmers. As a result, the forgone productivity of animals due to hard breeders and mortality did not only affect the income which may be derived by the cooperatives and

farmer beneficiaries but the same can also adversely affect the sustainability of the project.

*b) Non-compliance with some provisions of the Dispersal Agreement*

19.33 Review of pertinent provisions of the Dairy Buffalo Dispersal Agreement executed by and between the PCC and the Cooperative and the related Agreement between the Cooperative and the Carapreneur or farmer-beneficiary provided the following obligations by the parties; viz:

| <b>Parties</b> | <b>Relevant Obligations</b>   |
|----------------|---|
| PCC            | <ul style="list-style-type: none"> <li>➤ Assists in validating the selection, orientation and social preparation of prospective farmers who will receive and manage the dairy buffalos;</li> <li>➤ Provides technical training and assistance along the value chain on proper buffalo production, care and management, records and record-keeping, and processing and marketing of various products from buffalo milk and meat</li> </ul>   |
| Cooperative    | <ul style="list-style-type: none"> <li>➤ Accepts and manages the dispersal of dairy buffalos pursuant to the agreement with the farmer- member;</li> <li>➤ Assures compliance with the required replacement of each dairy buffalo dispersed from PCC with one female dairy buffalo within a period of five years to sustain the program;</li> <li>➤ Ensures proper recording is done and collect, keep and maintain the following records:               <ol style="list-style-type: none"> <li>1. Financial records on animal insurance; and</li> <li>2. Individual Animal Record (IAR)</li> </ol> </li> </ul> |
| Carapreneur    | <ul style="list-style-type: none"> <li>➤ Takes care and manages properly the loaned animals and its calves in accordance with the standards set by the PCC;</li> <li>➤ Insures the loaned animal in favor of the Cooperative;</li> <li>➤ Have the ownership of the loaned animal after it has fully paid two female calves to the Cooperative;</li> <li>➤ Participates in all training programs and meetings; and</li> <li>➤ Secures advance written consent of the Cooperative should there be a need to transfer the animal to other barangays</li> </ul>   |

19.34 However, we noted that some provisions of the Agreement were not complied with by the parties along the value chain from the selection of qualified farmer-beneficiaries to the management and care of the dispersed animals.

(i) *Lack of sufficient forage area*

19.35 One of the most important pre-selection criteria on farmer-beneficiaries was the availability of farmland for planting forages. Based on Annex A of the CBIN project document, a farmer must be willing to commit 1,000 m<sup>2</sup> land for each buffalo or other forages or any equivalent area treated as ready source of forage whenever needed.

19.36 While it was worthy to mention that most farmers confirmed the existence of their farmland as feed sources, some farmer respondents, however, admitted the lack of sufficient forage area for their animals as shown in the survey results presented below:

| Location/ Province | Total No. of Respondents | With forage area |          |
|--------------------|--------------------------|------------------|----------|
|                    |                          | Yes              | No       |
| Bataan             | 10                       | 9                | 1        |
| Bulacan            | 3                        | 3                |          |
| Tarlac             | 13                       | 10               | 3        |
| <b>Grand Total</b> | <b>26</b>                | <b>22</b>        | <b>4</b> |

19.37 Notwithstanding the lack of sufficient farmland for forage area, the concerned farmers from Bataan and Tarlac have employed the tethering or cut and carry method of feeding which involves collecting hay from the rice field or chopping the grass and feeding the animals in troughs under the shaded yard as shown by the pictures below:



Bataan



Bulacan



Tarlac

19.38 As shown from the above screenshots taken during the virtual interviews, the farmer-respondents from Bataan and Tarlac averred that their main source of feed was rice straws collected from the rice fields during harvest season. While the same can be viewed as more economical, farmers have also admitted the laborious nature of such feeding method and it does not ensure steady supply of feed source throughout the year.



(ii) *Transfer of animals without prior written consent of Cooperative*

19.39 Further interviews with the farmer-beneficiaries disclosed that the actual location of some animals in the Province of Bataan was not in accordance with Annex A of the Agreement as follows:

| Animal Ear Tag No. | Agreed Location | Actual Location |
|--------------------|-----------------|-----------------|
| GR2092             | Orani, Bataan   | Hermosa, Bataan |
| 2AB17039           |                 |                 |
| 2CLAB008           |                 |                 |
| 6CL16023           |                 |                 |
| 2CLAB054           |                 |                 |

19.40 As explained by the farmer-beneficiary concerned, the change in the actual location of the animals was due to the provision of a more suitable pasture area where the animals could have adequate access to forage.

19.41 Relatedly, we also verified from the supporting documents that other farmer-beneficiaries transferred all or some of the animals entrusted to them as enumerated below:

| Location            | Transferred  |              |                    |              |
|---------------------|--------------|--------------|--------------------|--------------|
|                     | From         | No. of heads | Animal Ear Tag No. | To           |
| Orani, Bataan       | R. Diaz      | 2            | Not identified     | N. Cruz      |
|                     | A. Flores    | 2            | Not identified     | F. Razon     |
| Dinalupihan, Bataan | N. Bacani    | 1            | GR451              | R. Layon     |
|                     |              | 1            | IT20141008         |              |
|                     | A. Mallari   | 1            | IT2014436          | N. Perpuse   |
|                     |              | 1            | IT2014218          | R. Layon     |
|                     | M. Timpog    | 1            | IT2014131          | N. Perpuse   |
|                     |              | 1            | 2CLAB030           | R. Layon     |
|                     | C. Angulo    | 1            | 2CLAB034           | J. Villareal |
|                     | J. Villareal | 1            | 2CLAB035           | R. Layon     |
|                     | F. Mañalac   | 1            | 2CLAB032           | R. Layon     |
|                     | C. Gapero    | 1            | 2CLAB028           | E. Reyes     |
| 1                   |              | 2CLAB029     |                    |              |
| <b>Total</b>        |              | <b>15</b>    |                    |              |

19.42 The most common reasons cited by the farmers for transferring their animals were incapacity to take care of the animals and lack of sufficient supply of forage. Other farmers have also expressed their loss of interest due to death of some animals and the prolonged time they have to wait before they can generate income therefrom.

19.43 Notwithstanding the absence of prior written consent, the Cooperative Chairperson averred that the transfer of animals by some farmers was mutually agreed

upon between the Cooperative and farmer-beneficiaries. However, the same practice was inconsistent with Section 4.2.g of the Agreement which states that the farmer-beneficiary obligates itself to *secure advance written consent of the Cooperative should there be a need to transfer the animal xxx.*

19.44 Aside from the absence of advance written consent from the Cooperative, such internal arrangement between the Cooperative and farmer-beneficiaries was not in accordance with Article 5.1 of the Dispersal Agreement with the PCC which states that *no amendment, modification or revision of this Agreement shall be valid or binding upon the parties unless made in writing and mutually agreed by the parties hereto, which shall thereafter form part of this Agreement.*

19.45 While the intention of the parties to change some terms of the Agreement may be ultimately beneficial and necessary for the effective implementation of the project, these amendments should have been made in writing for them to be legal and binding.

*(iii) Non-insurance of animals in favor of the Cooperative*

19.46 Meanwhile, the reported incidences of six mortalities in the Province of Bataan were partly compensated by insurance. However, the concerned chairperson of the cooperative disclosed that the proceeds from insurance amounting to at least ₱18,000.00 for each dead animal were claimed by the farmers from the Philippine Crop Insurance Corporation (PCIC) inconsistent with the farmer's obligation to *insure the animals in favor of the Cooperative.*

19.47 Given that the average market price per head of dairy buffalo was at ₱50,000.00 to ₱60,000.00, farmers concerned will have to shoulder additional cost in order to replace the animals. Due to the apparent disadvantage caused by the non-collection of insurance proceeds in favor of the Cooperative, the repayment of animals was deferred in the meantime by the concerned farmer-beneficiaries due to lack of sufficient funds for the purchase of new animals.

19.48 The foregoing instances of non-compliance by the parties may warrant termination of the agreement with the concerned Cooperative as stated under Article 3.1 of the Dairy Buffalo Dispersal Agreement; viz:

*3.1 In order to protect the interests of the government, the PCC has the right to demand for the return of the dairy buffalo and terminate the agreement:*

*3.1.1 When the cooperative violates the provisions and any condition stated in the agreement xxx.*

19.49 Worthy to note, the PCC-CLSU project team had reportedly initiated the conduct of investigations relative to some reported instances of deviations by the Cooperatives on the provisions of the Dairy Buffalo Dispersal Agreement.

c) *Deficient supporting documents*

19.50 Section 4.6 of Presidential Decree (P.D.) No. 1445 states that *Claims against government funds shall be supported with complete documentation.*

19.51 Meanwhile, vouching of disbursement vouchers (DVs), journal entry vouchers (JEVs) and other project documents for CY 2021 disclosed deficiencies in some supporting documents; viz:

| Supporting Document                             | Deficiencies noted   |
|---|--|
| Dairy Buffalo Production and Purchase Agreement | <ul style="list-style-type: none"> <li>➤ Specific location where the animal will be maintained was not indicated for at least 30 heads of dispersed animals;</li> <li>➤ Instead of location, name of farmer-carapreneur was indicated on some documents; and</li> <li>➤ Repetition of some Ear Tag Numbers due to transfer of animals among farmers</li> </ul> |
| Usufruct Agreement (Annex A)                    | <ul style="list-style-type: none"> <li>➤ Absence of complete details on some facilities and equipment subject to usufruct such as reference number and unit price; and</li> <li>➤ Some agreement were not completely signed by the required signatories thereof</li> </ul>   |

19.52 The lack of complete information on a requisite document may put the Agency in a disadvantageous situation since enforcement of the terms and conditions under the Agreement could not be made in the absence of the necessary information on the same. This also implies a weakness in internal control over disbursements, exposing government funds to risk of loss or misuse.

19.53 In summary, non-compliance with the provisions of the Agreement between and among the parties and the deficiencies noted in the documents did not only hinder the optimization of benefits that could be derived from the project but also posed threats to the non-attainment of the project objectives.

19.54 **We recommended and the PCC-CLSU Center Director agreed to undertake the following courses of action:**

- (a) Instruct the CBIN Project Coordinator to: (i) initiate discussions among the concerned Agency officials and stakeholders in order to come up with viable solutions or remedies to minimize the incidence of hard breeders or downers among the animals for distribution; (ii) enjoin compliance by the Cooperatives with their obligations under the Dairy Buffalo Dispersal Agreement (DBDA) to avoid conditions which would warrant the repossession of the dispersed buffaloes and termination of the Agreement; (iii) urge project staff to strengthen its monitoring controls in the field to timely address the various concerns of Cooperatives and farmer-**

beneficiaries; and (iv) make representations with the concerned agency officials to put in writing the amendments to the DBDA to make it valid and binding among the parties; and

- (b) Advise the Chief of Administrative and Financial Management Division to direct the Accounting Unit and other concerned Units to: (i) conduct thorough review of the supporting documents to ensure that these are valid, complete, consistent and properly filled out; and (ii) continuously comply with the relevant accounting rules and regulations on the proper utilization of the project funds.

19.55 During the Exit Conference, Management explained that based on their latest Planning Conference, the following interventions were initially implemented: (a) tapped the expertise of scientists and researchers at the Reproductive Biotechnology Unit of the PCC-NHGP for the provision of fixed-time artificial insemination (FTAI) to increase the conception rate of animals noted as hard breeders; and (b) provision of training to farmer-beneficiaries on silage making to ensure a steady supply of feeds for animals. They also committed to strengthen monitoring of project implementation including the reorientation of farmer-beneficiaries and the chairpersons of cooperatives on their responsibilities under the Dispersal Agreement.

*Agricultural interventions for coconut farmer beneficiaries- ₱27 million*

20. *At least 170 coconut farmers benefited from the distribution of agricultural interventions amounting to ₱27,239,098.29 due to the implementation of the Coconut Carabao Development Project (CCDP) in six Regional Centers of the PCC. Nonetheless, deficiencies were noted, such as (a) delayed delivery of 204 heads of female crossbred buffaloes totaling ₱12,240,000.00; and (b) non-compliance with the Technical Specifications of buffaloes as observed in 20 heads valued at ₱1,199,600.00 which did not pass the minimum weight requirement and the absence of a Veterinary Inspection Report on ten heads amounting to ₱599,800.00, inconsistent with the project implementing guidelines, compromising the desired benefits accruing to the coconut farmer-beneficiaries.*

20.1 The PCC is an attached agency of the Department of Agriculture (DA) that is responsible for the conservation, propagation and promotion of carabao as a source of milk, meat, hide, and draft power to maximize assistance to rural farming families.

20.2 On the other hand, the Philippine Coconut Authority (PCA), a Government-Owned and Controlled Corporation (GOCC) attached to the DA, is mandated to promote the rapid integrated development and growth of the coconut and other palm oil industries and ensure that the coconut farmers are the direct participants and beneficiaries of such development.

20.3 Based on the recent reports by the Philippine Statistics Authority (PSA), the domestic dairy industry still relies heavily on the supply of imported milk which accounted for 99% of the total milk supply in the country. Meanwhile, the coconut industry is also suffering from the low copra prices in the global market due to the glut in the global supply of vegetable oil.

20.4 Seeing the concerns in the dairy and coconut industries, PCA, in partnership with PCC, through the initiative of Senator Cynthia A. Villar, Senate Committee Chairperson on Agriculture, Food and Agrarian Reform, committed to implement the Coconut Carabao Development Project (CCDP).

20.5 CCDP aims to contribute in uplifting the economic situation of coconut farmers through the establishment of carabao-based enterprises complemented by the increased coconut farm productivity.

20.6 The project involves the establishment and development of carabao-based enterprises in 17 pilot areas assisted by the different PCC Regional Centers concerned. These pilot areas shall be implemented in various provinces and regions where the primary beneficiaries shall be members of the Small Coconut Farmer Organizations (SCFOs).

20.7 To operationalize the project, PCA provides funding for the implementation and staffing requirements for those who will closely coordinate and monitor the execution of the project. On the other hand, the PCC as recipient of the fund shall handle the procurement and distribution of agricultural interventions such as breeding stocks, veterinary drugs and biologics, farm implements, and milk processing equipment.

20.8 In accordance with the Specific Audit Instructions (SAIs) on the audit of CY 2021 accounts and operations of PCC, evaluation of the CCDP project was conducted by the Audit Team with emphasis on the Financial and Compliance Audit. The scope of the audit covered the status of implementation of the Project as of December 31, 2021.

#### **AUDIT OBJECTIVES**

20.9 The audit was aimed to determine the following:

- Amount of funds received and utilized during the budget year;
- Whether the amount received was utilized in accordance with the Memorandum of Agreement (MOA) and Work and Financial Plan (WFP) of the CCDP;
- Whether the physical and financial targets were accomplished as scheduled;
- Propriety of procurement of dairy buffaloes and other agricultural interventions were in accordance with Republic Act (R.A.) No. 9184 and its Revised Implementing Rules and Regulations (RIRR); and
- Whether the relevant provisions of the General Implementing Guidelines on the CCDP were duly complied with by the parties.

## AUDIT METHODOLOGY

20.10 The Audit Team performed the following techniques and procedures:

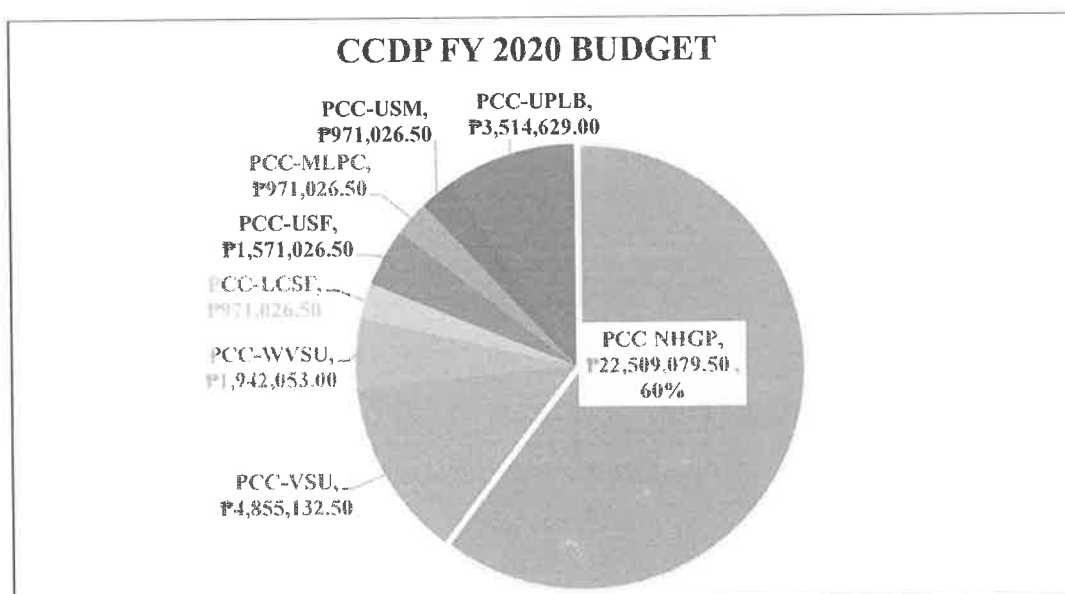
- Gathered and reviewed approved MOA, WFP and CCDP Implementing Guidelines;
- Verified procurement and distribution of buffaloes to ascertain conformance with technical specifications under the contract with suppliers;
- Reviewed and verified physical and financial accomplishment reports vis-à-vis the physical and financial targets; and
- Interviewed PCC-NHGP concerned officials and employees involved in project implementation.

## AUDIT RESULTS

20.11 The approved budget for the first year of implementation of the CCDP is ₱37,305,000.00, transferred on October 12, 2020 by the PCA to the PCC-NHGP for implementation of the following project activities in CY 2021; viz:

| Project Activity   | Line Item                                 | Total Budget           |
|--|---|------------------------|
| Procurement of 306 heads dairy carabaos  | Breeding Stocks                           | ₱ 18,360,000.00        |
| Provision of animal drugs and biologics  | Agricultural and Marine Supplies Expenses | 3,400,000.00           |
| Procurement of supplies and materials needed for the establishment of dairy project  | Other Supplies and Materials Expenses     | 5,100,000.00           |
| Conduct of relevant capacity-building activities   | Training Expenses                         | 3,400,000.00           |
| Conduct of cross site visits/educational tour, rendering production services, monitoring, linking, and other project-related services                | Traveling Expenses-Local                  | 990,000.00             |
|  | Fuel, Oil and Lubricants Expenses         | 700,000.00             |
| Hiring of at least one (1) Project Development Staff/ Community Organizer per project site   | Other Professional Services               | 3,400,000.00           |
| Hiring of two (2) Technical Consultants  | Consultancy Services                      | 1,275,000.00           |
| Collection and reporting of Artificial Insemination (AI) Services, pregnancy diagnosis monitoring, calf drop and other production-related parameters | Awards/Rewards Expenses                   | 680,000.00             |
| <b>Grand Total</b>   |   | <b>₱ 37,305,000.00</b> |

20.12 In accordance with Section 2.c, Part VII of the General Implementing Guidelines on the CCDP, the PCC-NHGP utilized 40% of the total funds received from the PCA of ₱37,305,000.00 through its seven Regional Centers as presented in the succeeding page.



20.13 We noted that funds retained by the PCC-NHGP totaling ₱22,509,079.50 or 60% of the annual budget were utilized for the procurement of breeding stocks, veterinary drugs, and laboratory supplies to be used for testing of animals prior to delivery at the project sites. PCC-NHGP is responsible for the conduct of public bidding activities while the PCC Regional Centers serve as implementers by monitoring the contract implementation by the suppliers of animal stocks except for the payment thereof which is being made by the PCC-NHGP as procuring entity.

20.14 As of year-end 2021, a total of ₱27,239,098.29 was utilized for the procurement of various agricultural interventions which included the distribution of 289 heads of female crossbred buffalo to at least 170 coconut farmer beneficiaries in the following project sites:

| PCC Regional Center/<br>Implementers                  | Region | Project Sites        | No. of<br>animals<br>delivered | No. of<br>Recipients |
|---|--------|----------------------|--------------------------------|----------------------|
| PCC at West Visayas State University<br>(WVSU)        | VI     | Aklan 1              | 34                             | 34                   |
|   |        | Aklan 2              | 34                             | 34                   |
| PCC at La Carlota Stock Farm<br>(LCSF)                | VI     | Negros Occidental    | 34                             | Communal             |
| PCC at Ubay Stock Farm (USF)                          | VII    | Bohol                | 34                             | 12                   |
| PCC at Visayas State University<br>(VSU)              | VIII   | Carigara, Leyte      | 34                             | 17                   |
|   |        | Southern Leyte       | 17                             | 17                   |
|   |        | Biliran              | 34                             | 16                   |
| PCC at Mindanao Livestock<br>Production Center (MLPC) | IX     | Zamboanga<br>Sibugay | 34                             | 26                   |
| PCC at University of Southern<br>Mindanao (USM)       | XII    | South Cotabato       | 34                             | 14                   |
| <b>Total</b>  |        |                      | <b>289</b>                     | <b>170</b>           |

20.15 The foregoing benefits notwithstanding, the gains from the CCDP may not be fully optimized due to some of the following concerns in the implementation as further noted in the audit and validation of the project documents; viz:

(a) *Delayed delivery of 204 heads of buffaloes- ₱12,240,000.00*

20.16 Section 2 of Presidential Decree (P.D.) No. 1445, known as the Government Auditing Code of the Philippines, provides that:

*It is the declared policy of the State that all resources of the government shall be managed, expended or utilized in accordance with law and regulations, and safeguarded against loss or wastage through illegal or improper disposition, with a view to efficiency, economy and effectiveness in the operation of the government.*

20.17 In accordance with the target number of 306 heads of breeding stock to be procured as indicated in the Project’s Work and Financial Plan (WFP) during the initial year of implementation, the PCC-NHGP successfully awarded the procurement contracts for the “Supply and Delivery of 306 Heads of Female Crossbred Buffaloes” as shown in the table below:

| Implementing Center | Contract No. | Total No. of Heads | Contract Price        | Target Delivery Period         |
|---------------------|--------------|--------------------|-----------------------|--------------------------------|
| PCC-WVSU            | 2020-76      | 68                 | ₱ 4,073,200.00        | Dec. 4, 2020 to Mar. 4, 2021   |
| PCC-USF             | 2020-78      | 34                 | 4,080,000.00          | Dec. 4, 2020 to Mar. 4, 2021   |
| PCC-LCSF            |              | 34                 |                       |                                |
| PCC-VSU             | 2020-79      | 102                | 6,120,000.00          | Dec. 4, 2020 to Mar. 4, 2021   |
| PCC-MLPC            | 2020-84      | 34                 | 2,040,000.00          | Jan. 8, 2021 to Apr. 8, 2021   |
| PCC-USM             | 2021-61      | 34                 | 2,039,320.00          | Sep. 16, 2021 to Dec. 16, 2021 |
| <b>Grand Total</b>  |              | <b>306</b>         | <b>₱18,352,520.00</b> |                                |

20.18 Out of the five contracts, it was noted that Contract Nos. 2020-78, 2020-79 and 2020-84 were awarded to the same supplier for having been declared as the bidder with the single calculated and responsive bid (SCRB) for each of the subject procurement projects.

20.19 However, verification of relative project documents disclosed that actual implementation of the three contracts was way behind the target dates of completion as tabulated below:

| <b>Contract No.:</b> 2020-78 (68 Heads of Crossbred Buffaloes for PCC-USF and LCSF) |            |                         |
|---|------------|-------------------------|
| <b>Status of Delivery:</b> Completed on 08/30/2021                                  |            |                         |
| <b>Total No. of Heads Delivered:</b> 68 Heads                                       |            |                         |
| Particulars   | No. of CDs | Period Covered          |
| <i>Original Contract Duration</i>   | 90         | 12/04/2020 – 03/04/2021 |
| 1 <sup>st</sup> Approved Time Extension   | 90         | 03/05/2021 – 06/04/2021 |
| 2 <sup>nd</sup> Approved Time Extension   | 90         | 06/05/2021 – 09/04/2021 |



| <b>Contract No.:</b> 2020-84 (34 Heads of Crossbred Buffaloes for PCC-MLPC) |                   |                         |
|---|-------------------|-------------------------|
| <b>Status of Delivery:</b> Completed on 09/29/2021                          |                   |                         |
| <b>Total No. of Heads Delivered:</b> 34 Heads                               |                   |                         |
| <b>Particulars</b>  | <b>No. of CDs</b> | <b>Period Covered</b>   |
| <i>Original Contract Duration</i>   | 90                | 01/08/2021 – 04/08/2021 |
| 1 <sup>st</sup> Approved Time Extension                                     | 90                | 04/09/2021 – 07/08/2021 |
| 2 <sup>nd</sup> Approved Time Extension                                     | 60                | 07/09/2021 – 09/08/2021 |
| 3 <sup>rd</sup> Approved Time Extension                                     | 30                | 09/09/2021 – 10/08/2021 |

| <b>Contract No.:</b> 2020-79 (102 Heads of Crossbred Buffaloes for PCC-VSU) |                   |                         |
|---|-------------------|-------------------------|
| <b>Status of Delivery:</b> Not Completed as of 12/31/2021                   |                   |                         |
| <b>Total No. of Heads Delivered:</b> 85 Heads as of 12/31/2021              |                   |                         |
| <b>Particulars</b>  | <b>No. of CDs</b> | <b>Period Covered</b>   |
| <i>Original Contract Duration</i>   | 90                | 12/04/2020 – 03/04/2021 |
| 1 <sup>st</sup> Approved Time Extension                                     | 90                | 03/05/2021 – 06/04/2021 |
| 2 <sup>nd</sup> Approved Time Extension                                     | 90                | 06/05/2021 – 09/04/2021 |
| 3 <sup>rd</sup> Request for Time Extension                                  | 45                | Not explicitly approved |

20.20 In the review of supporting documents attached to the disbursement vouchers (DVs), it was noted that a series of time extensions were granted by Management to the supplier, all of which even exceeded the original duration of the projects, thus, the delayed delivery of 204 heads of buffaloes.

20.21 Relatively, enumerated below are the most common reasons cited by the supplier in the requests for contract time extension:

- acquisition and consolidation of animals had been difficult since livestock auction markets have mostly been closed off;
- difficult to travel to partner farmers due to pandemic-related restrictions;
- mandatory quarantine or downtime period for livestock transport vehicles as measured against African Swine Fever (ASF) like in the Province of Cebu where the main office was located;
- subsequent localized lockdowns;
- COVID-stricken employees and family members; and
- some major backlogs in the transport schedules.

20.22 Except for the inevitable consequences brought about by the COVID-19 pandemic, the incurrence of some major backlogs in the transport schedules is a matter of primary concern by the supplier. The latter should have properly planned the logistics beforehand given the high quantity of buffaloes it agreed to deliver under the contracts.

20.23 It was also noted that under Contract No. 2020-79, only 85 heads were actually delivered by the supplier as of December 31, 2021. As to the status of the remaining 17 heads for delivery, the CCDP Coordinator admitted that coordination with the concerned Center Director is yet to be conducted.

20.24 Meanwhile, the Audit Team was provided with a copy of the supposed 3<sup>rd</sup> request for time extension by the supplier dated August 24, 2021, requesting for another 45 CDs

within which to complete the delivery of the remaining 17 animals. However, such document was not explicitly noted as “approved” by either the Director of the PCC-NHGP or PCC-VSU; thus, it could be surmised that the foregoing contract should have been completed on or before September 4, 2021. As such, liquidated damages should have been imposed based on the value of the remaining 17 heads of undelivered buffaloes following the provision under Paragraph 3.1, Annex “D” or the “Contract Implementation Guidelines for the Procurement of Goods, Supplies and Materials” of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 9184 which states the following:

*When the supplier fails to satisfactorily deliver goods under the contract within the specified delivery schedule, inclusive of duly granted time extensions, if any, the supplier shall be liable for damages for the delay and shall pay the procuring entity liquidated damages, not by way of penalty, an amount equal to one-tenth (1/10) of one percent (1%) of the cost of the delayed goods scheduled for delivery for every day of delay until such goods are finally delivered and accepted by the procuring entity concerned.*

20.25 Notwithstanding the absence of available supporting documents showing the approval of the succeeding requests for extension by the supplier, if any, the Accomplishment Report of the CCDP as of December 31, 2021 indicated that the remaining 17 heads of undelivered buffaloes are expected to be completed until March 31, 2022.

20.26 Be that as it may, the foregoing liberality by Management in granting contract time extensions resulted in the delayed implementation of the project as well as delayed delivery of the supposed benefits to the targeted coconut farmer beneficiaries, contrary to the guidelines of the project and the declared policy of the State on the efficient use of government resources.

*(b) Non-compliance with Technical Specifications of buffaloes delivered*

20.27 The Manual of Procedures for the Procurement of Goods and Services, Volume II as prescribed by the Government Procurement Policy Board (GPPB) states, among others, that *the specifications and other terms in the bidding documents shall reflect minimum requirements.*

20.28 Relative thereto, the Technical Specifications which made an integral part of the Contract Agreement entered into by and between the PCC-NHGP and the Supplier laid out the specific parameters to be applied during the contract implementation, more particularly on the qualifications of the buffaloes to be delivered.

20.29 However, post-audit of the supporting documents attached to the DVs for the “Supply and Delivery of Female Crossbred Buffaloes (34 Heads) for PCC-USM” disclosed the following deficiencies:

- (i) *Delivery of 20 heads which did not pass the minimum weight requirement-  
₱1,199,600.00*

20.30 In accordance with the Technical Specifications provided, crossbred buffaloes should be identified thru proper ear tagging with the following prescribed minimum weight and body condition score (BCS) depending on the age category; viz:

| Age (months) | Minimum Weight (kg) | BCS (not less than) |
|--------------|---------------------|---------------------|
| 18           | 260                 | 3.0                 |
| 24           | 280                 | 3.0                 |
| 28           | 300                 | 3.0                 |
| 30           | 320                 | 3.0                 |
| 36           | 350                 | 3.0                 |

20.31 Relatively, according to the PCC animal experts, the rule of thumb provided for an average mature body weight is 300 kgs. to 400 kgs. for female buffaloes as exemplified by the following pictures:



Photo credits: Dr. Ester B. Flores

20.32 Meanwhile, in the Veterinary Inspection Reports attached to certify inspection, weighing, pregnancy diagnosis, and ear tagging conducted on the 1<sup>st</sup> and 2<sup>nd</sup> batches of deliveries of crossbred buffaloes to two project sites in North Cotabato, 20 out of the 24 heads of animals delivered appeared to have not met the minimum weight requirement based on their age category as shown in the following matrices:

| <b>Veterinary Inspection Report dated October 8, 2021 (1<sup>st</sup> Batch)</b> |             |                      |               |                |                         |
|--|-------------|----------------------|---------------|----------------|-------------------------|
| <b>Project Site: Aroman, Carmen, North Cotabato</b>                              |             |                      |               |                |                         |
| Animal ID No.  | Amount      | Estimated Age (yrs.) | Actual Weight | Minimum Weight | Variance (kgs.) (Under) |
| 5UMC21258  | ₱ 59,980.00 | 3-4                  | 314           | 350            | 36                      |
| 5UMC21254  | 59,980.00   | 3-4                  | 309           | 350            | 41                      |
| 5UMC21255  | 59,980.00   | 3-4                  | 302           | 350            | 48                      |
| 5UMC21259  | 59,980.00   | 2-3                  | 262           | 280            | 18                      |
| 5UMC21260  | 59,980.00   | 2-3                  | 261           | 280            | 19                      |

| <b>Veterinary Inspection Report dated October 8, 2021 (1<sup>st</sup> Batch)</b> |                     |                             |                      |                       |                                |
|--|---------------------|-----------------------------|----------------------|-----------------------|--------------------------------|
| <b>Project Site: Aroman, Carmen, North Cotabato</b>                              |                     |                             |                      |                       |                                |
| <b>Animal ID No.</b>   | <b>Amount</b>       | <b>Estimated Age (yrs.)</b> | <b>Actual Weight</b> | <b>Minimum Weight</b> | <b>Variance (kgs.) (Under)</b> |
| 5UMC21271  | 59,980.00           | 2-3                         | 270                  | 280                   | 10                             |
| 5UMC21272  | 59,980.00           | 2-3                         | 260                  | 280                   | 20                             |
| 5UMC21273  | 59,980.00           | 2-3                         | 260                  | 280                   | 20                             |
| <b>TOTAL</b>   | <b>₱ 479,840.00</b> |                             |                      |                       |                                |

| <b>Veterinary Inspection Report dated October 26, 2021 (2<sup>nd</sup> Batch)</b> |                    |                             |                      |                       |                                |
|---|--------------------|-----------------------------|----------------------|-----------------------|--------------------------------|
| <b>Project Site: Kibudtungan, Carmen, North Cotabato</b>                          |                    |                             |                      |                       |                                |
| <b>Animal ID No.</b>  | <b>Amount</b>      | <b>Estimated Age (yrs.)</b> | <b>Actual Weight</b> | <b>Minimum Weight</b> | <b>Variance (kgs.) (Under)</b> |
| 5UMC21275   | ₱ 59,980.00        | 3                           | 294                  | 350                   | 56                             |
| 5UMC21277   | 59,980.00          | 3                           | 265                  | 350                   | 85                             |
| 5UMC21278   | 59,980.00          | 3                           | 302                  | 350                   | 48                             |
| 5UMC21279   | 59,980.00          | 3                           | 264                  | 350                   | 86                             |
| 5UMC21280   | 59,980.00          | 3                           | 262                  | 350                   | 88                             |
| 5UMC21281   | 59,980.00          | 3                           | 305                  | 350                   | 45                             |
| 5UMC21282   | 59,980.00          | 3                           | 273                  | 350                   | 77                             |
| 5UMC21283   | 59,980.00          | 3                           | 274                  | 350                   | 76                             |
| 5UMC21284   | 59,980.00          | 3                           | 328                  | 350                   | 22                             |
| 5UMC21285   | 59,980.00          | 3                           | 342                  | 350                   | 8                              |
| 5UMC21286   | 59,980.00          | 3                           | 347                  | 350                   | 3                              |
| 5UMC21287   | 59,980.00          | 3                           | 268                  | 350                   | 82                             |
| <b>TOTAL</b>  | <b>₱719,760.00</b> |                             |                      |                       |                                |

20.33 It could be gleaned from the tables above that the animals were apparently underweight ranging from 3 to 88 kgs. vis-à-vis the prescribed minimum weight per age bracket/category. The same should have been rejected for failure to meet the minimum requirements. A sample picture taken during the pre-delivery inspection of the animals is shown below:



Figure 5UMC21254 ✓  
 Animal ID No.: 5UMC21254  
 Estimated Age: 3-4 yrs.  
 Actual Weight: 309 kgs.  
 Prescribed Min. Weight: 350 kgs.

20.34 Meanwhile, interview with one of the researchers assigned to the PCC Animal Breeding and Genomics Section disclosed that there is a strong correlation between the animal's weight and its reproduction. It follows that when a female buffalo has not reached its optimal weight relative to its age, reproductive efficiency is often compromised and may result in late sexual maturity and poor conception rates, among others.

20.35 Consequently, the foregoing distribution of animals that fell below the minimum weight requirement may affect the timely enjoyment of benefits thereof by the intended beneficiaries.

(ii) *Absence of Veterinary Inspection Report on ten heads- P599,800.00*

20.36 Section 4.6 of P.D. No. 1445 states that *Claims against government funds shall be supported with complete documentation.*

20.37 One of the technical specifications laid out in relation to the delivery of animals was that individual weighing should be done in the presence of the PCC Selection and Inspection Team during the pre-delivery period. On the other hand, weighing and proper restraining of animals shall be the responsibility of the contractor.

20.38 However, verification of records disclosed that payment made by the PCC-NHGP for the final delivery of ten heads of buffalo to PCC-USM amounting to P599,800.00 was not supported by the prescribed Veterinary Inspection Report. The supporting documents attached to the DV only showed the following details; viz:

- Animal Ear Tag No.;
- Bovine Tuberculosis Test Result (Negative);
- Brucella Test Result (Negative);
- Blood Parasite Result (Negative); and
- Vaccination Certificate

20.39 The Veterinary Inspection Report could have provided useful information about the actual weight, estimated age and body condition score (BCS) of the animals which are the basic factors in determining the supplier's compliance with the minimum requirements under the contract.

20.40 While it was noted that a Certificate of Performance Evaluation was issued by the Center Director concerned stating that the supplier has satisfactorily performed his deliverables under the contract, the same cannot be fully relied upon in the absence of specific data on the inspection report as certified by a government veterinarian.

20.41 In summary, non-compliance with the relevant rules and regulations on the efficient use of government resources and the failure to comply with the minimum requirements on the procurement of animal stocks did not only hinder the optimization of

benefits that can be derived from the project but also posed threats to the attainment of the project objectives.

20.42 **We recommended and the OIC-Executive Director agreed to undertake the following courses of action:**

- (a) Advise the Project Leader to discuss among the Center Directors concerned the need to (i) conduct validation on the reasons cited by a supplier before granting each request for contract time extension to ensure that these extensions are based on meritorious grounds; (ii) strengthen control points in the selection and inspection of animals to ensure conformance with the technical specifications before acceptance of the same; and (iii) enforce appropriate sanctions provided under Republic Act (R.A.) No. 9184 in case of defaulting suppliers or did not meet the minimum requirements as stated under the Technical Specifications of the Contract;**
- (b) Direct the CCDP National Coordinator to enjoin regular coordination with the respective project coordinators of the PCC Regional Centers concerned to keep track of the status of delivery of buffaloes; and**
- (c) Instruct the Accountant of the PCC-NHGP to review the completeness and accuracy of the supporting documents attached to the disbursement vouchers to ensure the validity of payments to suppliers under the Contract.**

20.43 During the Exit Conference, Management explained that some animals which did not meet the minimum weight requirement could be attributed to weight loss of animals which may occur during transport from one place to another. Nevertheless, Management acknowledged the audit observations and committed to improve the system of inspection and acceptance of animals prior to delivery to intended coconut farmer-beneficiaries.

#### *Delayed Implementation of the Milk Feeding Program*

21. ***The Milk Feeding Program funded by the Department of Social Welfare and Development (DSWD) was not implemented within the period stipulated in the Memorandum of Agreement (MOA) due to the scarcity of raw materials, resulting in unutilized funds of ₱5,959,350.00 as at December 31, 2021.***

21.1 Pursuant to Republic Act (R.A.) No. 11037 also known as the “Masustansyang Pagkain para sa Batang Pilipino Act”, promulgated in June 2018, the DSWD formulated and adopted the Supplementary Feeding Program (SFP) in Child Development Centers (CDCs) and Supervised Neighborhood Playgroups (SNP). In order to ensure the provision of nutritious meals in the implementation of SFP, the DSWD has identified the necessary participation of the PCC in providing quality milk as a supplement to the hot meals given to children. Further, the Milk Feeding Program is a support to the local dairy industry that will contribute to the sustainable economic activities of the local farmers.

21.2 Management entered into a MOA with DSWD- Field Office 02 (FO2) and DSWD-Cordillera Administrative Region (CAR) for the implementation of the Milk Feeding Program.

21.3 Section 4.9 of the MOA made and executed with DSWD-CAR requires that the PCC shall “immediately implement the Project of the children in the CDC areas without unreasonable delay upon receipt of the funds until October 2021.”

21.4 Furthermore, Section 4.13 of both MOAs states that the PCC shall refund the unutilized funds to DSWD on or before December 31, 2021.

21.5 Verification of the Financial Reports and attachments of the Milk Feeding Program disclosed an unutilized balance of ₱5,959,350.00 as at December 31, 2021. Details are as follows:

| Source Agencies | Fund Transfer/Budget  | Expenditure          | Unexpended Balance   |
|-----------------|-----------------------|----------------------|----------------------|
| DSWD-CAR        | ₱ 2,827,200.00        | ₱2,827,200.00        | ₱ 0.00               |
| DSWD-FO 2       | 10,488,000.00         | 4,528,650.00         | 5,959,350.00         |
| <b>Total</b>    | <b>₱13,315,200.00</b> | <b>₱7,355,850.00</b> | <b>₱5,959,350.00</b> |

21.6 The above table shows that the Milk Feeding Program funded by DSWD-FO2 was not yet completed as at December 31, 2021. On the other hand, post-audit of disbursement vouchers revealed that the Milk Feeding Program funded by DSWD-CAR was only implemented in December 2021; thus, the target completion date was not met.

21.7 Upon inquiry, Management explained that the delay in the implementation of the program was due to having a sole supplier of the sterilized milk used in the production of the ready-to-drink-milk.

21.8 As stated in the MOAs, any unutilized funds will be refunded to DSWD on or before December 31, 2021. Anent this, Management has requested an extension of the implementation of the program until March 2022. However, the DWSD has granted an extension until January 31, 2022 only.

21.9 The refund of the unutilized fund deprived the intended beneficiaries of the benefits of the program. Additionally, the delay in the implementation of the Milk Feeding Program defeated its timely purpose, which is to boost the immune system of learners during the pandemic.

**21.10 We recommended and Management agreed to fast track the implementation of the Program so that the beneficiaries will enjoy the intended benefits to be derived therefrom and the funds are fully utilized before the DSWD demands the return of the unutilized fund.**

21.11 During the Exit Conference, Management explained that the delay in delivery and completion of the feeding program was due to the breakdown of the dairy plant of the supplier caused by mismatched packaging with retort and auto filler-sealer machines. Nevertheless, they committed to further improve the implementation of the Program.

*Compliance with Tax Laws*

**22. The PCC has consistently complied with the withholding and remittance of taxes from its employees, contractors/suppliers, and other third parties for CY 2021 in compliance with the National Internal Revenue Code (NIRC) of the Philippines.**

22.1 For CY 2021, the Agency was able to remit a total amount of ₱35,343,861.53 to the Bureau of Internal Revenue (BIR) on taxes withheld from suppliers and contractors, as well as taxes withheld from employees' compensation totaling ₱36,716,209.38, detailed as follows:

| <b>CY 2021 Month</b> | <b>Due to BIR Beginning</b> | <b>Taxes Withheld</b> | <b>Taxes Remitted</b> | <b>Ending Balance</b> |
|----------------------|-----------------------------|-----------------------|-----------------------|-----------------------|
| January              | ₱3,233,209.08               | ₱1,911,618.82         | ₱3,235,426.57         | ₱1,909,401.33         |
| February             | 1,909,401.33                | 2,129,730.88          | 2,082,202.32          | 1,956,929.89          |
| March                | 1,956,929.89                | 2,667,923.07          | 2,045,916.24          | 2,578,936.72          |
| April                | 2,578,936.72                | 2,941,667.14          | 3,097,217.82          | 2,423,386.04          |
| May                  | 2,423,386.04                | 3,049,485.73          | 2,642,417.95          | 2,830,453.82          |
| June                 | 2,830,453.82                | 3,048,242.96          | 2,866,187.87          | 3,012,508.91          |
| July                 | 3,012,508.91                | 2,724,000.57          | 2,644,954.10          | 3,091,555.38          |
| August               | 3,091,555.38                | 2,012,908.62          | 2,825,610.98          | 2,278,853.02          |
| September            | 2,278,853.02                | 2,790,884.00          | 2,737,845.38          | 2,331,891.64          |
| October              | 2,331,891.64                | 3,390,309.89          | 2,749,675.09          | 2,972,526.44          |
| November             | 2,972,526.44                | 3,325,334.44          | 3,368,228.14          | 2,929,632.74          |
| December             | 2,929,632.74                | 6,726,103.26          | 5,048,179.07          | 4,607,556.93          |
| <b>Total</b>         | <b>₱3,233,209.08</b>        | <b>₱36,716,209.38</b> | <b>₱35,343,861.53</b> | <b>₱4,607,556.93</b>  |

22.2 Verification of available records disclosed that the remaining balance of ₱4,607,556.93 was remitted in the ensuing year as shown in the Electronic Tax Payment System (e-TPS) Confirmation Receipts. All the remittances for CY 2021 were made on time as required in the above-cited regulation thereby ensuring prompt collection of revenues needed to finance government operations.

**22.3 We recommended and Management agreed to ensure continuous compliance with the provisions of the BIR regulations governing the proper withholding of taxes and the timely remittances thereof.**



*Compliance with the Government Service Insurance System (GSIS) Act of 1997*

23. *The PCC has substantially complied with Section 14 of the Revised Implementing Rules and Regulations (RIRR) of Republic Act (R.A.) No. 8291, otherwise known as the Government Service Insurance System (GSIS) Act of 1997, in the proper withholding and remittance of premiums/contributions, including government share and loan repayments due to the GSIS in CY 2021.*

23.1 For CY 2021, PCC remitted a total amount of ₱22,546,072.81 from the total GSIS contributions and loan amortizations of ₱33,996,785.57 as of December 31, 2021 as shown in the table below:

| <b>CY 2021 Month</b> | <b>Beginning Balance</b> | <b>Collections</b>    | <b>Remittance</b>     | <b>Ending Balance</b> |
|----------------------|--------------------------|-----------------------|-----------------------|-----------------------|
| January              | ₱ 392,961.43             | ₱ 1,767,827.31        | ₱ 1,184,553.59        | ₱ 976,205.15          |
| February             | 976,205.15               | 1,911,241.88          | 2,000,875.14          | 886,601.89            |
| March                | 886,601.89               | 1,859,181.21          | 2,225,895.90          | 519,887.20            |
| April                | 519,887.20               | 2,035,770.75          | 1,059,411.97          | 1,496,245.98          |
| May                  | 1,496,245.98             | 1,884,852.30          | 2,438,418.94          | 942,679.34            |
| June                 | 942,679.34               | 1,976,348.36          | 2,074,208.49          | 844,819.21            |
| July                 | 844,819.21               | 1,977,910.90          | 1,698,354.79          | 1,124,375.32          |
| August               | 1,124,375.32             | 1,944,688.12          | 2,087,744.29          | 981,319.15            |
| September            | 981,319.15               | 1,983,427.52          | 2,073,772.47          | 890,974.20            |
| October              | 890,974.20               | 1,970,104.63          | 2,190,695.81          | 670,383.02            |
| November             | 670,383.02               | 2,029,213.79          | 1,870,467.64          | 829,129.17            |
| December             | 829,129.17               | 2,100,607.74          | 1,641,673.78          | 1,288,063.13          |
| <b>Total</b>         | <b>₱392,961.43</b>       | <b>₱33,996,785.57</b> | <b>₱22,546,072.81</b> | <b>₱1,288,063.13</b>  |

23.2 Audit of the payrolls and remittances of the employee's and employer's share of GSIS contributions for the period covered January 1 to December 31, 2021 disclosed that these were in accordance with the prescribed rate of contributions and consistently remitted to the GSIS in conformity with the provisions of the above cited regulations. The ending balance of ₱1,288,063.13 was duly remitted in the ensuing year.

23.3 We recommended and Management agreed to instruct the Accounting Unit to continue complying with the GSIS regulations on the withholding and remittance of employees' and government shares to the GSIS to assure all its members of the social security benefits due them.

*Compliance with R.A. No. 9679 otherwise known as the Pag-IBIG Fund Law*

24. *The PCC was substantially compliant with Republic Act (R.A.) No. 9679 otherwise known as the Pag-IBIG Fund Law, in the remittance to the Home Development Mutual Fund (HDMF) of the withheld premiums/contributions from compensation of agency personnel.*

24.1 The audit of payrolls and remittances of HDMF premium contributions for CY 2021 disclosed that the government share for each employee was properly accounted and promptly remitted, thus, leaving a balance of ₱193,344.56 at year-end, which was remitted in the ensuing year, details of which are shown in the table below:

| <b>CY 2021 Month</b> | <b>Beginning Balance</b> | <b>Contributions</b> | <b>Remittances</b>   | <b>Ending Balance</b> |
|----------------------|--------------------------|----------------------|----------------------|-----------------------|
| January              | ₱57,582.62               | ₱313,522.63          | ₱272,124.67          | ₱ 98,980.58           |
| February             | 98,980.58                | 250,857.41           | 218,228.93           | 131,609.06            |
| March                | 131,609.06               | 243,452.68           | 287,817.25           | 87244.49              |
| April                | 87244.49                 | 245,259.44           | 84,775.21            | 247,728.72            |
| May                  | 247,728.72               | 228,439.68           | 137,799.19           | 338,369.21            |
| June                 | 338,369.21               | 211,919.65           | 400,149.64           | 150,139.13            |
| July                 | 150,139.13               | 207,459.84           | 206,604.09           | 150,994.88            |
| August               | 150,994.88               | 198,453.43           | 176,025.67           | 173,422.64            |
| September            | 173,422.64               | 214,917.14           | 168,315.06           | 220,024.72            |
| October              | 220,024.72               | 207,754.02           | 271,611.36           | 156,167.38            |
| November             | 156,167.38               | 238,026.67           | 241,447.99           | 152,746.06            |
| December             | 152,746.06               | 222,299.35           | 181,700.85           | 193,344.56            |
| <b>Total</b>         | <b>₱57,582.62</b>        | <b>₱2,782,361.94</b> | <b>₱2,646,599.91</b> | <b>₱193,344.56</b>    |

24.2 We recommended and Management agreed to instruct the Accounting Unit to continue complying with the Pag-IBIG Fund Law on the withholding and remittance of employees' and government share to the HDMF to assure all its members of the benefits due them.

*Enforcement of Audit Suspensions, Disallowances and Charges*

25. *The PCC-NHGP and six Regional Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2021. However, the Regional Center at CMU, LCSF and MLPC had outstanding suspensions of ₱13,735,846.07 and audit disallowances of ₱106,418.94 as reflected in the submitted Management Letters (MLs).*

25.1 COA Circular No. 2009-006 dated September 15, 2009 was issued to prescribe the Rules and Regulations on Settlement of Accounts (RRSA) which superseded COA Circular No. 94-001 and COA Memorandum No. 2002-053 dated January 20, 1994 and August 26, 2002, respectively.

25.2 Section 5.1 of this Circular provides that "Settlement of accounts is the process of determining the balance of the account of an accountable officer, through an audit and examination thereof, to verify the total debits and total credits that may be allowed. Such balance represents the disallowance or charge which shall be his accountability. A suspension may likewise result from such audits as provided in these Rules."

25.3 It was provided further in Section 5.4 that “An audit suspension or disallowance/charge shall be settled by the persons responsible or liable therefor through compliance with the requirements, or payments/restitution or by any of the modes of extinguishment of obligation provided by law, respectively. A Notice of Settlement of Suspension/Disallowance/Charge (NSSDC) shall be issued for such settlement.”

25.4 The PCC-NHGP and the Regional Centers at CLSU, CSU, DMMMSU, MMSU, UPLB and VSU reported no outstanding balances of Suspensions, Disallowances and Charges as of year-end. However, the aggregate balances of Suspensions and Disallowances for the Regional Centers at CMU, LCSF and MLPC were reflected in their respective Management Letter (ML). Presented below are the details.

| <b>Regional Center</b>                   | <b>Suspensions</b>    | <b>Disallowances</b> | <b>Total</b>          |
|--|-----------------------|----------------------|-----------------------|
| <i>Beginning Balance, 1/1/2021</i>       |                       |                      |                       |
| PCC at CMU                               | ₱736,106.92           | ₱20,276.80           | ₱756,383.72           |
| PCC at LCSF                              | 482,750.00            | 0.00                 | 482,750.00            |
| PCC at MLPC                              | 10,012,346.12         | 37,382.87            | 10,049,728.99         |
| <i>Add: Issuances during the year</i>    |                       |                      |                       |
| PCC at CMU                               | 0.00                  | 0.00                 | 0.00                  |
| PCC at LCSF                              | 0.00                  | 0.00                 | 0.00                  |
| PCC at MLPC                              | 2,504,643.03          | 69,036.07            | 2,573,679.10          |
| <b><i>Sub-total</i></b>                  |                       |                      |                       |
| <i>PCC at CMU</i>                        | <i>736,106.92</i>     | <i>20,276.80</i>     | <i>756,383.72</i>     |
| <i>PCC at LCSF</i>                       | <i>482,750.00</i>     | <i>0.00</i>          | <i>482,750.00</i>     |
| <i>PCC at MLPC</i>                       | <i>12,516,989.15</i>  | <i>106,418.94</i>    | <i>12,623,408.09</i>  |
| <i>Less: Settlements during the year</i> |                       |                      |                       |
| PCC at CMU                               | 0.00                  | 20,276.80            | 20,276.80             |
| PCC at LCSF                              | 0.00                  | 0.00                 | 0.00                  |
| PCC at MLPC                              | 0.00                  | 0.00                 | 0.00                  |
| <b>Ending Balance, 12/31/2021</b>        |                       |                      |                       |
| <b>PCC at CMU</b>                        | <b>736,106.92</b>     | <b>0.00</b>          | <b>736,106.92</b>     |
| <b>PCC at LCSF</b>                       | <b>482,750.00</b>     | <b>0.00</b>          | <b>482,750.00</b>     |
| <b>PCC at MLPC</b>                       | <b>12,516,989.15</b>  | <b>106,418.94</b>    | <b>12,623,408.09</b>  |
| <b>Total Ending Balance, 12/31/2021</b>  | <b>₱13,735,846.07</b> | <b>₱106,418.94</b>   | <b>₱13,842,265.01</b> |

25.5 The respective Audit Teams recommended that Management (a) enforce the immediate settlement of the audit suspensions to avoid the same from maturing into disallowances; and (b) require persons liable to settle the audit disallowances in the manner prescribed under the RRSA.

**PART III- STATUS OF IMPLEMENTATION OF PRIOR YEAR'S  
UNIMPLEMENTED AUDIT RECOMMENDATIONS**

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**STATUS OF IMPLEMENTATION OF PRIOR YEAR'S UNIMPLEMENTED  
AUDIT RECOMMENDATIONS**

Out of 68 audit recommendations contained in the CY 2020 Consolidated Annual Audit Report (CAAR), 46 were fully implemented, 20 were partially implemented and two were not implemented.

| Audit Observation and Recommendation   | Ref.                                  | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation                                      |
|--|---------------------------------------|---|--|
| <p><i>1. The reported balances of the Cash and Cash Equivalents account were not fairly presented in the year-end financial statements due to (a) accumulation of unrecorded and unadjusted reconciling items by the Philippine Carabao Center at Visayas State University (PCC at VSU) resulting in an understatement of the Cash account by ₱9,188,862.72; (b) unreconciled variance of ₱406,476.00 between the Bank's and Agency's records as reported by the Central Mindanao University (CMU); and (c) non/late preparation of Bank Reconciliation Statements (BRSs) by three PC Centers; namely, VSU, CMU, and University of the Philippines –Los Baños (UPLB).</i></p> <p>We recommended and the OIC - Executive Director agreed to</p> <p>(a) instruct the Center Directors of PCC at VSU and CMU to require the Accountant/Bookkeeper to (i) look into the details of the</p> | <p>CAAR<br/>2020<br/>AO<br/>No. 1</p> | <p>The PCC-NHGP Accounting Unit planned to schedule an online coaching/seminar for its 12 Regional Bookkeepers regarding the preparation of</p> | <p>(a.i) Partially Implemented</p> <p>The details of some reconciling items were not yet identified.</p> |

| Audit Observation and Recommendation   | Ref. | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation   |
|--|------|---|---|
| <p>unrecorded reconciling items totaling to ₱9,711,818.77;</p> <p>(ii) effect proper adjustment of the identified reconciling items and errors in the books of accounts;</p> <p>(iii) henceforth, observe prudence in the recording of transactions to avoid errors;</p> <p>(iv) coordinate with the VSU Cashier's Division for the release of the RCI together with the paid vouchers, and a report on the unreleased checks still at the Cashier's Office to ensure the completeness and accuracy in the booking up of the transactions; and</p> <p>(v) request a copy of the tax remittances from the VSU Accounting Office for their proper recording in the books;</p> <p>(b) direct the Center Director of PCC at CMU to instruct the Accounting Office to validate and reconcile the variance of ₱406,476.00;</p> <p>(c) direct the OIC-Center Director of the PCC at UPLB and Center Directors of PCC at CMU and VSU to (i) advise their respective Bookkeeper/Accountant to strictly observe the provision on the preparation and</p> |      | <p>BRS and recognition of reconciling items, unrecorded deposits, and disbursements.</p> <p>Although the PCC at CMU has already complied, the Bookkeeper of the PCC at VSU recorded only partial adjustments per JEV Nos. 2021-02-000081 to 82 dated January 4, 2021, and JEV Nos. 2021-02-000086 to 87 dated February 28, 2021.</p> <p>The PCC at UPLB and VSU will coordinate with their University and the LBP branch the processing of the enrollment in LBP weAccess. In the meantime, a copy of the monthly bank statement/snapshot will be requested from their respective AGDB monthly/regularly.</p> | <p>(a.ii) Partially Implemented</p> <p>Some identified reconciling items were not yet adjusted.</p> <p>(a.iii) Fully Implemented</p> <p>(a.iv) Fully Implemented</p> <p>(a.v) Fully Implemented</p> <p>(b) Fully Implemented</p> <p>(c.i) Fully Implemented</p> |

| Audit Observation and Recommendation  | Ref.                      | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation  |
|---|---------------------------|--|--|
| <p>submission of monthly BRS and immediately submit the December 2020 Bank Reconciliation Statements; and</p> <p>(ii) enroll in LBP weAccess which allows clients to make selected banking transactions online; and</p> <p>(d) direct the OIC- Center Director of PCC at UPLB to instruct the Bookkeeper/ Accountant to make representation with the LBP depository branch for the documentary requirements in updating the authorized signatory.</p>   |                           | <p>There is a pending request to update the signatory in the bank account of the new Center Director who was appointed in December 2021.</p> | <p>(c.ii) Partially Implemented</p> <p>Some bank accounts were not yet enrolled in the LBP weAccess.</p> <p>(d) Partially Implemented</p> <p>Representation with the LBP depository branch has been ongoing.</p> |
| <p>2. <i>The losses of animals thru death were valued and recognized based on the replacement cost instead of their values at the time of death, understating the recorded balance of the Other Receivables account by ₱79,539,221.99, thus, affecting the Management's assertion on the fair presentation of the Statement of Financial Position as of December 31, 2020.</i></p> <p>We recommended and the OIC – Executive Director agreed to instruct the Accounting Unit to determine and recognize the correct amount of receivables in the books of accounts.</p> | <p>CAAR 2020 AO No. 2</p> | <p>Management committed to make final a representation/ inquiry to COA on the effect of the possible</p>                                     | <p>Partially Implemented</p> <p>Management has yet to finalize their written request/query to the COA-GAS.</p>   |

| Audit Observation and Recommendation   | Ref.               | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation |
|--|--------------------|--|---|
|  |                    | adjustment of the value of the receivables account due from the accountable officers/farmer recipients/cooperatives. |   |
| <p>3. <i>The reliability of the reported balances of the Inventories account was not ascertained due to accounting deficiencies and departure from the regulations embodied in the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume II, such as (a) unadjusted variances of ₱751,796.66 and ₱253,657.05 between the Accounting records and the physical count conducted by the Philippine Carabao Center-National Headquarters at Gene Pool (NHGP) and PCC at VSU, respectively; (b) non-recognition of 174 items worth ₱284,581.68 under the Animal/Zoological Supplies and Inventory Held for Consumption of the PCC-NHGP. Meanwhile, the PCC-UPLB had unrecorded 281 units with undetermined value; and (c) erroneous recognition and unsubstantiated inventory issuances of the PCC at VSU and unreconciled difference</i></p> | CAAR 2020 AO No. 3 |  |   |



| Audit Observation and Recommendation  | Ref. | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation   |
|---|------|--|---|
| <p><i>between the RSMI and accounting records in the amount of ₱1,342,873.92 and ₱149,847.61, respectively.</i></p> <p>We recommended that the OIC - Executive Director direct the respective Center Director concerned to instruct the:</p> <p>(a) Accounting and Property Units to:</p> <p>(i) reconcile the actual physical inventory of every inventory item with noted variances against the actual count at year-end and effect the necessary adjustment in the books, if warranted;</p> <p>(ii) recognize in their respective records all inventory items found at the storage area following the Perpetual Inventory Method; and</p> <p>(b) Property and Supply Officer of PCC NHGP to constantly remind the personnel concerned at the Gene Pool storage area on the proper manner of handling animal/zoological supplies for stock to prevent or at least minimize losses from damaged inventories.</p> <p>(c) We further recommended that the OIC - Executive Director advise the Center</p> |      | <p>The Accounting and Property Units of the PCC-NHGP planned to conduct an online coaching/ seminar for its 12 regional centers to address the audit observations.</p> <p>Attendance to training related to the Inventory account will be encouraged to help the concerned staff to fully understand the process and the guidelines on inventory.</p> <p>Reconciliation shall be made during the semi-annual/ annual physical inventory for CY 2022. Likewise, corresponding adjusting entries will be made.</p> <p>The Property/ Supply Officer of the PCC at VSU</p> | <p>(a.i) Partially Implemented</p> <p>Reconciliation between the Accounting and Property records has been ongoing.</p> <p>(a.ii) Partially Implemented</p> <p>Some inventory items were yet recognized in the Accounting and Property records.</p> <p>(b) Fully Implemented</p> |

| Audit Observation and Recommendation  | Ref.                                  | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation   |
|---|---------------------------------------|--|---|
| <p>Director of PCC at VSU to instruct the Accountant to:</p> <p>(i) review the pertinent accounting records with reference to the RSMI summarizing the issued inventories in CY 2020 in order to determine the actual amount of the issued items so that proper corrections shall be made for the noted unreconciled difference of ₱149,847.61; and</p> <p>(ii) update regularly the SLCs by recording promptly the receipt and issuances of inventory items.</p>   |                                       | <p>prepared and submitted the Report of Supplies and Materials Issued (RSMI) for all issuances. However, According to the Bookkeeper, the purchase of supplies and materials were recorded only upon receipt of the RCI with the DVs; thus, recording of purchases were delayed.</p> | <p>(c.i) Partially Implemented</p> <p>The Bookkeeper did not use the RSMI as basis in the preparation of JEVs for the recording of issuances of inventories. RCI was used instead.</p> <p>(c.ii) Partially Implemented</p> <p>Receipts and issuances of some inventories were not promptly recognized in the books.</p> |
| <p><i>4. The recorded balances with carrying amount of ₱821,320,391.15 of the Property, Plant and Equipment (PPE) accounts of the Philippine Carabao Center National Headquarters and Gene Pool (NHGP) and three other Regional Centers were overstated by a net amount of ₱11,783,587.53 due to deviations from various regulations of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), such as: (a) non-provision of depreciation for some PPE items which overstated the Assets account</i></p> | <p>CAAR<br/>2020<br/>AO<br/>No. 4</p> |  |   |

| Audit Observation and Recommendation   | Ref. | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation                    |
|--|------|---|--|
| <p><i>by ₱9,702,730.77 (b) non-derecognition of donated machineries and equipment worth ₱5,131,070.35; (c) erroneous recognition of procured properties costing ₱714,994.00; (d) non-reclassification of unserviceable properties amounting to ₱616,637.36 from Other Assets account to proper PPE accounts and non-disposal of the same; (e) overstatement of intra-agency transferred PPEs of ₱70,792.52; (f) non-reclassification of completed infrastructure project of ₱3,116,480.76 from the Construction in Progress (CIP) to Other Structures account; and (g) non-provision of depreciation of ₱197,377.11 for completed CIP.</i></p> <p>We recommended that the OIC - Executive Director direct the PC Center Directors concerned to instruct the respective Accountant/Bookkeeper to:</p> <p>(a) provide allowance for depreciation on PPE items;</p> <p>(b) derecognize the donated machineries and equipment;</p> <p>(c) recognize PPE items erroneously treated as supplies in their respective records;</p> |      | <p>System update on the eNGAS was conducted on July 19-21, 2021. On that event, the COA-ASDOSO Team informed us on how to possibly avoid the under and/or</p> | <p>(a) Fully Implemented</p> <p>(b) Fully Implemented</p> <p>(c) Fully Implemented</p> |

| Audit Observation and Recommendation  | Ref.                                  | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation   |
|---|---------------------------------------|--|---|
| <p>(d) draw the necessary journal entry vouchers (JEVs) to correct the affected accounts in the books to present fairly in the financial statements; and</p> <p>(e) PCC Inspectorate Team to:</p> <p>(i) conduct follow-up inspection of the deep well drilling project to determine its status; and</p> <p>(ii) seek consultation with the National Irrigation Administration (NIA) Office to explore viable alternative courses of action relative to the constructed deep well.</p>          |                                       | <p>overdepreciated PPE accounts. Regular checking of the PPE Ledger account should be made to test its accuracy.</p> | <p>(d) Partially Implemented</p> <p>Some affected PPE accounts were not yet adjusted as at year-end.</p> <p>(e.i) Fully Implemented</p> <p>(e.ii) Fully Implemented</p> |
| <p>5. <i>The Agency's non-compliance with the provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, on the proper valuation and recognition of breeding stocks and biological assets resulted in in the net understatement of Assets and Income by ₱122,600.00 and ₱1,677,000.00, respectively, and net understatement of Expenses by ₱1,554,400.00.</i></p> <p>We recommended that the Executive Director instruct the respective Center</p> | <p>CAAR<br/>2020<br/>AO<br/>No. 5</p> | <p>PCC at VSU is still in the process of completing documents needed</p>   |   |

| Audit Observation and Recommendation  | Ref.                      | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation  |
|---|---------------------------|--|--|
| <p>Directors to direct the offices/units concerned to:</p> <p>(a) consistently apply the valuation policy established by the PCC on Biological Assets;</p> <p>(b) recognize the calves produced and animals acquired in their respective records;</p> <p>(c) draw the necessary journal entry voucher (JEV) correcting the undervaluation of the animals; and</p> <p>(d) derecognize the dead animals in the books of accounts.</p> |                           | <p>for the derecognition.</p>  | <p>(a) Fully Implemented</p> <p>(b) Fully Implemented</p> <p>(c) Fully Implemented</p> <p>(d) Partially Implemented</p> <p>The carrying amount of some dead animals were not yet derecognized from the books of some Regional Centers.</p> |
| <p>6. <i>The accuracy and validity of some items reported under Financial Liabilities accounts were uncertain due to (a) unsubstantiated recognition of payables amounting to ₱5,088,349.39; (b) unrecognized liabilities for delivered/accepted supplies and materials worth ₱305,394.26; and (c) unsupported adjustments reducing Accounts Payable by ₱823,713.66. In sum, Financial Liabilities was</i></p>                      | <p>CAAR 2020 AO No. 6</p> | <p>The PCC-NHGP Accounting Unit conducted an online coaching/mentoring in preparation for the year-end closing. One of the topics to be discussed is the proper recognition of Accounts Payable at year-end.</p> |  |

| Audit Observation and Recommendation  | Ref.                                  | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation   |
|---|---------------------------------------|--|---|
| <p><i>overstated by a net amount of ₱3,959,241.47.</i></p> <p>We recommended that the Executive Director instruct the Accountant concerned to:</p> <p>(a) submit to the Audit Team the documents to support the recognition of payables as at year-end for verification;</p> <p>(b) record as payables those obligations which have become due and demandable based on complete documentary requirements to warrant the validity and legality thereof; and</p> <p>(c) henceforth, ensure the submission of the required Journal Entry Vouchers (JEVs) and supporting documents to substantiate the adjusting/correcting entries made on Accounts Payable.</p> |                                       | <p>Verification conducted at the PCC at VSU and DMMSU revealed that there were still JEVs recorded without valid supporting documents.</p> | <p>(a) Partially Implemented<br/>Ongoing submission of the required documents.</p> <p>(b) Fully Implemented</p> <p>(c) Partially Implemented<br/>Ongoing submission of JEVs and supporting documents.</p> |
| <p>7. <i>Unexpended fund balances of the completed projects totaling to ₱5,814,954.74 were not remitted to the Source Agencies (SAs) contrary to Section 63(g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, and the related Memorandum of Agreement (MOA) entered by and between the Philippine</i></p>  | <p>CAAR<br/>2020<br/>AO<br/>No. 7</p> |  |   |

| Audit Observation and Recommendation   | Ref.                                  | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation  |
|--|---------------------------------------|--|--|
| <p><i>Carabao Center (PCC) and the Source Agencies (SAs).</i></p> <p>We recommended and the Executive Director agreed to instruct the Administrative and Financial Management Division (PCC-NHGP) to</p> <p>(a) strictly comply with Section 63 (g) of the GAM for NGAs, Volume I and the terms and conditions of the MOA;</p> <p>(b) expedite the (i) updating of records to facilitate the preparation of liquidation reports; and (ii) perform reconciliation of the Budget and Accounting records; and</p> <p>(iii) immediately remit unexpended fund balances of completed projects to Source Agencies (SAs).</p> |                                       | <p>Review and reconciliation of completed projects were started in May 2021. The Agency will fast-track the immediate refund of the unexpended balance to the Source Agencies.</p> | <p>(a) Partially Implemented</p> <p>Some conditions in the MOA relative to the contract period were still not fully complied with in the implementation of some projects.</p> <p>(b.i) Partially Implemented</p> <p>Finalization of some liquidation reports has been ongoing.</p> <p>(b.ii) Partially Implemented</p> <p>Reconciliation between the Budget and Accounting records has been ongoing.</p> <p>(b.iii) Partially Implemented</p> <p>Unexpended fund balances of some projects were not yet fully refunded to the SAs.</p> |
| <p>8. <i>Lapses in the GAD planning, budgeting and reporting of programs, activities and projects (PAPs)</i></p>   | <p>CAAR<br/>2020<br/>AO<br/>No. 8</p> |  |  |

| Audit Observation and Recommendation   | Ref. | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation |
|--|------|--|---|
| <p>were noted in CY 2020, such as (a) non-reconstitution of the existing GAD Focal Point System (GFPS); and (b) failure to use the Harmonized Gender and Development Guidelines (HGDG) tools in the preparation of GAD Plan and Budget (GPB) and GAD Accomplishment Report (GAD AR), inconsistent with Section 5 of the Philippine Commission on Women (PCW) Memorandum Circular No. 2011-01 dated October 21, 2011 and Paragraph 3.4 of Philippine Commission on Women-National Economic and Development Authority-Department of Budget and Management (PCW-NEDA-DBM) Joint Circular (JC) No. 2012-01.</p> <p>We recommended that the OIC-Executive Director instruct the GAD officers concerned to</p> <p>(a) reconstitute the structure and composition of the Agency's GFPS to conform with the PCW Memorandum Circular No. 2011-01 dated October 21, 2011;</p> <p>(b) enhance their knowledge on the attribution of the costs of GAD-related accomplishments through trainings and similar interventions;</p> |      | <p>The OIC-Executive Director issued SO No. 49 dated March 30, 2021 for the reconstitution of the structure and composition of the PCC's GFPS.</p> | <p>(a) Fully Implemented</p> <p>(b) Fully Implemented</p>           |



| Audit Observation and Recommendation  | Ref.                                  | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation |
|---|---------------------------------------|---|---|
| <p>(c) use the Harmonized Gender and Development Guidelines (HGDG) assessment tool in the attribution of programs, activities and projects; and</p> <p>d) furnish the Audit Team with a copy of the PCW-endorsed GAD Accomplishment Report after approval by the Agency Head.</p>   |                                       |   | <p>(c) Fully Implemented</p> <p>(d) Fully Implemented</p>           |
| <p>9. <i>The procurement of ₱16,100,200.00 worth of fresh carabao's milk sourced from the local dairy farmers and cooperatives was successfully undertaken by the Philippine Carabao Center-National Headquarters Gene Pool (PCC NHGP) during calendar year 2020, benefitting 90,020 undernourished children enrolled under the DepEd Milk Feeding Program. Nonetheless, deficiencies and flaws were noted in the contract preparation and implementation phases, thus, contrary to relevant laws, rules and regulations.</i></p> <p>We commended the management of PCC NHGP and PCC at UPLB for the smooth implementation of the Milk Feeding Program in its first year of operation, and recommended that the</p> | <p>CAAR<br/>2020<br/>AO<br/>No. 9</p> | <p>To comply with the contract execution, POs were issued to suppliers to lessen the processing time of the procurement process and avoid</p> |   |

| Audit Observation and Recommendation   | Ref.                       | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation                    |
|--|----------------------------|---|--|
| <p>Executive Director instruct the BAC and other officials and employees concerned to</p> <p>(a) ensure complete documentation of the transactions in compliance with the Contract Agreement;</p> <p>(b) strictly comply with the prescribed period of contract execution or the issuance of Notice of Award and Notice to Proceed; and</p> <p>(c) see to it that the publication of the necessary information and procurement documents relative to the Milk Feeding Program is carried out in all required avenues within seven working days from the date of acceptance of the award.</p> |                            | <p>conflicting dates from the issuance of NOA and NTP.</p> <p>Required supporting documents were submitted to the Audit Team.</p> | <p>(a) Fully Implemented</p> <p>(b) Fully Implemented</p> <p>(c) Fully Implemented</p> |
| <p><i>10. The Modified "Paiwi" or Trusteeship Scheme of the Dairy Buffalo Module Program (DMBP) of the Philippine Carabao Center (PCC) has substantially attained its objective of providing additional income to the farmer-beneficiaries for the last two years covering CYs 2018 to 2019, realized from the milk produced and calves born, with a total amount of ₱200,029,594.16. However, for the same period, 102 instances of deaths and 167 cases of culling of buffaloes</i></p>  | <p>CAAR 2020 AO No. 10</p> |   |  |

| Audit Observation and Recommendation  | Ref. | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation |
|---|------|---|---|
| <p><i>occurred due to health issues, thus, hindering the efficient implementation and attainment of optimum program results. Similarly, measures undertaken to mitigate the loss of buffaloes thru death at the NGP Center were fairly effective as manifested by the (a) decrease in mortality of three heads; (b) the decline in the number of deaths caused by ruminal tympany/bloat from nine to two heads during the year 2020; and (c) culling of animals with poor body condition dropped from 23 heads to four. The mortalities and culling of animals, regardless of cause, still posed a threat to the preservation of the animals that would otherwise contribute to the sustainability of the Agency's Genetic Improvement Program.</i></p> <p>(a) We recommended and the OIC –Executive Director agreed to undertake the following courses of action:</p> <p>(i) reassess workloads as well as the duties and responsibilities of the veterinarians and personnel responsible for the monitoring of the 7,657 buffaloes entrusted to the different farmer-beneficiaries of</p> |      | <p>Aside from the programs implemented in CY 2020, Management is in the process of making additional improvements in its facilities and health management that should contribute to the general well-being of the animals, such as:</p> | <p>(a.i) Fully Implemented</p>                                      |

| Audit Observation and Recommendation  | Ref. | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation  |
|---|------|---|--|
| <p>different cooperatives in Nueva Ecija;</p> <p>(ii) consider hiring additional veterinarians/staff or revision of their duties and responsibilities if the result of reassessment requires for it;</p> <p>(iii) encourage the farmer-beneficiaries to immediately report the health condition of their animals for immediate medical attention;</p> <p>(iv) if possible, revisit the policies and guidelines of the "PAIWI" Scheme and institute safeguards to prevent numerous deaths and culling of animals; and</p> <p>(v) consider the statement under the dispositive portion of COA Decision No. 2018-450 dated December 21, 2018 encouraging the PCC to conduct thorough investigation on the deaths of the buffaloes to prevent further loss of government property.</p> <p>(b) We further recommended and the OIC –Executive Director agreed to:</p> <p>(i) evaluate the circumstances and causes of the diseases which led to death and culling among the herd in spite of the interventions observed in the NGP; and</p> |      | <p>1) Application for Animal Welfare Act compliance and Good Animal Husbandry Practices Certification;</p> <p>2) Reviewed, re-evaluated and redesigned the Herd Health Management Program;</p> <p>3) Prohibition of entry of private vehicles in the farm; and</p> <p>4) Repair of House No. 4 that will be used as Pregnant Animals and Maternity Barn</p> <p>Regular evaluation of the causes of the diseases that led to the death and culling in the institutional herd to attain the objectives of preventing and minimizing the occurrence of diseases among the animals.</p> | <p>(a.ii) Fully Implemented</p> <p>(a.iii) Fully Implemented</p> <p>(a.iv) Fully Implemented</p> <p>(a.v) Fully Implemented</p> <p>(b.i) Fully Implemented</p> |

| Audit Observation and Recommendation  | Ref.                                   | Management Comments/Action | Status of Implementation and Reason for Partial/ Non-Implementation |
|---|--|----------------------------|---|
| (ii) conscientiously observe the routine activities in the Herd Health Program to attain the objectives of preventing and minimizing the occurrence of diseases for the optimum performance of the animals.   |  |                            | (b.ii) Fully Implemented  |
| <p><i>11. Audit of the implementation of the Province-Wide Carabao-Based Business Improvement (CBIN) of the different Philippine Carabao Centers (PCCs) disclosed observations, such as (a) delayed project implementation; (b) late dispersal of animals to intended beneficiaries; (c) unsubstantiated distribution of buffaloes; (d) no provision in the Memorandum of Agreement (MOA) on the acquisition and disposition of motor vehicles/equipment turned over to a Cooperative; (e) breach of contract resulting in undelivered buffaloes while animal/zoological supplies were distributed to a non-legitimate recipient; and (f) absence of list of intended farmer-beneficiaries. Such lapses hindered the full attainment of the objectives of the Program and the enjoyment of the benefits by the beneficiaries thereof.</i></p> | <p>CAAR<br/>2020<br/>AO<br/>No. 11</p> |                            |   |

| Audit Observation and Recommendation   | Ref. | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation   |
|--|------|---|---|
| <p>(a) We recommended and the Center Director agreed to instruct the Program Coordinator and other officials/personnel concerned to:</p> <p>(i) formulate physical plans for future programs that are attainable within the target period considering the constraints encountered in the implementation of existing programs; and</p> <p>(ii) ensure the attainment of optimum expected benefits from the program to the advantage of the intended beneficiaries thru effective planning.</p> <p>(b) The respective Audit Team recommended that the Management of PCC at CMU:</p> <p>(i) make constant follow ups with the PCC Headquarters for the early conduct of bidding to catch up with the implementation schedule of the project and maximize the utilization of funds; and</p> <p>(ii) fast track the implementation of the identified projects as planned (dispersal of buffalos to the targeted beneficiaries, installation of the milk processing equipment and construction of the required</p> |      | <p>The concerned Center Directors, CBIN overall coordinator and Operations Group will undertake and consider the audit recommendations in the ensuing CBIN programs to ensure full implementation of the Program to benefit target beneficiaries.</p> <p>The preparation of required and necessary documents and continuous coordination with partner LGUs and stakeholders will be fast-tracked; hired staff will be designated to focus on the procurement, administrative, and monitoring work.</p> <p>Completion of Improvement of containerized milk processing plant and installation of related equipment.</p> <p>The PCC-NHGP facilitated the re-bidding processing and award which</p> | <p>(a.i) Fully Implemented</p> <p>(a.ii) Fully Implemented</p> <p>(b.i) Fully Implemented</p> <p>(b.ii) Not Implemented</p> <p>The Accomplishment Report and other requested documents were not yet submitted to COA; Management committed that dispersal shall</p> |

| Audit Observation and Recommendation  | Ref. | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation   |
|---|------|--|---|
| <p>structures) for the benefit of the farmers as well as the general public;</p> <p>(c) The Audit Team of PCC at DMMMSU recommended that Management retrieve the MOA duly signed by the recipients in order to fully support the distribution of the buffaloes and at the same time relieve the Center from liability in cases of losses or deaths of the animals;</p> <p>(d) The Audit Team of PCC at LCSF recommended and Management, thru the Center Director, agreed to revisit the existing MOA and prepare amendments thereto so that the responsibilities and obligations of both parties pertaining to the assets purchased and turned over to the Cooperative will be clearly specified therein;</p> <p>(e) The Audit Team of PCC at MMSU recommended that Management:</p> <p>(i) bestow to the Center autonomy in the procurement of its projects, goods and services for timely enjoyment and effective implementation of the program for the benefit of its clientele; and</p> <p>(ii) ensure that the funds of the aforesaid Program/Project be utilized and spent</p> |      | <p>was completed and delivered in December 2020.</p> <p>Conducted fixed-time Artificial Insemination (AI) and Pregnancy Diagnosis to the purchased animals and close monitoring of animals to be impregnated before the dispersal.</p> <p>The Center had already completed the retrieval of the signed contract/ MOA (between the conduit and the farmer-beneficiaries).</p> <p>Submitted the amended MOA to COA but they still have comments on the guidelines for transfer of accountability.</p> <p>PO No. 07308603-2020-12-573 dated 12/15/2020 was awarded to a local supplier. The 30 heads of carabaos were already received by the intended beneficiaries.</p> | <p>commence on August 2021 and onwards.</p> <p>(c) Fully Implemented</p> <p>(d) Partially Implemented</p> <p>The MOA will still be amended to include the guidelines and transfer of accountability for the equipment and will be re-submitted to the COA for approval.</p> <p>(e.i) Not Implemented</p> <p>Post-audit of the CY 2021 transactions of the PCC at MMSU disclosed that the procurement process for the infrastructure projects was still conducted at the PCC-NHGP.</p> <p>(e.ii) Fully Implemented</p> |

| Audit Observation and Recommendation   | Ref.                                   | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation                             |
|--|--|---|---|
| <p>exclusively for legitimate/targeted beneficiaries so as not to deprive them of the intended support and benefits under the Program;</p> <p>(f) The Audit Team of PCC at UPLB recommended that Management:</p> <p>(i) strictly enforce the delivery of buffaloes within the approved extension period given to the contractor;</p> <p>(ii) submit the list of intended farmer-beneficiaries in Palawan of the said buffaloes; and</p> <p>(iii) comply strictly with the prescribed period on the submission of copies of Purchase Orders and perfected contracts and their supporting documents pursuant to COA Circular No. 2009-001 dated February 12, 2009.</p> |  | <p>MOAs were executed with participating cooperatives that invested in housing, forage development and other facilities for dairy carabao production.</p> <p>Delivery of the animals to Albay and Palawan was made on April 29 and June 18, 2021, respectively.</p> <p>Said list was submitted to COA on July 23, 2021.</p> <p>Original copies of procurement documents were provided by the PCC-NHGP in November 2020, and forwarded to COA.</p> | <p>(f.i) Fully Implemented</p> <p>(f.ii) Fully Implemented</p> <p>(f.iii) Fully Implemented</p> |
| <p><i>12. The PCC-NHGP did not secure a clearance from the Office of the Solicitor General (OSG) that his prior written conformity and acquiescence for the hiring of a private lawyer as technical consultant is not required, thus, not harmonized with the standard called for under Section 3 of the Revised</i></p>   | <p>CAAR<br/>2020<br/>AO<br/>No. 12</p> |   |   |



| Audit Observation and Recommendation   | Ref.                       | Management Comments/Action   | Status of Implementation and Reason for Partial/ Non-Implementation |
|--|----------------------------|--|---|
| <p><i>Guidelines on the Deputation of Private Lawyers and Special Attorneys dated December 15, 2015.</i></p> <p>We recommended and the OIC - Executive Director agreed to instruct the personnel concerned from the Administrative and Financial Management Division to secure a clearance from the Office of the Solicitor General (OSG) that his prior written conformity and acquiescence for the hiring of a private lawyer to act as technical consultant is not required pursuant to Section 3 of the Revised Guidelines on the Deputation of Private Lawyers and Special Attorneys dated December 15, 2015.</p> |                            | <p>PCC has already received the authority or clearance from the OSG for the hiring of private lawyer starting July 10, 2021.</p> | <p>Fully Implemented</p>  |
| <p><i>13. Several accounting practices in the operation of different Centers of the PCC were unsound and contrary to various laws, rules and regulations set forth under Presidential Decree (P.D.) No.1445, International Public State Accounting Standards (IPSAS) 1 and COA Circular No. 12-001.</i></p> <p>(a) We recommended that the Center Director instruct the Accounting Unit to (i) ensure that appropriations are available before obligations are incurred and that all</p>   | <p>CAAR 2020 AO No. 13</p> | <p>A summary of various COA/DBM and other related guidelines will be issued to its regional centers</p>                          | <p>(a.i) Fully Implemented</p>                                      |

| Audit Observation and Recommendation  | Ref.                                   | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation |
|---|--|---|---|
| <p>expenditures which could not be paid in the year these were incurred are recognized as Accounts Payable before the close of the year; and</p> <p>(ii) comply with the accrual basis of accounting for complete reporting of all financial transactions in the financial statements.</p> <p>(b) We recommended that Management require the Accountant to cause the submission of the lacking documents and, henceforth, review and verify the completeness and validity of the documentary requirements prior to payment of expenses in order to ensure the validity and propriety of the Center's disbursements.</p> |  | <p>through a Memorandum Order. This will be used as their guide prior to the processing and approval of the payment of expenses to ensure the validity and propriety of the Center's disbursements.</p> | <p>(a.ii) Fully Implemented</p> <p>(b) Fully Implemented</p>        |
| <p><i>14. Remittance of taxes of ₱27,730,563.02 withheld from the payments of goods and services to suppliers/contractors, and compensation/honoraria of employees was effected in CY 2020 in consonance with the provisions under BIR Revenue Regulations Nos. 2-98, 10-2008, and 1-2013 dated April 17, 1998, July 8, 2008, and January 23, 2013, respectively, thereby, contributing to the financing of various public services of the government. However,</i></p>   | <p>CAAR<br/>2020<br/>AO<br/>No. 14</p> |   |   |

| Audit Observation and Recommendation  | Ref.                                   | Management Comments/Action | Status of Implementation and Reason for Partial/ Non-Implementation |
|---|--|----------------------------|---|
| <p><i>under remittance was observed in the consolidated schedule of taxes withheld and the corresponding remittances.</i></p> <p>We recommended that the OIC - Executive Director instruct the Accountants/ Bookkeepers of the Centers:</p> <p>(a) to continuously adhere to the revenue regulations on the withholding and timely remittance of taxes to the BIR; and</p> <p>(b) to keep the recording in the RCI and eNGAS updated to ensure full remittance of taxes withheld.</p>   |  |                            | <p>(a) Fully Implemented</p> <p>(b) Fully Implemented</p>           |
| <p><i>15. The PCC-NHGP complied with R.A. No. 8291 or the Government Service Insurance System Law on the withholding of GSIS monthly premiums/contributions for retirement and life insurance policies (RLIP) from employees' compensation and in the remittance thereof together with the government share and loan amortizations within the prescribed period, thus, allowing ready access of members to benefits and privileges provided by the System.</i></p> <p>We recommended that the OIC - Executive Director instruct the Accounting Unit</p> | <p>CAAR<br/>2020<br/>AO<br/>No. 15</p> |                            | <p>Fully Implemented</p>  |

| Audit Observation and Recommendation   | Ref.                                   | Management Comments/Action | Status of Implementation and Reason for Partial/ Non-Implementation |
|--|--|----------------------------|---|
| <p>of all PC Centers to continue to be compliant with the deduction of GSIS premium contributions and the remittance thereof including the government share within the prescribed period.</p>  |  |                            |   |
| <p><i>16. The contributions and other amounts due to Pagtutulungan sa kinabukasan: Ikaw, Bangko, Industriya at Gobyerno (Pag-IBIG) deducted from the compensation of employees together with the government share thereto were fully remitted to the Pag-IBIG within the prescribed period pursuant to Implementing Rules and Regulations (IRR) of Republic Act (R.A.) No. 9679, otherwise known as the Home Development Mutual Fund (HDMF) Law of 2009, thus, assuring members of unhampered benefits and privileges therefrom.</i></p> <p>(a) We recommended that the Executive Director instruct the Accounting Unit of all PC Centers to continually adhere to the timely remittance thereof including the government share within the prescribed period; and</p> <p>(b) We also recommended that the whole amount of withheld monthly contributions be remitted intact.</p> | <p>CAAR<br/>2020<br/>AO<br/>No. 16</p> |                            | <p>(a) Fully Implemented</p> <p>(b) Fully Implemented</p>           |

| Audit Observation and Recommendation  | Ref.                                   | Management Comments/Action  | Status of Implementation and Reason for Partial/ Non-Implementation   |
|---|--|---|---|
| <p>17. <i>The PCC-NHGP and five PC Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2020. However, the PC Center at VSU, LCSF and MLPC had outstanding suspensions of ₱11,231,203.04 and audit disallowances of ₱57,659.67 as reflected in the submitted Management Letters (MLs) and Status of Suspensions, Disallowances, and Charges (SASDC).</i></p> <p>The respective Audit Team recommended that the Management:</p> <p>(a) enforce the immediate settlement of the audit suspensions to avoid the same from maturing into disallowances; and</p> <p>(b) require persons liable to settle the audit disallowances in the manner prescribed under the RRSA.</p> | <p>CAAR<br/>2020<br/>AO<br/>No. 17</p> | <p>Monitoring of compliance with the settlement of audit suspensions and disallowances will be conducted until June 2022.</p> | <p>(a) Partially Implemented</p> <p>(b) Partially Implemented</p> <p>Settlement of audit suspensions and disallowances have been ongoing.</p> |

## **PART IV – APPENDICES**

- Appendix A- Schedule of Unrecognized Receivables from Accountable Officers (AOs) as of December 31, 2021
  - Appendix B- Schedule of Calf Drops in the Dairy Zone as of December 31, 2021
  - Appendix C- Schedule of Unrevalued Animals as of December 31, 2021
  - Appendix D- Schedule of Derecognized PPE Items as of December 31, 2021
  - Appendix E- Schedule of Unexpended Balances of Completed Projects as of December 31, 2021
  - Appendix F- Schedule of Unrecognized Research Animals as of December 31, 2021
  - Appendix G- Schedule of Unreleased Guaranty/Security Deposits Payable as of December 31, 2021
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Philippine Carabao Center (PCC) at University of the Philippines- Los Banos (UPLB)  
**Schedule of Unrecognized Receivables from Accountable Officers**  
 As of December 31, 2021

| Property No. | Date of Birth | Other Receivables   | Recipient                  |
|--------------|---------------|---------------------|----------------------------|
| GR0975       | 7/23/2012     | ₱ 30,000.00         | PCC Genepool Farm          |
| 2UP04001     | 1/29/2004     | 9,750.00            | PCC Genepool Farm          |
| 2UP17018     | 8/16/2017     | 29,250.00           | PCC Genepool Farm          |
| 2UP17028     | 11/11/2017    | 29,250.00           | PCC Genepool Farm          |
| 2UP19006     | 4/13/2019     | 22,750.00           | PCC Genepool Farm          |
| 7UP17026     | 10/27/2017    | 29,250.00           | PCC Genepool Farm          |
| GR1531       | 11/12/2011    | 30,875.00           | De Belen, Ernesto          |
| 2UPC18273    | 5/9/2018      | 22,750.00           | De Belen, Ernesto          |
| 2UPC18279    | 8/30/2018     | 22,750.00           | Rabaja, Rogelio V.         |
| GR0868       | 6/10/2012     | 30,875.00           | Macalindong, Alberto R.    |
| GR1230       | 5/28/2012     | 30,875.00           | Macalindong, Alberto R.    |
| GR1500       | 7/24/2012     | 30,875.00           | Sapungan, Leonides G.      |
| 2UPC19185    | 7/27/2019     | 19,500.00           | De Leon, Tolentino A.      |
| 2UPC19243    | 1/2/2019      | 22,750.00           | Barola, Ivan               |
| 2UPC10015    | 6/17/2010     | 9,750.00            | Langit, Jerry              |
| 2UPC06011    | 7/7/2006      | 9,750.00            | Reyes, Antonio P.          |
| 2UPC07027    | 12/16/2007    | 9,750.00            | Mirano, Mario              |
| 2UPC09006    | 2/12/2009     | 9,750.00            | Mercado, Tomas             |
| 3UPC11104    | 11/26/2010    | 9,750.00            | Delos Santos, Celestino    |
| 6UPC17027    | 1/15/2017     | 22,750.00           | Grepo, Rolando             |
| GR1750       | 6/7/2012      | 30,875.00           | Umali, Angelo              |
| IT201472     | 6/23/2012     | 30,875.00           | Montealegre, Joseias S.    |
| 2BR11143     | 8/25/2011     | 9,750.00            | E. Gonzales with B. Samson |
| 2BR11144     | 9/2/2011      | 9,750.00            | Bautista, Eroid A.         |
| 2BR11180     | 12/8/2011     | 9,750.00            | Bautista, Eleanor G.       |
| 2UP14013     | 8/25/2014     | 29,250.00           | PCC Genepool Farm          |
| 2GP16079     | 7/8/2016      | 23,750.00           | PCC Genepool Farm          |
| GR1873       | 8/14/2012     | 30,875.00           | PCC Genepool Farm          |
| 2UP16025     | 10/26/2016    | 29,250.00           | Robel Del Valle            |
| IT2014443    | 9/17/2012     | 30,875.00           | Consunji, Victor A.        |
| 7UP13014     | 9/10/2013     | 22,750.00           | PCC Genepool Farm          |
| <b>Total</b> |               | <b>₱ 690,750.00</b> |                            |

Philippine Carabao Center (PCC) at Don Mariano Marcos Memorial State University (DMMMSU)

**Schedule of Calf Drops in the Dairy Zone**

As of December 31, 2021

| <b>Animal ID</b> | <b>Birth Date</b> | <b>Fair Value</b> | <b>50% PCC Share</b> |
|------------------|-------------------|-------------------|----------------------|
| 2DMC21001        | 12-Jan-21         | ₱ 5,000.00        | ₱ 2,500.00           |
| 2DMC21002        | 13-Jan-21         | 5,000.00          | 2,500.00             |
| 5DMC21003        | 16-Jan-21         | 4,250.00          | 2,125.00             |
| 2DMC21005        | 6-Feb-21          | 5,000.00          | 2,500.00             |
| 2DMC21006        | 10-Feb-21         | 5,000.00          | 2,500.00             |
| 2DMC21007        | 15-Feb-21         | 5,000.00          | 2,500.00             |
| 2DMC21008        | 11-Mar-21         | 5,000.00          | 2,500.00             |
| 8DMC21009        | 3-Feb-21          | 4,250.00          | 2,125.00             |
| 2DMC21011        | 18-Mar-21         | 5,000.00          | 2,500.00             |
| 2DMC21012        | 26-Mar-21         | 5,000.00          | 2,500.00             |
| 2DMC21013        | 12-Apr-21         | 5,000.00          | 2,500.00             |
| 2DMC21015        | 26-Apr-21         | 5,000.00          | 2,500.00             |
| 5DMC21016        | 12-Apr-21         | 4,250.00          | 2,125.00             |
| 6DMC21018        | 25-Jan-21         | 4,250.00          | 2,125.00             |
| 2DMC21019        | 4-Feb-21          | 5,000.00          | 2,500.00             |
| 2DMC21020        | 13-Feb-21         | 5,000.00          | 2,500.00             |
| 2DMC21022        | 28-Jun-21         | 5,000.00          | 2,500.00             |
| 2DMC21023        | 10-Jul-21         | 5,000.00          | 2,500.00             |
| 6DMC21025        | 9-Jul-21          | 4,250.00          | 2,125.00             |
| 6DMC21026        | 2-Aug-21          | 4,250.00          | 2,125.00             |
| 2DMC21028        | 12-Sep-21         | 5,000.00          | 2,500.00             |
| 2DMC21030        | 28-Sep-21         | 5,000.00          | 2,500.00             |
| 2DMC21031        | 28-Feb-21         | 5,000.00          | 2,500.00             |
| 2DMC21032        | 3-Mar-21          | 5,000.00          | 2,500.00             |
| 2DMC21033        | 14-Sep-21         | 5,000.00          | 2,500.00             |
| 7DMC21035        | 28-Jul-21         | 4,250.00          | 2,125.00             |
| 2DMC21038        | 23-Sep-21         | 5,000.00          | 2,500.00             |
| 2DMC21039        | 25-Sep-21         | 5,000.00          | 2,500.00             |
| 2DMC21040        | 26-Sep-21         | 5,000.00          | 2,500.00             |
| 2DMC21041        | 30-Sep-21         | 5,000.00          | 2,500.00             |
| 6DMC21042        | 30-Sep-21         | 4,250.00          | 2,125.00             |
| 6DMC21043        | 1-Oct-21          | 4,250.00          | 2,125.00             |
| 2DMC21044        | 23-Sep-21         | 5,000.00          | 2,500.00             |
| 2DMC21045        | 5-Oct-21          | 5,000.00          | 2,500.00             |
| 2DMC21046        | 6-Oct-21          | 4,250.00          | 2,125.00             |
| 2DMC21047        | 10-Oct-21         | 5,000.00          | 2,500.00             |
| 2DMC21048        | 10-Oct-21         | 5,000.00          | 2,500.00             |
| 2DMC21049        | 11-Oct-21         | 5,000.00          | 2,500.00             |
| 2DMC21050        | 27-Sep-21         | 5,000.00          | 2,500.00             |
| 9DMC21051        | 19-Jul-21         | 4,250.00          | 2,125.00             |
| 6DMC21052        | 10-Apr-21         | 4,250.00          | 2,125.00             |
| 6DMC21053        | 4-Sep-21          | 4,250.00          | 2,125.00             |
| 2DMC21054        | 15-Sep-21         | 5,000.00          | 2,500.00             |
| 6DMC21055        | 23-Sep-21         | 4,250.00          | 2,125.00             |
| 2DMC21057        | 1-Feb-21          | 5,000.00          | 2,500.00             |
| 2DMC21058        | 8-Sep-21          | 5,000.00          | 2,500.00             |
| 2DMC21059        | 17-Oct-21         | 5,000.00          | 2,500.00             |
| 6DMC21061        | 12-Nov-21         | 4,250.00          | 2,125.00             |



Philippine Carabao Center (PCC) at Don Mariano Marcos Memorial State University (DMMMSU)

**Schedule of Calf Drops in the Dairy Zone**

As of December 31, 2021

| <b>Animal ID</b> | <b>Birth Date</b> | <b>Fair Value</b>   | <b>50% PCC Share</b> |
|------------------|-------------------|---------------------|----------------------|
| 2DMC21062        | 17-Nov-21         | 5,000.00            | 2,500.00             |
| 7DMC21063        | 19-Nov-21         | 4,250.00            | 2,125.00             |
| 7DMC21064        | 19-Nov-21         | 4,250.00            | 2,125.00             |
| 6DMC21065        | 22-Nov-21         | 4,250.00            | 2,125.00             |
| 2DMC21066        | 23-Nov-21         | 5,000.00            | 2,500.00             |
| 6DMC21067        | 20-Nov-21         | 4,250.00            | 2,125.00             |
| 6DMC21068        | 1-Jan-21          | 4,250.00            | 2,125.00             |
| 6DMC21069        | 23-Jan-21         | 4,250.00            | 2,125.00             |
| 5DMC21071        | 31-Jan-21         | 4,250.00            | 2,125.00             |
| 5DMC21072        | 18-Feb-21         | 4,250.00            | 2,125.00             |
| 2DMC21074        | 6-Dec-21          | 5,000.00            | 2,500.00             |
| 2DMC21075        | 8-Dec-21          | 5,000.00            | 2,500.00             |
| 2DMC21076        | 12-Dec-21         | 5,000.00            | 2,500.00             |
| 2DMC21077        | 16-Dec-21         | 5,000.00            | 2,500.00             |
| 7DMC21078        | 18-Dec-21         | 4,250.00            | 2,125.00             |
| 2DMC21079        | 19-Dec-21         | 5,000.00            | 2,500.00             |
| <b>Total</b>     |                   | <b>₱ 302,000.00</b> | <b>₱ 151,000.00</b>  |

Philippine Carabao Center (PCC) at Central Luzon State University (CLSU)

**Schedule of Unrevalued Animals**

As of December 31, 2021

| Ear Tag No. | Age as of<br>12/31/2021 | FV Less Cost to Sell |             | Variance<br>Under(Over) |
|-------------|-------------------------|----------------------|-------------|-------------------------|
|             |                         | Per Books            | Per Audit   |                         |
| 2CL20015    | 18                      | ₱ 5,000.00           | ₱ 22,750.00 | ₱ 17,750.00             |
| 2CL20016    | 18                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20017    | 18                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20018    | 18                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2GP18053    | 40                      | 22,750.00            | 29,250.00   | 6,500.00                |
| 2GP18082    | 39                      | 22,750.00            | 29,250.00   | 6,500.00                |
| 2GP18106    | 38                      | 22,750.00            | 29,250.00   | 6,500.00                |
| 2GP18135    | 36                      | 22,750.00            | 29,250.00   | 6,500.00                |
| 2GP18139    | 36                      | 22,750.00            | 29,250.00   | 6,500.00                |
| 6CL20028    | 15                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 6CL20030    | 14                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 6CL20032    | 13                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 7CL20026    | 15                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 7CL20029    | 14                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 7CL20031    | 14                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 8CL20027    | 15                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 8CL20034    | 13                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 8CL20041    | 13                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 8CL20042    | 13                      | 4,250.00             | 11,050.00   | 6,800.00                |
| 8UP18001    | 47                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19010    | 33                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19012    | 33                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19018    | 33                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19026    | 31                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19028    | 31                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19032    | 31                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19035    | 30                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19037    | 28                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19038    | 28                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19039    | 27                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19040    | 27                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19042    | 27                      | 19,500.00            | 22,750.00   | 3,250.00                |
| 2CL19045    | 26                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL19058    | 25                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL19060    | 25                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL19063    | 25                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL19064    | 24                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL19065    | 24                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20008    | 21                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20009    | 20                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20011    | 20                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20012    | 20                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20014    | 20                      | 5,000.00             | 22,750.00   | 17,750.00               |
| 2CL20019    | 16                      | 5,000.00             | 19,500.00   | 14,500.00               |
| 2CL20020    | 16                      | 5,000.00             | 19,500.00   | 14,500.00               |
| 2CL20021    | 16                      | 5,000.00             | 19,500.00   | 14,500.00               |
| 2CL20022    | 15                      | 5,000.00             | 19,500.00   | 14,500.00               |

Philippine Carabao Center (PCC) at Central Luzon State University (CLSU)

**Schedule of Unrevalued Animals**

As of December 31, 2021

| Ear Tag No.  | Age as of<br>12/31/2021 | FV Less Cost to Sell |           | Variance<br>Under(Over) |
|--------------|-------------------------|----------------------|-----------|-------------------------|
|              |                         | Per Books            | Per Audit |                         |
| 2CL20023     | 15                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20024     | 15                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20025     | 15                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20032     | 13                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20033     | 13                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20035     | 13                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20036     | 13                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20037     | 13                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20038     | 13                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20039     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20040     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20043     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20044     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20045     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20046     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20047     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20048     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL20049     | 12                      | 5,000.00             | 19,500.00 | 14,500.00               |
| 2CL19014     | 33                      | 11,050.00            | 19,500.00 | 8,450.00                |
| 2CL16038     | 61                      | 22,750.00            | 29,250.00 | 6,500.00                |
| 2CL18002     | 47                      | 22,750.00            | 29,250.00 | 6,500.00                |
| 2CL18004     | 47                      | 22,750.00            | 29,250.00 | 6,500.00                |
| 2CL18015     | 46                      | 22,750.00            | 29,250.00 | 6,500.00                |
| 2CL18016     | 45                      | 22,750.00            | 29,250.00 | 6,500.00                |
| 2CL18018     | 42                      | 22,750.00            | 29,250.00 | 6,500.00                |
| 2GP17005     | 59                      | 22,750.00            | 29,250.00 | 6,500.00                |
| 2OS20106     | 16                      | 44,000.00            | 19,500.00 | (24,500.00)             |
| 2CLC20158    | 23                      | 60,000.00            | 22,750.00 | (37,250.00)             |
| 2OS20101     | 16                      | 45,000.00            | 19,500.00 | (25,500.00)             |
| 2OS20102     | 17                      | 45,000.00            | 19,500.00 | (25,500.00)             |
| 2OS20103     | 16                      | 45,000.00            | 19,500.00 | (25,500.00)             |
| 2OS20104     | 17                      | 45,000.00            | 19,500.00 | (25,500.00)             |
| 2OS20105     | 16                      | 44,000.00            | 19,500.00 | (24,500.00)             |
| 2OS20107     | 26                      | 53,000.00            | 22,750.00 | (30,250.00)             |
| 2OS20108     | 28                      | 53,000.00            | 22,750.00 | (30,250.00)             |
| 2OS20109     | 27                      | 53,000.00            | 22,750.00 | (30,250.00)             |
| 2OS20110     | 26                      | 53,000.00            | 22,750.00 | (30,250.00)             |
| <b>TOTAL</b> |                         |                      |           | <b>₱ 472,700.00</b>     |

Philippine Carabao Center (PCC) at University of the Philippine-Los Banos (UPLB)  
**Schedule of Derecognized PPE Items**  
 As of December 31, 2021

| Items & Description                             | Date Acquired | Quantity  | Total Value           |
|---|---------------|-----------|-----------------------|
| Knife Sharpener, Thomas                         | 15-Jun-05     | 1         | ₱ 15,495.97           |
| Scale, Animal w/sq.pm/wheel                     | 15-Jun-05     | 1         | 44,400.00             |
| Airconditioner, Carrier                         | 23-Sep-93     | 1         | 22,500.00             |
| Carrier Aircondition, Model WCPM 12000STD       | 21-Aug-96     | 1         | 15,600.00             |
| Motorola Radius Radio GM300 w/ antenna system   | 11-Jun-96     | 1         | 57,900.00             |
| Personal Computer IBM/XT                        | 15-Jun-05     | 1         | 28,173.40             |
| PC 486, DLC40, SN: 930101075                    | 8-Jul-94      | 1         | 27,480.00             |
| Crude Fiber Digestion Apparatus                 | 15-Jun-05     | 1         | 19,600.00             |
| Crude Fiber Digestion Apparatus                 | 15-Jun-05     | 1         | 19,600.00             |
| Kjeldal Distillation Apparatus                  | 15-Jun-05     | 1         | 135,017.50            |
| Microscope, microstar A 110 Illuminator         | 15-Jun-05     | 1         | 23,878.40             |
| U-bix Copying Machine model 1020, SN: 552232259 | 25-Sep-95     | 1         | 105,000.00            |
| Printer, Epson FX-1170                          | 22-Jun-05     | 1         | 17,200.00             |
| Personal Computer, PIII                         | 31-Dec-00     | 1         | 60,600.00             |
| Personal Computer, Pentium III, 900 Mhz         | 6-Feb-02      | 1         | 24,000.00             |
| Toshiba Satellite 2400-A630 Notebook            | 17-Dec-02     | 1         | 103,600.00            |
| Airconditioner, Daikin                          | 31-Dec-93     | 1         | 16,975.00             |
| Airconditioner, Daikin                          | 31-Dec-93     | 1         | 16,975.00             |
| Electronic Typewriter, Triumph Adler            | 26-May-99     | 1         | 25,300.00             |
| Elmo Slide Projector, model Omnigraphic 253     | 14-Jul-97     | 1         | 21,090.00             |
| Kodak Overhead Projector, w/ screen             | 22-Jul-97     | 1         | 28,900.00             |
| Personal Computer with Printer (upgraded)       | 31-Dec-93     | 1         | 51,700.00             |
| Personal Computer, AMD K6-2, 450 Mhz            | 17-Jun-99     | 1         | 26,600.00             |
| Personal Computer, AMD K6-2, 450 Mhz            | 17-Jun-99     | 1         | 26,600.00             |
| Personal Computer, Wearnes, 486DX/100           | 17-Oct-95     | 1         | 90,396.90             |
| Pick-up, Nissan Homer, plate no. SAA-462        | 27-Jul-99     | 1         | 46,152.28             |
| Honda Motorcycle, plate no. 3085                | 31-Dec-90     | 1         | 42,000.00             |
| Honda Motorcycle, plate no. 7934                | 31-Dec-90     | 1         | 42,000.00             |
| Suzuki Motorcycle TS125, Plate no. SB-5990      | 15-Jan-96     | 1         | 57,800.00             |
| Suzuki Motorcycle TS125, Plate no. SB-5995      | 15-Jan-96     | 1         | 57,800.00             |
| Suzuki Motorcycle TS125, Plate no. SB-5996      | 15-Jan-96     | 1         | 57,800.00             |
| Conference Table, Oval CEVO                     | 12-Nov-01     | 1         | 17,000.00             |
| Forage Chopper, Agromach AFC5, M/W              | 19-Aug-00     | 1         | 70,000.00             |
| Two-wheel Drive Tractor                         | 13-May-94     | 1         | 410,700.00            |
| <b>Total</b>                                    |               | <b>34</b> | <b>₱ 1,825,834.45</b> |

Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP)  
**Schedule of Unexpended Balances of Completed Projects**  
 As of December 31, 2021

| Source Agency/ Project Title  | Project Duration   | Balance as of<br>12/31/2021 |
|---|--|-----------------------------|
| <b>Philippine Council for Agriculture, Aquatic and Natural Resources Research and Development (PCAARRD)</b>   |  |                             |
| Community Based STBF on Improving the Carabao-based Dairy Farms in Magdalena, Laguna  | 3/1/13 to 2/28/16  | ₱765,058.25                 |
| Community Based STBF on the Preparation and Utilization of Urea-Treated Rice Straw (UTRS) as Fodder for Dairy Buffaloes in Llanera, N.E.  | 4/1/13 to 3/31/16<br>(extended until 6/31/16)            | 272,284.60                  |
| Enhancing the Carabao-Based Dairy Enterprise in Magdalena, Laguna through TM c/o Ms. A.R. Montes  | 3/1/13 to 3/31/16  | 228,543.26                  |
| Enhancing the Carabao-Based Dairy Enterprise in Rosario, Batangas through TM c/o Ms. R. Lapitan   | 3/1/13 to 12/31/15                                       | 408,038.58                  |
| Genome Analysis and Establishment of Germ Cell Cryopreservation Protocol for Philippine Native Pigs, c/o Dr. Lerma C. Ocampo  | 4/1/18 to 9/30/20<br>(extended until 3/31/21)            | 1,100.00                    |
| Private-Public Partnership in the Application of Animal Genomics (Proj. 2) c/o Dr. C. Mingala   | 5/2/13 to 4/30/16<br>(extended until 6/30/16)            | 2,917.58                    |
| EMP Proj. 1 " Development of Feeding Protocols and Practices to Support the Nutritional Requirement of Dairy Buffaloes c/o Dr. D. Aquino  | 2/1/16 to 1/31/19<br>(extended until 10/31/19)           | 236,275.22                  |
| EMP Proj. 2 " Development of Reproductive Management Program for Increased Efficiency of AI in Dairy Buffaloes c/o Dr. E.C. Atabay  | 2/1/16 to 1/31/19<br>(extended until 10/31/19)           | 20,635.86                   |
| EMP Proj. 3 " Development of Health Care Technologies and Practical Farm Practices in Support of Increasing Buffalo Milk Production c/o Dr. C. Mingala                            | 2/1/16 to 1/31/19<br>(extended until 10/31/19)           | 256,353.00                  |
| EMP Proj. 4 " Milk Quality and Safety Assurance from Farm to Milk Processing Plant c/o M. Abella  | 2/1/16 to 1/31/19<br>(extended until 10/31/19)           | 6,364.27                    |
| EMP Proj. 5 " Strengthening San Agustin Crossbred Carabao-based Enterprise Development (CBED) Model c/o Dr. A. Sarabia  | 2/1/16 to 1/31/19<br>(extended until 10/31/19)           | 87,119.67                   |
| "Swine" project c/o Dr. E. P. Atabay  | 10/1/11 to 3/31/15                                       | 85,000.00                   |
| <b>Sub-total- PCAARRD</b>   |  | <b>2,369,690.29</b>         |
| <b>Bureau of Agricultural Research (BAR)</b>  |  |                             |
| Epididymal Sperm of Slaughtered Livestock for Basic Research using Assisted Reproductive Techniques" (ART'S) from January 2018-December 2019 c/o Project Leader Dr. Lerma Ocampo. | 1/1/18 to 12/31/19<br>(extended until 12/31/20)          | 102,615.00                  |
| Improving Artificial Insemination Efficiencies Using Fertility Indexed Bulls Selected by Fourier Harmonic Analysis and Screened From Environmental Instabilities                  | 11/1/14 to 10/30/18<br>(third extension until 3/29/20)   | ₱ 32,000.00                 |
| Nutritive Value, Digestibility and Performance of Buffaloes using Banana By-Products and Water Lily as Alternative Food Sources, c/o Dr. D. Aquino                                | 4/1/17 to 3/31/18<br>(second extension until 12/31/18)   | 1,293,293.05                |
| Operationalization of Livestock Biotech Center (as conduit of the DA Biotechnology Program Implementation Unit)   | 8/6/15 to 8/6/18<br>(extended until 2/28/19)             | 80,000.00                   |
| Strengthening and Maximizing of the LBC as Lead Coordinator of the value chain based Livestock Biotechnology Research, Development and Extension Agenda                           | 9/27/18 to 9/26/20<br>(extended until 5/31/21)           | 691,074.79                  |
| DA-BIOTECH-R1506-Genetic Diversity of the Philippine Carabao using mtDNA (COI) and microsatellite markers (FAO STRs) c/o L. Villamor  | 10/14/15 to 10/13/18<br>(third extension until 12/15/20) | 43,784.32                   |

Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP)

**Schedule of Unexpended Balances of Completed Projects**

As of December 31, 2021

| <b>Source Agency/ Project Title</b>                                | <b>Project Duration</b>     | <b>Balance as of<br/>12/31/2021</b> |
|--|-----------------------------|-------------------------------------|
| <i>Sub-total- BAR</i>  |                             | <i>2,242,767.16</i>                 |
| <b>Philippine Council for Agriculture and Fisheries<br/>(PCAF)</b> |                             |                                     |
| Biotech Laboratory Center (BLC) - NAFC                             | Ended last June 30,<br>2016 | 64,144.00                           |
| <i>Sub-total- PCAF</i>   |                             | <i>64,144.00</i>                    |
| <b>Grand Total</b>   |                             | <b>₱ 4,676,601.45</b>               |

Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP)  
**Schedule of Unrecognized Research Animals**  
 as of December 31, 2021

| Ear Tag No.  | Breed  | Date of Birth | No. of Head | FV Less Cost to Sell |
|--------------|--------|---------------|-------------|----------------------|
| 1LBF19002    | PC     | 04/05/2019    | 1           | ₱ 13,000.00          |
| 2GP19130     | BMB    | 11/17/2019    | 1           | 13,000.00            |
| 2GP19135     | BMB    | 11/23/2019    | 1           | 13,000.00            |
| 2GP19139     | BMB    | 11/27/2019    | 1           | 13,000.00            |
| 2GP19154     | BMB    | 12/17/2019    | 1           | 13,000.00            |
| 2GP19156     | BMB    | 12/19/2019    | 1           | 13,000.00            |
| 2GP19161     | BMB    | 12/27/2019    | 1           | 13,000.00            |
| 1LBF20001    | PC     | 09/26/2020    | 1           | 9,750.00             |
| 1LBF21002    | PC     | 02/07/2021    | 1           | 9,750.00             |
| 1LBF21003    | PC     | 07/07/2021    | 1           | 3,000.00             |
| 2LS19005     | BMB    | 08/21/2019    | 1           | 13,000.00            |
| 2CM19036     | BMB    | 07/25/2019    | 1           | 13,000.00            |
| 2CM19061     | BMB    | 11/02/2019    | 1           | 13,000.00            |
| 2CM20011     | BMB    | 01/24/2020    | 1           | 13,000.00            |
| 2CM20026     | BMB    | 03/02/2020    | 1           | 13,000.00            |
| 2CM20039     | BMB    | 04/27/2020    | 1           | 13,000.00            |
| 2CM20040     | BMB    | 04/20/2020    | 1           | 13,000.00            |
| 2CM20044     | BMB    | 05/19/2020    | 1           | 13,000.00            |
| 2CM20048     | BMB    | 06/24/2020    | 1           | 13,000.00            |
| 1CL15020     | PC     | 01/01/2012    | 1           | 10,000.00            |
| 1OS12040     | PC     | 10/20/2012    | 1           | 10,000.00            |
| 1CS13029     | PC     | 01/01/2013    | 1           | 6,500.00             |
| AL16001      | Cattle | 11/05/2016    | 1           | 10,000.00            |
| AL17006      | Cattle | 04/17/2017    | 1           | 10,000.00            |
| AL18001      | Cattle | 05/15/2018    | 1           | 10,000.00            |
| AL18002      | Cattle | 05/16/2018    | 1           | 10,000.00            |
| AL18005      | Cattle | 10/24/2018    | 1           | 10,000.00            |
| AL18006      | Cattle | 12/15/2018    | 1           | 10,000.00            |
| AL18007      | Cattle | 12/25/2018    | 1           | 10,000.00            |
| AL19001      | Cattle | 01/18/2019    | 1           | 10,000.00            |
| AL19002      | Cattle | 10/11/2019    | 1           | 10,000.00            |
| AL19003      | Cattle | 10/21/2019    | 1           | 10,000.00            |
| AL20001      | Cattle | 04/24/2020    | 1           | 10,000.00            |
| AL21001      | Cattle | 03/20/2021    | 1           | 10,000.00            |
| AL21002      | Cattle | 06/14/2021    | 1           | 10,000.00            |
| AL21003      | Cattle | 06/15/2021    | 1           | 10,000.00            |
| AL21004      | Cattle | 06/16/2021    | 1           | 10,000.00            |
| AL21005      | Cattle | 06/23/2021    | 1           | 10,000.00            |
| AL21006      | Cattle | 07/13/2021    | 1           | 10,000.00            |
| AL21007      | Cattle | 09/18/2021    | 1           | 10,000.00            |
| <b>Total</b> |        |               | <b>40</b>   | <b>₱ 437,000.00</b>  |

Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP)  
**Schedule of Unreleased Guaranty/Security Deposits Payable**  
 As of December 31, 2021

| Supplier/Contractor                   | Date Withheld      | Past Due Amount |
|---------------------------------------|--------------------|-----------------|
| Advira Trading Corporation            | August 24, 2015    | ₱ 18,600.00     |
| Advira Trading Corporation            | August 24, 2015    | 60,500.00       |
| Advira Trading Corporation            | October 19, 2016   | 38,775.00       |
| Advira Trading Corporation            | August 31, 2017    | 51,500.00       |
| Belman Laboratories                   | March 22, 2016     | 59,549.20       |
| Belman Laboratories                   | March 21, 2018     | 47,856.00       |
| Biotriune, Inc.                       | June 22, 2016      | 1,000.00        |
| Biotriune, Inc.                       | October 13, 2016   | 2,050.00        |
| Chemline Scientific Corporation       | January 8, 2013    | 25,906.70       |
| Chemline Scientific Corporation       | March 8, 2013      | 11,268.40       |
| Chemline Scientific Corporation       | May 6, 2013        | 84,789.08       |
| Chemline Scientific Corporation       | June 4, 2015       | 43,650.40       |
| Chemline Scientific Corporation       | March 2, 2016      | 29,484.10       |
| Chemline Scientific Corporation       | April 21, 2016     | 21,371.00       |
| Chemline Scientific Corporation       | June 15, 2016      | 22,548.60       |
| Chemline Scientific Corporation       | June 27, 2016      | 42,692.65       |
| Chemline Scientific Corporation       | October 19, 2016   | 15,318.60       |
| Chemline Scientific Corporation       | February 27, 2017  | 27,103.60       |
| Chemline Scientific Corporation       | March 13, 2017     | 37,278.00       |
| Chemline Scientific Corporation       | March 2, 2018      | 138,968.30      |
| Chemline Scientific Corporation       | May 24, 2018       | 12,910.00       |
| Chemline Scientific Corporation       | September 3, 2018  | 5,645.70        |
| Chemline Scientific Corporation       | February 4, 2019   | 91,451.25       |
| Chemline Scientific Corporation       | January 14, 2020   | 138,987.95      |
| Diamed Enterprises                    | October 7, 2020    | 4,722.85        |
| Exaatto Builders, Inc.                | May 26, 2016       | 189,400.59      |
| Glennwood Tech. International Inc.    | May 24, 2018       | 7,750.00        |
| Glennwood Tech. International Inc.    | October 29, 2018   | 10,179.95       |
| Glennwood Tech. International Inc.    | February 6, 2019   | 6,910.51        |
| Goldquest Biotechnologies, Inc.       | January 14, 2013   | 20,500.00       |
| Goldquest Biotechnologies, Inc.       | June 10, 2013      | 13,380.00       |
| Goldquest Biotechnologies, Inc.       | October 10, 2013   | 24,900.00       |
| Goldquest Biotechnologies, Inc.       | November 25, 2015  | 80,000.00       |
| GRAMEEN FOUNDATION USA                | January 30, 2020   | 129,945.11      |
| GRB Enterprises Inc.                  | September 6, 2018  | 14,144.50       |
| INCA Philippines, Inc.                | July 22, 2016      | 33,346.75       |
| J.B. Basallo Construction & Supply    | June 2, 2016       | 293,282.36      |
| JTIM Enterprises                      | October 24, 2016   | 6,665.00        |
| JTIM Enterprises                      | March 1, 2017      | 1,850.00        |
| LCG Marketing Philippines Corporation | August 13, 2014    | 54,000.00       |
| Medical Test Systems, Inc. (MEDTEST)  | April 21, 2014     | 7,445.00        |
| Meral Enterprises                     | June 16, 2016      | 39,148.60       |
| Meral Enterprises                     | October 18, 2016   | 1,804.00        |
| Meral Enterprises                     | January 5, 2017    | 81,365.62       |
| Meral Enterprises                     | August 1, 2017     | 8,135.00        |
| Meral Enterprises                     | September 15, 2017 | 15,726.80       |
| Molave Trading Corporation            | January 11, 2016   | 24,751.25       |
| Mt. Zion Scientific, Inc.             | February 29, 2016  | 3,879.80        |
| NCH Philippines Inc                   | September 16, 2016 | 27,035.00       |
| NHJ Horizon, Inc.                     | April 7, 2014      | 38,500.00       |



Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP)  
**Schedule of Unreleased Guaranty/Security Deposits Payable**  
 As of December 31, 2021

| Supplier/Contractor                | Date Withheld      | Past Due Amount |
|------------------------------------|--------------------|-----------------|
| Rainphil, Inc.                     | October 19, 2016   | 24,050.00       |
| SEARCA                             | December 10, 2013  | 263,704.40      |
| Sorza Junk Shop                    | February 27, 2015  | 1,000.00        |
| Transprint Corporation             | October 19, 2017   | 135,868.50      |
| Yana Chemodities                   | September 5, 2018  | 16,564.50       |
| Yana Chemodities                   | October 5, 2018    | 12,150.00       |
| Advira Trading Corporation         | April 29, 2016     | 16,500.00       |
| Advira Trading Corporation         | November 16, 2017  | 3,481.40        |
| Advira Trading Corporation         | June 6, 2018       | 22,865.50       |
| Advira Trading Corporation         | August 5, 2019     | 291.00          |
| Agri Component Corporation         | November 11, 2016  | 18,900.00       |
| Agri Component Corporation         | December 20, 2016  | 20,000.00       |
| Alcos Global Corporation           | December 28, 2016  | 6,188.80        |
| Applied Systems Mfg. Corp.         | June 18, 2015      | 281,600.00      |
| Aspen Multi-System Corporation     | February 16, 2016  | 38,900.00       |
| Belman Laboratories                | February 9, 2017   | 11,669.84       |
| Biotriune, Inc.                    | December 28, 2016  | 410.00          |
| Biotriune, Inc.                    | May 20, 2019       | 2,809.00        |
| Cebu Far Eastern Drug, Inc.        | November 20, 2018  | 492.80          |
| Chemline Scientific Corporation    | July 12, 2016      | 42,742.00       |
| Chemline Scientific Corporation    | December 19, 2016  | 13,760.00       |
| Chemline Scientific Corporation    | December 22, 2016  | 5,896.82        |
| Chemline Scientific Corporation    | January 23, 2017   | 3,063.72        |
| Chemline Scientific Corporation    | August 30, 2017    | 5,420.72        |
| Chemline Scientific Corporation    | January 30, 2018   | 7,455.60        |
| Chemline Scientific Corporation    | July 4, 2018       | 13,856.40       |
| Chemline Scientific Corporation    | July 4, 2018       | 13,937.26       |
| Chemline Scientific Corporation    | November 25, 2019  | 4,423.60        |
| Diamed Enterprises                 | February 22, 2016  | 9,660.00        |
| Fil-Anaserve, Inc.                 | September 24, 2015 | 90,400.00       |
| Fil-Anaserve, Inc.                 | October 30, 2018   | 5,246.65        |
| Glennwood Tech. International Inc. | July 27, 2018      | 3,600.00        |
| Glennwood Tech. International Inc. | August 16, 2018    | 1,550.00        |
| Glennwood Tech. International Inc. | December 21, 2018  | 2,035.99        |
| Golden Bat (Far East ) Inc.        | August 27, 2015    | 114,344.20      |
| Golden Bat (Far East ) Inc.        | November 27, 2015  | 48,347.40       |
| Golden Bat (Far East ) Inc.        | September 28, 2016 | 44,241.50       |
| Golden Bat (Far East ) Inc.        | January 9, 2017    | 37,600.50       |
| Golden Bat (Far East ) Inc.        | February 9, 2017   | 6,657.91        |
| Golden Bat (Far East ) Inc.        | June 23, 2017      | 21,292.20       |
| Golden Bat (Far East ) Inc.        | August 16, 2018    | 17,183.16       |
| Greenwall Construction             | May 27, 2020       | 2,091.29        |
| Hillsdale Marketing Inc.           | April 30, 2019     | 8,840.00        |
| IJK MAE CONSTRUCTION               | November 18, 2019  | 3,395.82        |
| IJK MAE CONSTRUCTION               | January 6, 2020    | 3,976.78        |
| IJK MAE CONSTRUCTION               | March 12, 2020     | 3,940.68        |
| INCA Philippines, Inc.             | December 19, 2016  | 6,669.35        |
| JTIM Enterprises                   | December 20, 2016  | 1,333.00        |
| JTIM Enterprises                   | December 20, 2016  | 4,743.00        |
| JTIM Enterprises                   | May 23, 2017       | 8,470.00        |

Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP)  
**Schedule of Unreleased Guaranty/Security Deposits Payable**  
 As of December 31, 2021

| Supplier/Contractor                               | Date Withheld      | Past Due Amount       |
|---|--------------------|-----------------------|
| JTIM Enterprises                                  | July 27, 2017      | 29,711.00             |
| JTIM Enterprises                                  | September 22, 2017 | 9,890.00              |
| JTIM Enterprises                                  | October 23, 2017   | 630.00                |
| JTIM Enterprises                                  | November 14, 2017  | 370.00                |
| JTIM Enterprises                                  | May 8, 2018        | 9,600.00              |
| JTIM Enterprises                                  | August 28, 2018    | 5,387.40              |
| Leepe Outsourcing Corporation                     | December 16, 2020  | 1,875.00              |
| Lifeline Diagnostic Supplies                      | April 28, 2017     | 2,817.00              |
| Malachi Refrigeration and Airconditioning Service | February 13, 2018  | 19,970.00             |
| Meral Enterprises                                 | September 30, 2015 | 27,183.40             |
| Meral Enterprises                                 | September 30, 2016 | 72,443.17             |
| Meral Enterprises                                 | November 21, 2016  | 40,019.65             |
| Meral Enterprises                                 | December 19, 2016  | 360.80                |
| Meral Enterprises                                 | March 2, 2017      | 16,273.13             |
| Meral Enterprises                                 | August 30, 2017    | 4,654.15              |
| Meral Enterprises                                 | January 31, 2018   | 3,145.36              |
| Meral Enterprises                                 | May 21, 2018       | 13,850.00             |
| Meral Enterprises                                 | July 17, 2018      | 15,001.55             |
| Meral Enterprises                                 | August 16, 2018    | 11,479.78             |
| Meral Enterprises                                 | October 19, 2018   | 3,519.33              |
| Meral Enterprises                                 | August 14, 2019    | 9,821.02              |
| Merck, Inc.                                       | September 30, 2015 | 80,000.00             |
| Molave Trading Corporation                        | June 8, 2018       | 26,445.14             |
| Molave Trading Corporation                        | December 12, 2018  | 8,859.89              |
| Mt. Zion Scientific, Inc.                         | May 11, 2016       | 7,759.60              |
| Mt. Zion Scientific, Inc.                         | February 11, 2019  | 2,353.74              |
| NCH Philippines Inc                               | August 5, 2019     | 9,650.15              |
| P & J Agricultural Trading Inc.                   | October 19, 2018   | 215.46                |
| P & J Agricultural Trading Inc.                   | September 9, 2020  | 10,210.00             |
| Pentronic Marketing                               | July 4, 2019       | 20,430.00             |
| Philab Industries, Incorporated                   | September 24, 2015 | 63,806.80             |
| Queen Airetech Industrial Services & Trading      | October 11, 2019   | 4,495.00              |
| Queen Airetech Industrial Services & Trading      | November 11, 2020  | 19,740.00             |
| Rainphil, Inc.                                    | March 7, 2016      | 29,500.00             |
| Rainphil, Inc.                                    | March 22, 2016     | 168,700.00            |
| Rainphil, Inc.                                    | February 13, 2017  | 4,810.00              |
| Rainphil, Inc.                                    | June 22, 2017      | 8,980.00              |
| Rainphil, Inc.                                    | August 29, 2018    | 3,572.00              |
| Sun Ray's Builders and General Supply             | November 11, 2020  | 3,871.24              |
| TOYOTA NUEVA ECIJA, INC.                          | January 22, 2020   | 39,156.88             |
| Travellers Farm Garden                            | April 14, 2015     | 35,477.12             |
| Ultramedica Trading & Supplies                    | April 14, 2015     | 8,000.00              |
| Yana Chemodities                                  | February 11, 2019  | 2,430.00              |
| <b>Grand Total</b>                                |                    | <b>₱ 4,458,059.27</b> |

## Executive Summary

### A. Introduction

The Philippine Carabao Center (PCC) is one of the attached agencies of the Department of Agriculture (DA), created by virtue of the Republic Act (R.A.) 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. Likewise, the PCC is the national lead agency for livestock biotechnology research and development in the DA per Administrative Order (A.O.) No. 9, series of 2008.

The PCC is headed by OIC, Executive Director Ronnie D. Domingo. He is being supported by Deputy Executive Director for Administration and Finance, Caro B. Salces, OIC, Deputy Executive Director for Production and Research, Claro N. Mingala, 12 Center Directors, and 179 rank and file employees.

### B. Financial Highlights

The Agency's financial condition, results of operations and sources and application of funds of the PCC for calendar years 2020 and 2021 are as follows:

| Particulars   | 2021                    | 2020                    | Increase/<br>(Decrease) | %               |
|---|-------------------------|-------------------------|-------------------------|-----------------|
| <b>Financial Condition</b>                                |                         |                         |                         |                 |
| Total Assets  | ₱2,420,674,314.74       | ₱2,038,409,093.30       | ₱382,265,221.44         | 18.75%          |
| Total Liabilities   | 827,811,731.63          | 398,097,770.61          | 429,713,961.02          | 107.94%         |
| <b>Total Net Assets/<br/>Equity</b>                       | <b>1,592,862,583.11</b> | <b>1,640,311,322.69</b> | <b>(47,448,739.58)</b>  | <b>(2.89%)</b>  |
| <b>Results of Operations</b>                              |                         |                         |                         |                 |
| Total Revenue and Net<br>Financial Assistance/<br>Subsidy | 751,849,622.54          | 557,931,737.79          | 193,917,884.75          | 34.76%          |
| Total Expenses  | 785,308,742.66          | 671,285,125.68          | 114,023,616.98          | 16.99%          |
| <b>Surplus (Deficit) for<br/>the period</b>               | <b>(33,459,120.12)</b>  | <b>(113,353,387.89)</b> | <b>79,894,267.77</b>    | <b>(70.48%)</b> |

### **C. Scope of Audit**

The audit covered the financial transactions and operations of the PCC for the year ended December 31, 2021. We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs) 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. The thrust areas identified in the audit instructions were audited on a sampling basis and the findings are incorporated in Part II of the report, as follows:

#### **1. Financial Audit**

- a. Cash and Cash Equivalents
- b. Receivables
- c. Inventories
- d. Property, Plant and Equipment
- e. Biological Assets
- f. Other Non-Current Assets
- g. Payables
- h. Inter-Agency Payables
- i. Revenues
- j. Expenses

#### **2. Compliance Audit**

- a. Enforcement of timely submission of accounts and reports;
- b. Enforcement of Rules and Regulations on the Grant, Utilization and Liquidation of Cash Advances;
- c. Compliance with R.A. No. 9184;
- d. Compliance with BIR Rules and Regulations;
- e. Compliance with R.A. No. 8291 (GSIS);
- f. Compliance with R.A. No. 9679 (Pag-IBIG Fund Law);
- g. Gender and Development (GAD);
- h. Milk Feeding Program;
- i. Implementation of the Establishment of Province-Wide Carabao-Based Business Improvement Network (CBIN) Project; and
- j. Implementation of the Coconut-Carabao Development Project (CCDP)

### **D. Independent Auditor's Report**

We rendered a qualified opinion on the fairness of presentation of the financial statements of the PCC as of December 31, 2021 owing to the accounting errors and lapses which affected the reliability of the Receivables accounts with a carrying amount of

₱94,079,515.45, itemized as follows: (a) unrecognized receivables totaling ₱24,802,735.06 from sales made on account by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Central Luzon State University (CLSU) and Visayas State University (VSU); and (b) failure to set up receivables totaling ₱1,008,118.75 from the accountable officers (AOs) concerned at the PCC at University of the Philippines –Los Baños (UPLB) and Central Mindanao University (CMU) on account of dead animals subject of requests for relief from property accountability.

In view of the foregoing, we recommended and the OIC-Executive Director agreed to undertake the following courses of action:

- (a) instruct the Accounting Unit of the PCC at NHGP, CLSU and VSU to (i) strictly comply with the accrual basis of accounting on the recognition of financial transactions in the books of accounts; (ii) exert more effort in the collection of long outstanding accounts; (iii) continue to issue demand letters to the individual debtors on a regular basis; and (iv) effect the necessary adjustments in the books, as warranted; and
- (b) advise the Center Director of PCC at UPLB and CMU to (i) direct the accountable officers (AOs) concerned to (1) file for relief from property accountability duly supported with complete documentations; and (2) submit to the Bookkeeper/Accountant the requisite documents supporting the loss, thru death of animals; and (ii) instruct the Bookkeeper/Accountant to recognize in the books of accounts the amount of liability of each particular AO equivalent to the value of deceased animals.

#### **E. 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. The reported balances of the Cash and Cash Equivalents account of the PCC at VSU and UPLB were not fairly presented in the year-end financial statements due to (a) accumulation of unrecognized reconciling items in the Bank Reconciliation Statements (BRS) resulting in a net overstatement of the Cash in Bank account by ₱1,371,017.41; (b) unadjusted stale checks totaling ₱261,677.03 and (c) unsupported/undocumented book reconciling items in the BRS totaling ₱738,197.38, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. (*Audit Observation No. 4*)

We recommended and the OIC-Executive Director agreed to instruct the Center Director of:

- (a) The PCC at VSU to direct the Bookkeeper to: (i) record/adjust immediately the reconciling items found valid to ensure correctness of the Cash in Bank (CIB), Local Currency, Current Account (LCCA); (ii) investigate the unsupported/undocumented reconciling items to determine their validity so that the necessary adjustments/corrections could be made; (iii) coordinate with the VSU Cashier for the year-end submission of the Schedule of Unreleased Checks which serves as basis for their restoration to the cash accounts; and (iv) henceforth, resolve the reconciling items and immediately draw the necessary adjusting entries to correct the Cash in Bank balances. Bank errors, if any, should likewise be immediately reconciled with the bank; and
- (b) The PCC at UPLB to advise the Bookkeeper to: (i) secure and verify from the UPLB Accountant the pertinent documents for the reconciling items of ₱342,390.00 as basis for recording in the books of accounts; and (ii) draw necessary adjusting entries for all reconciling items including stale checks duly supported with adequate documentation to adjust the balance of Cash in Bank and other affected accounts in the books.

2. Deficiencies in Inventory Management were observed during the validation of the Report on the Physical Count of Inventories (RPCI) of the PCC at NHGP, MLPC and VSU as of December 31, 2021, such as (a) unreconciled variances of ₱6,250,846.54 noted between the Accounting records and the RPCI; (b) non-recognition of milk products as Finished Goods Inventory totaling ₱202,239.00; and (c) non-observance of the Perpetual Inventory Method in the recognition of some inventories, inconsistent with the related provisions under the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volumes I and II and the cardinal principles of internal control. **(Observation No. 5)**

We recommended and the OIC-Executive Director agreed to direct the Center Directors concerned to undertake the following courses of action:

- (a) instruct the (i) Chief of Administrative and Financial Management Division (AFMD) of PCC-NHGP to identify the accountable officer(s) for each Division/Unit which may require proper designation clearly specifying their respective duties and responsibilities similar to a Property Custodian; and (ii) Inventory Committee to properly plan the execution of a complete physical inventory-taking of supplies and materials for the succeeding semesters;
- (b) Direct the (i) Accounting and Property Units of the PCC at NHGP and VSU to reconcile the balances of their respective records on a periodic basis; and (ii) Accounting Unit to take up the necessary adjustments in the books as noted from the reconciliation performed; and
- (c) Advise the Accounting Unit of PCC-MLPC to (i) see to it that purchases for supplies and materials out of fund transfers shall be accounted under the Perpetual Inventory Method; and (ii) prepare the appropriate adjusting entries to reflect the unrecognized inventories.

3. The unexpended fund balances for 19 completed projects totaling ₱4,676,601.45 were not remitted to the respective Source Agencies (SAs) contrary to Section 63(g), Chapter 6 of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I, and the related Memorandum of Agreement (MOA) entered into by and between the PCC-NHGP and the SAs. Moreover, the source of funds received in CY 2021 amounting to ₱2,984,520.00 has yet to be identified, causing uncertainty in the execution of the project. **(Observation No. 7)**

We recommended and the OIC-Executive Director agreed to instruct the Administrative and the Financial Management Division of the PCC-NHGP to (a) strictly comply with Section 63 (g) of the GAM for NGAs, Volume I, and the terms and conditions of the MOA; (b) expedite the (i) updating and reconciliation of Accounting and Budget records to facilitate the preparation of liquidation reports; (ii) coordinate with the concerned Project Leaders for the submission of Project Terminal Reports; (iii) properly indicate the name of source agency on the Subsidiary Ledger of the project identified as “Others”; and (iv) immediately remit the unexpended fund balances of completed projects to Source Agencies (SAs).

4. The dispersal of 192 heads of female crossbred buffaloes produced thirty heads of calves and generated 7,885.64 liters of raw milk which translated to at least ₱622,064.00 additional income to farmer-beneficiaries of the Carabao-Based Business Improvement Network (CBIN) project of the PCC in three provinces of Region III. Nevertheless, concerns in the implementation of the project were noted such as (a) existence of hard breeders and mortalities; (b) non-compliance with some obligations by the parties under the Dispersal Agreement; and (c) deficiencies in supporting documents which may pose threats on the sustainability of the project and the enjoyment of optimum benefits by the beneficiaries thereof. **(Observation No. 19)**

We recommended and the OIC-Executive Director agreed to advise the PCC-CLSU Center Director to undertake the following courses of action:

- (a) Instruct the CBIN Project Coordinator to:
- (i) initiate discussions among the concerned Agency officials and stakeholders in order to come up with viable solutions or remedies to minimize the incidence of hard breeders or downers among the animals for distribution;
  - (ii) enjoin compliance by the Cooperatives with their obligations under the Dairy Buffalo Dispersal Agreement (DBDA) to avoid conditions which would warrant the repossession of the dispersed buffaloes and termination of the Agreement;
  - (iii) urge project staff to strengthen its monitoring controls in the field to timely address the various concerns of Cooperatives and farmer-beneficiaries; and
  - (iv) make representations with the concerned agency officials to put in writing the amendments to the DBDA to make it valid and binding among the parties; and

- (b) Advise the Chief of Administrative and Financial Management Division to direct the Accounting Unit and other concerned Units to:
- (i) conduct thorough review of the supporting documents to ensure that these are valid, complete, consistent and properly filled out; and
  - (ii) continuously comply with relevant accounting rules and regulations on the proper utilization of the project funds.

5. At least 170 coconut farmers benefited from the distribution of agricultural interventions amounting to ₱27,239,098.29 due to the implementation of the Coconut Carabao Development Project (CCDP) in six Regional Centers of the PCC. Nonetheless, deficiencies were noted, such as (a) delayed delivery of 204 heads of female crossbred buffaloes totaling ₱12,240,000.00; and (b) non-compliance with the Technical Specifications of buffaloes as observed in 20 heads valued at ₱1,199,600.00 which did not pass the minimum weight requirement and absence of Veterinary Inspection Report on ten heads amounting to ₱599,800.00, inconsistent with the project implementing guidelines, compromising the desired benefits accruing to the coconut farmer-beneficiaries. **(Observation No. 20)**

We recommended and the OIC-Executive Director agreed to undertake the following courses of action:

- (a) Advise the Project Leader to discuss among the Center Directors concerned the need to
  - (i) conduct validation on the reasons cited by a supplier before granting each request for contract time extension to ensure that these extensions are based on meritorious grounds; (ii) strengthen control points in the selection and inspection of animals to ensure conformance with the technical specifications before acceptance of the same; and (iii) enforce appropriate sanctions provided under Republic Act (R.A.) No. 9184 in case of defaulting suppliers or did not meet the minimum requirements as stated under the Technical Specifications of the Contract;
- (b) Direct the CCDP National Coordinator to enjoin regular coordination with the respective project coordinators of the PCC Regional Centers concerned to keep track of the status of delivery of buffaloes; and
- (c) Instruct the Accountant of PCC-NHGP to review the completeness and accuracy of the supporting documents attached to the disbursement vouchers to ensure the validity of payments to suppliers under the Contract.

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 recommendations not yet or partially acted upon and included in Part III of the report, were discussed with the officials and staff of the Philippine Carabao Center.



**F. Status of Suspensions, Disallowances and Charges and Settlements**

The PCC-NHGP and six Regional Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2021. However, the Regional Centers at the CMU, LCSF and MLPC had outstanding suspensions of ₱13,735,846.07 and audit disallowances of ₱106,418.94 as reflected in the submitted Management Letters (MLs).

**G. Status of Implementation of Prior Year's Unimplemented Audit Recommendations**

Of the 68 recommendations contained in the CY 2020 Consolidated Annual Audit Report (CAAR), 46 recommendations were fully implemented, 20 were partially implemented and the remaining two were not implemented.