



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

PHILIPPINE CARABAO CENTER
Office of the Executive Director
RECEIVED
DATE: 6-22-23

June 10, 2023

Dr. Caro B. Salces
OIC - Executive Director
Philippine Carabao Center

Dear **Director Salces**:

We are pleased to transmit the Consolidated Annual Audit Report on the audit of the Philippine Carabao Center (PCC) for the Calendar Year 2022 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 ₱109,667,376.99 was not fairly presented in the year-end financial statements due to (a) unrecognized receivables totaling ₱27,733,576.70 by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Mariano Marcos State University (MMSU), Central Mindanao University (CMU) and University of the Philippines- Los Baños (UPLB); (b) non-derecognition of receivables totaling ₱964,602.00 representing cost of buffaloes transferred by the PCC at Mindanao Livestock Production Center (MLPC) to various Local Government Units (LGUs) and farmer-beneficiaries; (c) doubtful collectability of receivables totaling ₱2,747,919.68 by the Regional Centers at Cagayan State University (CSU) and MLPC; and (d) inadequate documentation to support receivables totaling ₱1,610,198.00 by the PCC at Visayas State University (VSU), inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and the Diary Buffalo Dispersal Agreement. (**Observation No. 1**)

We recommended that the OIC-Executive Director instruct the:

- (a) PCC at NHGP, MMSU, CMU and UPLB to prepare the necessary reports to enable the Accounting Unit to comply with the accrual basis of accounting on the recognition of financial transactions in the books of accounts; and draw the necessary adjusting entries in the books of accounts for proper recognition of receivables totaling ₱27,733,576.70;
- (b) PCC at MLPC Accounting Unit to make the necessary adjusting entries for the buffaloes transferred totaling ₱964,602.00; and Program Coordinators to expedite the gathering of pertinent data supporting the various transfers of buffaloes and submit documents to the Accounting Office to effect necessary adjustments in the books of accounts;
- (c) Center Director of (i) 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; and (ii) PCC at MLPC intensify collection efforts and send demand letters to debtors on a regular basis.
- (d) Administrative and Financial Management Division to formulate an accounting policy for the provision of Allowance for Impairment for Receivables.
- (e) Center Director of PCC at VSU to require the Accounting Unit to submit to the COA Office the copies of signed journal entry vouchers (JEVs) with complete supporting documents.

2. Deficiencies were noted on the accounting and management of Biological Assets of the PCC Regional Centers such as (a) unrecognized buffaloes totaling ₱874,000.00 by the PCC at NHGP and Central Luzon State University (CLSU); (b) non-revaluation of animals resulting to understatement of Assets and Accumulated Surplus/(Deficit) accounts by ₱659,812.50 of the PCC at CLSU; (c) non-dercognition of sold and slaughtered animals totaling ₱983,250.00 by the PCC at CLSU and Central Mindanao University (CMU); (d) existence of dead and culled buffaloes totaling ₱581,750.00 in the Report on the Physical Count of Biological Assets of the PCC at VSU; (e) unaccounted animals totaling ₱2,317,500.00 by the PCC at NHGP and CLSU; and (f) non-preparation of Quarterly Report on Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC) by the PCC at NHGP, CMU and UPLB, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. (**Observation No. 2**)

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

- (a) instruct the Accounting and Property Sections of PCC at NHGP and CLSU to (i) recognize in their respective records the book value of animals to its appropriate Biological Assets sub-account; (ii) investigate the status of unaccounted or non-

- existing animals; (iii) secure documents to support the disposition of animals for preparation of corresponding Property Transfer Reports (PTRs); and (iv) consistently apply the valuation policy established on Biological Assets;
- (b) advise the Accounting Section of PCC at CLSU and CMU to derecognize from their respective records the value of sold and slaughtered animals upon securing the necessary supporting documents;
- (c) Property and Supply Office of the PCC at VSU to (i) conduct an inventory together with In-charge of the loan and dispersal programs to come up with an accurate inventory report; and (ii) derecognize dead and culled buffaloes in the Report on the Physical Count of Biological Assets; and
- (d) advise the Property Unit/Farm Supervisors of PCC at NHGP, CMU and UPLB to regularly update the Biological Assets Property Card (BAPC) and prepare and submit the required Quarterly Report of Biological Assets (QRBA).

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 97 of the General Provisions of the General Appropriations Act for Fiscal Year 2022.

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
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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, 2022

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 Officer-in-Charge (OIC)-Executive Director Caro B. Salces. He is being supported by OIC-Deputy Executive Director for Production and Research, Claro N. Mingala, 12 Center Directors, and 177 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 2021 and 2022 are as follows:

Particulars	2022	2021	Increase/ (Decrease)	%
Financial Condition				
Total Assets	₱2,286,768,881.24	₱2,420,674,314.74	(₱133,905,433.50)	(5.53%)
Total Liabilities	454,693,202.61	827,811,731.63	373,118,529.02	45.07%
Total Net Assets/ Equity	1,832,075,678.63	1,592,862,583.11	239,213,095.52	15.02%
Results of Operations				
Total Revenue and Net Financial Assistance/Subsidy	1,185,463,557.26	751,849,622.54	433,613,934.72	57.67%
Total Expenses	819,185,390.26	785,308,742.66	33,876,647.66	4.31%
Surplus (Deficit) for the period	366,278,167.00	(33,459,120.12)	399,737,287.06	1,194.70%

C. Scope of Audit

The audit covered the financial transactions and operations of the PCC for the year ended December 31, 2022. 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, 2022 owing to the (a) unrecognized receivables totaling ₱27,733,576.70 by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Mariano Marcos State University (MMSU), Central

Mindanao University (CMU) and University of the Philippines- Los Baños (UPLB); and (b) non-derecognition of receivables totaling ₱964,602.00 representing cost of buffaloes transferred by the PCC at Mindanao Livestock Production Center (MLPC) to various Local Government Units (LGUs) and farmer-beneficiaries, inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and the Dairy Buffalo Dispersal Agreement. Consequently, the accounts Other Business Income, and Other Deferred Credits were also understated by ₱27,645,826.70 and ₱87,750.00, respectively.

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

- (a) PCC at NHGP, MMSU, CMU and UPLB to prepare the necessary reports to enable the Accounting Unit to comply with the accrual basis of accounting on the recognition of financial transactions in the books of accounts; and draw the necessary adjusting entries in the books of accounts for proper recognition of receivables totaling ₱27,733,576.70; and
- (b) Center Director of PCC at MLPC to direct the (i) Accounting Unit to make the necessary adjusting entries for the buffaloes transferred totaling ₱964,602.00; and (ii) Program Coordinators to expedite the gathering of pertinent data supporting the various transfers of buffaloes and submit documents to the Accounting Office to effect necessary adjustments in the books of accounts.

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. Deficiencies were noted on the accounting and management of Biological Assets of the PCC Regional Centers such as (a) unrecognized buffaloes totaling ₱874,000.00 by the PCC at NHGP and Central Luzon State University (CLSU); (b) non-revaluation of animals resulting to understatement of Assets and Accumulated Surplus/(Deficit) accounts by ₱659,812.50 of the PCC at CLSU; (c) non-derecognition of sold and slaughtered animals totaling ₱983,250.00 by the PCC at CLSU and Central Mindanao University (CMU); (d) existence of dead and culled buffaloes totaling ₱581,750.00 in the Report on the Physical Count of Biological Assets of the PCC at VSU; (e) unaccounted animals totaling ₱2,317,500.00 by the PCC at NHGP and CLSU; and (f) non-preparation of Quarterly Report on Biological Assets (QRBA) and non-maintenance of Biological Assets Property Card (BAPC) by the PCC at NHGP, CMU and UPLB, inconsistent with the pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I. (**Observation No. 2**)

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

- (a) instruct the Accounting and Property Sections of PCC at NHGP and CLSU to (i) recognize in their respective records the book value of animals to its appropriate Biological Assets sub-account; (ii) investigate the status of unaccounted or non-existing animals; (iii) secure documents to support the disposition of animals for preparation of corresponding Property Transfer Reports (PTRs); and (iv) consistently apply the valuation policy established on Biological Assets;
- (b) advise the Accounting Section of PCC at CLSU and CMU to derecognize from their respective records the value of sold and slaughtered animals upon securing the necessary supporting documents;
- (c) Property and Supply Office of the PCC at VSU to (i) conduct an inventory together with In-charge of the loan and dispersal programs to come up with an accurate inventory report; and (ii) derecognize dead and culled buffaloes in the Report on the Physical Count of Biological Assets; and
- (d) advise the Property Unit/Farm Supervisors of PCC at NHGP, CMU and UPLB to regularly update the Biological Assets Property Card (BAPC) and prepare and submit the required Quarterly Report of Biological Assets (QRBA).

2. Deficiencies were noted on the accounting and management of Property, Plant and Equipment (PPE) accounts of the PCC Regional Centers at NHGP, CMU, MLPC, UPLB, VSU and WVSU with carrying amount totaling ₱724,458,830.03 as of December 31, 2022; viz: (a) unreconciled variance of ₱13,970,621.18 between the General Ledger (GL) controlling account balance and the Report on the Physical Count of PPE (RPCPPE); (b) unaccounted PPE items totaling ₱5,199,865.46; (c) errors in providing depreciation totaling ₱811,983.96; (d) non-reclassification of semi-expendable properties totaling ₱572,935; (e) non-disposal of unserviceable properties valued at ₱3,144,981.24; and (f) absence of Property Stickers or 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 and the OIC-Executive Director agreed to undertake the following courses of action:

- (a) Advise the (i) Property Unit of PCC-NHGP to validate the status or whereabouts of non-existing/missing PPEs of the Center; and (ii) Accounting and Property Units of the PCC at NHGP and CMU to conduct regular reconciliation of the balances of PPE per GL controlling accounts with their respective physical inventory records.
- (b) Direct the Accounting Unit of the PCC at 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;

- (c) Require the Accounting Unit of PCC at LCSF to prepare the necessary adjusting entries to reclassify semi-expendable property amounting to ₱572,935.00 acquired prior to CY 2022 and previously recorded as PPE; and
 - (d) Instruct the Property Unit and Disposal Committee of the PCC at NHGP, UPLB and WVSU to (i) expedite the request for the timely disposal of unserviceable PPE items to prevent further loss and deterioration of the same; and (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
 - (e) Advise the Property Section of PCC at NHGP and VSU to attach Property Stickers or 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.
3. Deficiencies in inventory management were observed during the review of control records and validation of the Report on the Physical Count of Inventories (RPCI) of the PCC Regional Centers at VSU, MMSU, UPLB and CMU as of December 31, 2022; viz: (a) unreconciled variance of ₱4,522,859.67 noted between the Accounting records and the RPCI; (b) non-observance of the Perpetual Inventory Method in the recognition of some inventories totaling ₱144,669.56; (c) unsupported issuance of semi-expendable items totaling ₱3,875,998.00; and (d) non-submission of the Report on the Physical Count of Inventories (RPCI), 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. 4**)

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

- (a) Direct the Accounting and Property Units of the PCC at 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
- (b) Advise the Accounting Unit of PCC at CMU and MMSU to (i) see to it that purchases and issuances of inventories shall be accounted under the Perpetual Inventory Method; and (ii) prepare the appropriate adjusting entries to reflect the unrecognized purchased/issued inventories; and
- (c) Require the Property Officer of the PCC at UPLB to prepare the Report of Semi-Expendable Property Issued (RSPI) based on the Inventory Custodian Slips (ICSs) issued in CY 2022 to end-users amounting to ₱3,875,998.00, copy furnished the Bookkeeper to support the journal entry vouchers (JEVs) for semi-expendable properties issued, and submit the same to the Audit Team for verification; and

- (d) Instruct the Property Unit and Inventory Committee of the PCC at CMU to (i) prepare and maintain inventory control records in accordance with the GAM for NGAs; and (ii) conduct the physical count of inventories semi-annually, and submit the RPCI to the COA Office for reference and verification.

F. Status of Suspensions, Disallowances and Charges and Settlements

The PCC-NHGP and seven Regional Centers reported no unsettled balances of audit suspensions, disallowances and charges as of December 31, 2022. However, the Regional Centers at CMU, LCSF and MLPC had outstanding suspensions totaling ₱33,334,806.95 and audit disallowances of ₱220,496.65 as reflected in the submitted Management Letters (MLs).

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

Out of 100 audit recommendations contained in the CY 2021 Consolidated Annual Audit Report (CAAR), 49 were fully implemented, 46 were partially implemented and five 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, 2022, 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, 2022, 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 ₱27,733,576.70 by the Philippine Carabao Center (PCC) National Headquarters and Gene Pool (NHGP) and Regional Centers at Mariano Marcos State University (MMSU), Central Mindanao University (CMU) and University of the Philippines- Los Baños (UPLB); and (b) non-derecognition of receivables totaling ₱964,602.00 representing cost of buffaloes transferred by the PCC at Mindanao Livestock Production Center (MLPC) to various Local Government Units (LGUs) and farmer-beneficiaries, inconsistent with pertinent provisions of the Government Accounting Manual (GAM) for National Government Agencies (NGAs), Volume I and the Dairy Buffalo Dispersal Agreement. Consequently, the accounts Other Business Income, and Other Deferred Credits were also understated by ₱27,645,826.70 and ₱87,750.00, respectively.

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