

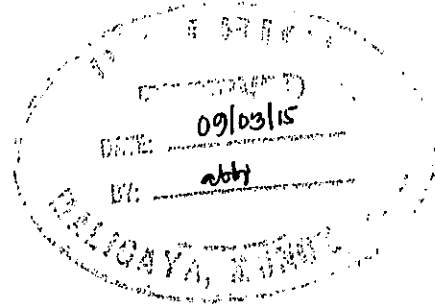


Republic of the Philippines
COMMISSION ON AUDIT

Regional Office No. III
City of San Fernando, Pampanga

June 30, 2015

Dr. CALIXTO M. PROTACIO
Executive Director
Philippine Rice Research Institute
Maligaya, Science City of Munoz
Nueva Ecija



Dear **Director Protacio**:

We are pleased to transmit the Annual Audit Report on the audit of the Philippine Rice Research Institute for the calendar year 2014 in compliance with Section 43 of the Government Auditing Code of the Philippines (PD No. 1445).

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

We conducted our audit in accordance with Philippine Standards on Auditing and we believe that it provided a reasonable basis for the audit results. We rendered a qualified opinion on the fairness of presentation of the financial statements of the Institute owing to the exceptions noted in the audit as stated in the Independent Auditor's Report in Part I of the report.

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

1. The accuracy and reliability of the reported Cash in Bank-Local Currency, Current Accounts (CIB-LCCA) amounting to ₱518,868,113.24 could not be ascertained due to deficient cash management and accounting practices, which were not in conformity with Section 12 of the NGAS Manual, Section 118 (c) of GAAM, Volume I and Sections 74 and 111 of Presidential Decree (PD) No. 1445. (*Observation No. 1*)

We recommended and Management agreed to (a) reconcile the differences between GLs, SLs and cash books; (b) make appropriate disposition of reconciling items; (c) observe timely submission of the bank reconciliation statements and supporting documents to COA. Thereafter, make the necessary adjusting entries to reflect the correct balances of

the affected accounts; (d) instruct the accountant of Satellite Stations concerned to coordinate with the PhilRice Central Office regarding the inexistent PNB bank accounts having book balances of P842,845.75 and (P961,749.70), respectively; (e) require the Accountant Philrice-Agusan to reconcile the fund balances in the system and actual fund balance per bank; (f) provide sufficient workforce to Accounting Sections to address the lack of manpower; and (g) refrain from overspending or borrowing from available fund balances.

2. Cash advances totaling P493,232.76 remain unliquidated as at December 31, 2014, which resulted in the delayed recognition of the related asset and/or expense accounts and its reciprocal effect on the Retained Earnings. Moreover, non-adherence to Section 89 of PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997 exposed cash advances to possible loss or misuse and the accountable officer to the legal repercussions of the non-observance thereof. (*Observation No. 3*)

We recommended and Management agreed to (a) exert extra effort in determining the details of the carry-over balances of Advances to Officers and Employees; (b) refrain from granting cash advances to officers and employees that have outstanding cash advances, and (c) henceforth, strictly comply with COA Circular No. 97-002 dated February 10, 1997 regarding the rules on the granting and utilization of cash advances. Corollary hereto, all cash advances should be immediately liquidated as soon as the purpose/s for which these were granted have been served. Any unused or unspent cash advances should be returned or refunded.

3. The balances of receivable accounts of PhilRice as of December 31, 2014 were doubtful due to the (a) presence of negative balances in the SLs totaling P8,711,738.57; (b) non-provision of allowance for doubtful accounts on trade receivables; and (c) non-availability of data to support the beginning balance of Due from Central amounting to P6,180,460.44, in violation of NGAS Manual, Volume I and Section 111 and 114 of PD No. 1445. Moreover, the balance was overstated by P3,385,350.45 or 4.5% of the total receivables due to the failure of Management to exclude from the balance the unreleased amount of subsidy from the PhilRice-Central Office as at year end. (*Observation No. 4*)

We recommended and Management concurred to (a) instruct the Accountant to exert extra effort to verify the negative balances in the receivable accounts and make adjustments, as warranted; (b) formulate an accounting policy on the setting up of Allowance for Doubtful Accounts pursuant to New Government Accounting System, for fair presentation of receivable accounts in the financial statements; (c) require the Accountant to record subsidies only upon receipt. Should they opt to accrue the same as income, adjust any unrealized subsidies at year-end using the pro-forma journal entries so as not to bloat the receivable account and present its correct balances at year end; and (d) make enhancement in the FMIS to come up with accurate and real-time information on reported subsidies, or on all other accounts for that matter.

4. Utilization of funds amounting to P79,943,237.72 and transferred/granted to satellite stations, NGAs, LGUs, SUCs, and POs could not be monitored and determined if in

accordance with the works and financial plans of the projects because of the absence of liquidation and accomplishment reports, contrary to COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2007-01 dated October 25, 2007. (*Observation No. 5*)

We recommended and Management agreed to (a) instruct the accountants concerned to record the amount of ₱79,943,237.72 in their respective books in accordance with the procedures prescribed in COA Circular No. 94-013. Henceforth, take up in the books the succeeding transfers and receipts of funds accordingly; and (b) require the submission of liquidation and accomplishment reports on any unliquidated fund releases.

5. The correctness, accuracy and reliability of the balances of the Inventory accounts totaling ₱81,599,575.96 cannot be ascertained due to the (a) variances that existed among reciprocal inventory records; (b) non-maintenance of stock cards; and (c) unaccounted balances pertaining to prior years, contrary to Section 111, 114.2 and 122 of Presidential Decree No. 1445 and Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I. (*Observation No. 6*)

We recommended and Management agreed to instruct the accounting and property officials to (a) maintain and update SLCs and SCs; (b) complete the conduct of physical count of inventories; (c) reconcile accounting and property records and settle the differences in the manner prescribed by regulations; (d) exert extra efforts in the determination of the details of the unaccounted beginning balances; and (e) henceforth observe sound management and accounting practices on inventories.

6. The correctness, validity and accuracy of the consolidated Property, Plant and Equipment (PPE) account amounting to ₱1,357,741,545.72 as of December 31, 2014 were doubtful due to deficient accounting and management practices on PPE, contrary to Section 490 of GAAM, Volume I, Section 68 of NGAs Manual, Volume I and Sections 79 and 111 of Presidential Decree (PD) No. 1445. (*Observation No. 7*)

We recommended and Management agreed to instruct the accounting and property officials concerned to (a) determine the variance among the reciprocal PPE records and adjust records as warranted; (b) conduct or finish the physical count of PPEs; (c) allocate depreciation cost in accordance with Section 68 of the NGAS Manual, Volume I; (d) reclassify completed projects from Construction in Progress account to appropriate asset account; and (e) henceforth, align PPE-related actions with pertinent laws and regulations.

7. The validity and correctness of Accounts Payable amounting to at least ₱72,128,297.36 could not be ascertained because of the doubtful basis in the booking up of payables and the existence of negative balances in the individual creditors' ledgers, in violation of Section 40 Book VI of the 1987 Administrative Code. (*Observation No. 8*)

We recommended and Management agreed to (a) stop the practice of recognizing payables based on mere approved BUR; (b) determine the details of the

₱57,085,170.86 accounts payable which may already correspond to invalid obligations. Likewise, investigate the cause of the abnormal balances in the individual creditors' ledger. Adjust books as maybe warranted by circumstances; (c) book payables based on valid obligations, or when goods were already received and services rendered; and (d) henceforth, strictly comply with Section 40 Book VI, 1987 Administrative Code.

8. Erroneous accounting entries contrary to COA Circular No. 2004-02 dated April 29, 2004 and failure of the accounting personnel to conduct reconciliation of balances rendered the Account Due to Other Funds unreliable since 2009. (*Observation No. 9*)

We recommended and Management concurred to (a) book up the identified BDDs the beginning balances of the accounts that were erroneously not forwarded in the ensuing years; (b) take up reciprocal transactions in the books of CES and concerned BDDs and effect adjustments, where necessary; (c) enhance the FIMS of PhilRice Negros and PhilRice Los Baños to assure that the system was operating as programmed; and (d) henceforth, comply with COA Circular 2004-002 in the recording of transactions.

9. Existence of abnormal balances in liability accounts totaling to ₱23,206,210.62 casts doubt on the validity and reliability of the affected accounts, contrary to Section 111 of PD No. 1445, thus affecting fairness of the presentation of the financial statements. (*Observation No. 10*)

We recommended and Management agreed to (a) analyze the entries made on the accounts affected to correct the negative/abnormal balances and prepare necessary adjusting entries as needed; and (b) enhance the FMIS to enable generation of reliable data and information.

10. Sales was recorded twice contrary to Section 111 of PD No. 1445, which resulted in the overstatement of sales and cost of goods sold by ₱2,213,699.60 and ₱1,054,993.72, respectively, thus the information in the financial statements were misleading. (*Observation No. 13*)

We recommended and Management agreed to (a) instruct the CES Chief Accountant and all Accountants in Satellite station to correct the misleading statements/double entries made; (b) record sales and cost of goods sold only at the point of actual sales; and (c) henceforth observe the requirements of Section 111 of PD No. 1445.

11. At least 9,203 disbursement vouchers (DVs) amounting ₱308,651,081.44 for all funds have not been submitted to the Auditor's Office for post-audit, while the related financial statements and reports have not been timely submitted, in violation of Sections 100, 107 and 122 of PD No. 1445, which precluded the timely examination, review and evaluation of the legality and correctness of the disbursements. (*Observation No. 17*)

We recommended and Management agreed to require the accountable officers to render/submit monthly reports in accordance with Section 100 of PD No. 1445. For any unjustified failure of persons responsible in the submission of accounts to COA, we

suggested that Management impose sanctions in accordance with Section 122 of PD No. 1445 as reiterated in paragraph 7.0 of COA Circular No. 95-006 dated May 18, 1995.

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 years' findings not yet or partially acted upon and included in Part III of the report, were discussed with the officials and staff of that Institute.

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** form, to be submitted to the Audit within sixty days from receipt of this report, pursuant to Section 88 of the General Provisions of the General Appropriations Act of 2014.

We appreciate the invaluable support and cooperation extended by the officials and staff of the Institute.

Very truly yours,



ELENITA DV. LUMONGSOD

Assistant Regional Director
Officer-in-Charge

cc: President of the Republic of the Philippines
Vice- President of the Philippines
President of the Senate
Speaker of the House of Representative
Chairperson - Senate Finance Committee
Chairperson - Appropriations Committee
Secretary of the Department of the Budget and Management
Governance Commission for GOCC
Presidential Management Staff, Office of the President

EXECUTIVE SUMMARY

A. Introduction

The Philippine Rice Research Institute (*PhilRice*), also known as the *Institute*, is a Government Owned and Controlled Corporation created under the Department of Agriculture through Executive Order No. 1061 signed on November 5, 1985 by the then President Ferdinand E. Marcos.

The Executive Order No. 76 issuance of the former President Gloria Macapagal - Arroyo dated March 4, 2002 transferred PhilRice from the Department of Agriculture to the Office of the President. Executive Order No. 219 dated June 26, 2003 was issued directing the transfer/return of PhilRice to the Department of Agriculture for fusion of the Hybrid Rice Program's leadership.

The Board of Trustees, the Institute's highest policymaking body, with the Secretary of Agriculture as Chairperson, and twelve other members representing various sectors related to the rice industry governs PhilRice. The Executive Director of PhilRice is one of the regular members of the Board.

PhilRice's Central Experiment Station is located at Brgy. Maligaya, Science City of Muñoz, Nueva Ecija. It has seven other branch stations such as: PhilRice Batac – in Batac, Ilocos Norte; PhilRice Isabela – in San Mateo, Isabela; PhilRice Los Baños – in Los Baños, Laguna; PhilRice Agusan – in RTR, Agusan del Norte; PhilRice Midsayap - in North Cotabato; PhilRice Negros – in Cansilayan, Murcia, Negros Occidental; and PhilRice Bicol – in Silay City, Bicol. In 2013, the approval of PhilRice Rationalization Plan (RP) pursuant to Executive Order (EO) No. 366 and its Implementing Rules and Regulations and Memorandum Order (MO) No. 190, s. 2005, resulted in the creation of Central Mindanao University (CMU) Satellite Station under PhilRice Agusan and Zamboanga Satellite Station under PhilRice Midsayap.

Our audit was conducted in accordance with Philippine Public Sector Standard on auditing and we believe that it provides reasonable bases for the results of audit.

The audit covered on a test basis, the accounts and financial transactions of PhilRice for the calendar year 2014. The objectives of the audit were to (a) ascertain the level of assurance that may be placed on managements assertions on the financial statements; (b) recommend agency improvement opportunities; and (c) determine the extent of implementation of prior year's recommendations.

B. FINANCIAL HIGHLIGHTS

The following comparative data show the financial position, results of operation and application of funds of PhilRice for the years 2014 and 2013:

	2014	2013	Increase/ (Decrease)
Financial Status			
Assets	1,996,572,746.28	1,763,635,158.41	232,937,587.87
Liabilities	995,230,170.56	821,050,453.30	174,179,717.26
Government Equity	1,001,342,575.72	942,584,705.11	58,757,870.61
Results of Operation			
Income	584,468,174.67	607,791,970.55	(23,323,795.88)
Expenses	480,066,430.76	532,759,098.99	(52,692,668.23)
Excess of Income Over Expenses	104,401,743.91	75,032,871.56	29,368,872.35

C. INDEPENDENT AUDITOR'S REPORT

As discussed in Part II of this report, the Auditor rendered a qualified opinion due to (a) The balances of receivable accounts of PhilRice as of December 31, 2014 were doubtful (i) presence of negative balances in the SLs totaling ₱8,711,738.57; (ii) non-provision of allowance for doubtful accounts on trade receivables; (b) The validity and correctness of Accounts Payable amounting to at least ₱72,128,297.36 could not be ascertained because of the doubtful basis in the booking up of payables and the existence of negative balances in the individual creditors' ledgers; and (c) Sales was recorded twice which resulted in the overstatement of sales and cost of goods sold by ₱2,213,699.60 and ₱1,054,993.72, respectively, thus the information in the financial statements were misleading.

For the above errors/deficiencies, we recommended that (a) instruct the Accountant to exert extra effort to verify the negative balances in the receivable accounts and make adjustments, as warranted; (i) formulate an accounting policy on the setting up of Allowance for Doubtful Accounts pursuant to New Government Accounting System, for fair presentation of receivable accounts in the financial statements; (b) stop the practice of recognizing payables based on mere approved BUR; (i) determine the details of the ₱57,085,170.86 accounts payable which may already correspond to invalid obligations. Likewise, investigate the cause of the abnormal balances in the individual creditors' ledger. Adjust books as maybe warranted by circumstances; (ii) book payables based on valid obligations, or when goods were already received and services rendered; and (iii) henceforth, strictly comply with Section 40 Book VI, 1987 Administrative Code; and (c) instruct the CES Chief Accountant and all Accountants in Satellite station to correct the misleading statements/double entries made; (i) record sales and cost of goods sold only at the point of actual sales; and (ii) henceforth observe the requirements of Section 111 of PD No. 1445.

D. SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. The accuracy and reliability of the reported Cash in Bank-Local Currency, Current Accounts (CIB-LCCA) amounting to ₱518,868,113.24 could not be ascertained due to deficient cash management and accounting practices, which were not in conformity with Section 12 of the NGAS Manual, Section 118 (c) of GAAM, Volume I and Sections 74 and 111 of Presidential Decree (PD) No. 1445. (*Observation No. 1*)

We recommended and Management agreed to (a) reconcile the differences between GLs, SLs and cash books; (b) make appropriate disposition of reconciling items; (c) observe timely submission of the bank reconciliation statements and supporting documents to COA. Thereafter, make the necessary adjusting entries to reflect the correct balances of the affected accounts; (d) instruct the accountant of Satellite Stations concerned to coordinate with the PhilRice Central Office regarding the inexistent PNB bank accounts having book balances of ₱842,845.75 and (₱961,749.70), respectively; (e) require the Accountant Philrice-Agusan to reconcile the fund balances in the system and actual fund balance per bank; (f) provide sufficient workforce to Accounting Sections to address the lack of manpower; and (g) refrain from overspending or borrowing from available fund balances.

2. Cash advances totaling ₱493,232.76 remain unliquidated as at December 31, 2014, which resulted in the delayed recognition of the related asset and/or expense accounts and its reciprocal effect on the Retained Earnings. Moreover, non-adherence to Section 89 of PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997 exposed cash advances to possible loss or misuse and the accountable officer to the legal repercussions of the non-observance thereof. (*Observation No. 3*)

We recommended and Management agreed to (a) exert extra effort in determining the details of the carry-over balances of Advances to Officers and Employees; (b) refrain from granting cash advances to officers and employees that have outstanding cash advances, and (c) henceforth, strictly comply with COA Circular No. 97-002 dated February 10, 1997 regarding the rules on the granting and utilization of cash advances. Corollary hereto, all cash advances should be immediately liquidated as soon as the purpose/s for which these were granted have been served. Any unused or unspent cash advances should be returned or refunded.

3. Utilization of funds amounting to ₱79,943,237.72 and transferred/granted to satellite stations, NGAs, LGUs, SUCs, and POs could not be monitored and determined if in accordance with the works and financial plans of the projects because of the absence of liquidation and accomplishment reports, contrary to COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2007-01 dated October 25, 2007. (*Observation No. 5*)

We recommended and Management agreed to (a) instruct the accountants concerned to record the amount of ₱79,943,237.72 in their respective books in accordance with the procedures prescribed in COA Circular No. 94-013. Henceforth, take up in the books the succeeding

transfers and receipts of funds accordingly; and (b) require the submission of liquidation and accomplishment reports on any unliquidated fund releases.

4. The correctness, accuracy and reliability of the balances of the Inventory accounts totaling ₱ 81,599,575.96 cannot be ascertained due to the (a) variances that existed among reciprocal inventory records; (b) non-maintenance of stock cards; and (c) unaccounted balances pertaining to prior years, contrary to Section 111, 114.2 and 122 of Presidential Decree No. 1445 and Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I. (*Observation No. 6*)

We recommended and Management agreed to instruct the accounting and property officials to (a) maintain and update SLCs and SCs; (b) complete the conduct of physical count of inventories; (c) reconcile accounting and property records and settle the differences in the manner prescribed by regulations; (d) exert extra efforts in the determination of the details of the unaccounted beginning balances; and (e) henceforth observe sound management and accounting practices on inventories.

5. The correctness, validity and accuracy of the consolidated Property, Plant and Equipment (PPE) account amounting to ₱1,357,741,545.72 as of December 31, 2014 were doubtful due to deficient accounting and management practices on PPE, contrary to Section 490 of GAAM, Volume I, Section 68 of NGAs Manual, Volume I and Sections 79 and 111 of Presidential Decree (PD) No. 1445. (*Observation No. 7*)

We recommended and Management agreed to instruct the accounting and property officials concerned to (a) determine the variance among the reciprocal PPE records and adjust records as warranted; (b) conduct or finish the physical count of PPEs; (c) allocate depreciation cost in accordance with Section 68 of the NGAS Manual, Volume I; (d) reclassify completed projects from Construction in Progress account to appropriate asset account; and (e) henceforth, align PPE-related actions with pertinent laws and regulations.

6. Erroneous accounting entries contrary to COA Circular No. 2004-02 dated April 29, 2004 and failure of the accounting personnel to conduct reconciliation of balances rendered the Account Due to Other Funds unreliable since 2009. (*Observation No. 9*)

We recommended and Management concurred to (a) book up the identified BDDs the beginning balances of the accounts that were erroneously not forwarded in the ensuing years; (b) take up reciprocal transactions in the books of CES and concerned BDDs and effect adjustments, where necessary; (c) enhance the FIMS of PhilRice Negros and PhilRice Los Baños to assure that the system was operating as programmed; and (d) henceforth, comply with COA Circular 2004-002 in the recording of transactions.

7. Existence of abnormal balances in liability accounts totaling to ₱23,206,210.62 casts doubt on the validity and reliability of the affected accounts, contrary to Section 111 of PD No. 1445, thus affecting fairness of the presentation of the financial statements. (*Observation No. 10*)

We recommended and Management agreed to (a) analyze the entries made on the accounts affected to correct the negative/abnormal balances and prepare necessary adjusting entries as needed; and (b) enhance the FMIS to enable generation of reliable data and information.

8. At least 9,203 disbursement vouchers (DVs) amounting ₱308,651,081.44 for all funds have not been submitted to the Auditor's Office for post-audit, while the related financial statements and reports have not been timely submitted, in violation of Sections 100, 107 and 122 of PD No. 1445, which precluded the timely examination, review and evaluation of the legality and correctness of the disbursements. (*Observation No. 17*)

We recommended and Management agreed to require the accountable officers to render/submit monthly reports in accordance with Section 100 of PD No. 1445. For any unjustified failure of persons responsible in the submission of accounts to COA, we suggested that Management impose sanctions in accordance with Section 122 of PD No. 1445 as reiterated in paragraph 7.0 of COA Circular No. 95-006 dated May 18, 1995.

E. SUMMARY OF TOTAL SUSPENSION, DISALLOWANCES AND CHARGES

	Beginning Balance, January 1, 2014	This period January 1 – December 31, 2014		Ending Balance December 31 , 2014
		NS/ND/NC	NSSDC	
Notice of Suspension	0.00	0.00	0.00	0.00
Notice of Disallowance	₱ 11,889,284.71	0.00	0.00	₱ 11,889,284.71
Notice of Charge	1,031,413.32	0.00	0.00	1,031,413.32
Grand Total	₱ 12,920,698.03	0.00	0.00	₱ 12,920,698.03

Disallowances and charges amounting to ₱11,889,284.71 and ₱1,031,413.32, respectively, remained unsettled as of December 31, 2014.

F. STATUS OF IMPLEMENTATION BY THE AGENCY OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Out of the 18 audit recommendations contained in the 2013 Annual Audit Report, seven were implemented; six were partially implemented; and five were not yet implemented by the Institute.

TABLE OF CONTENTS

	Page No
Part I Audited Financial Statements	
State Auditor's Report on the Financial Statements	1
Statement of Management Responsibility	3
Balance Sheet	4
Statement of Income and Expense	5
Statement of Changes in Equity	6
Statement of Cash Flows	7
Notes to Financial Statements	8
Part II Observations and Recommendations	38
Part III Status of Implementation of Prior Year's Recommendation	88
Part IV Annexes	

PART I – AUDITED FINANCIAL STATEMENTS



Republic of the Philippines
COMMISSION ON AUDIT
City of San Fernando, Pampanga

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

Philippine Rice Research Institute
Maligaya, Science City of Munoz
Nueva Ecija

We have audited the accompanying financial statements of the Philippine Rice Research Institute, which comprise the balance sheet as at December 31, 2014, and the statement of income and expenses, statement of changes in government equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with State accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide as basis for our qualified audit opinion.

Basis for Qualified Opinion

As discussed in Part II of this report, the Auditor rendered a qualified opinion due to (a) The balances of receivable accounts of PhilRice as of December 31, 2014 were doubtful (i) presence of negative balances in the SLs totaling ₱8,711,738.57; (ii) non-provision of allowance for doubtful accounts on trade receivables; (b) The validity and correctness of Accounts Payable amounting to at least ₱72,128,297.36 could not be ascertained because of the doubtful basis in the booking up of payables and the existence of negative balances in the individual creditors' ledgers; and (c) Sales was recorded twice which resulted in the overstatement of sales and cost of goods sold by ₱2,213,699.60 and ₱1,054,993.72, respectively, thus the information in the financial statements were misleading

Qualified Opinion

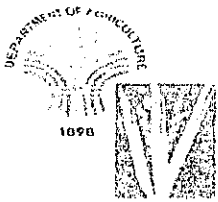
In our opinion, except for the effects and possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of the Philippine Rice Research Institute as at December 31, 2013 and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

By:

DANILO M. LAGASON
Auditor V
Supervising Auditor

February 28, 2015



PHILIPPINE RICE RESEARCH INSTITUTE
PHILRICE CENTRAL EXPERIMENT STATION

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR THE FINANCIAL STATEMENTS**

The management of the Philippine Rice Research Institute is responsible for all the information and representation contained in the Balance Sheet as of December 31, 2014 and the related Statement of Income and Expenses and Statement of Cash Flows for the year then ended.

The financial statements have been prepared in conformity with generally accepted 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 recognized.

NELITA M. TADO

Head, Financial and Management Division

Dr. EUFEMIO T. RASCO, Jr.

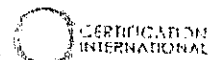
Executive Director



Clean, Green, Practical, and Smart Rice Farming Systems for Competitiveness, Sustainability, and Resilience (Clean GPS for CSR)



PhilRice Central Experiment Station, Maligaya, Science City of Muñoz, 3119 Nueva Ecija, Philippines | Email: prri.mail@philrice.gov.ph
Trunkline: (044) 456-0277 | Telefax: (044) 456-0112, 0648 | PhilRice Text Center: +63 920-911-1398 | Website: www.philrice.gov.ph
www.pinoyskb.com | Liaison Office: 3rd Flr, ATI Bldg., Elliptical Road, Diliman, Quezon City | Tel: (02) 920-5129 | Mobile: 0920-906 9052



PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF FINANCIAL POSITION
as of December 31, 2014
(With Comparative Figures for 2013)

	2014	2013
ASSETS		
Current Assets		
Cash (Note 4)	₱ 1,034,307,544.88	₱ 840,605,350.39
Receivables (Note 5)	164,836,005.74	160,363,616.24
Inventories (Note 6)	81,599,575.96	68,173,266.20
Prepaid Expenses (Note 7)	1,912,728.89	1,479,246.65
Other Current Assets (Note 8)	7,048,314.89	657,638.62
Total Current Assets	1,289,704,170.36	1,071,279,118.10
Non-Current Assets		
Property & Equipment net (Note 9)	692,722,830.35	678,174,100.25
Other Assets (Note 10)	14,145,745.57	14,181,940.06
Total Non-Current Assets	706,868,575.92	692,356,040.31
TOTAL ASSETS	1,996,572,746.28	1,763,635,158.41
LIABILITIES & GOVERNMENT EQUITY		
Current Liabilities (Note 11)		
Accounts Payable	239,962,314.63	175,411,341.26
Due to National Government Agencies	12,094,075.97	9,433,330.09
Due to GOCCs	63,187.02	63,187.02
Due to Local Government Units	50,000.00	50,000.00
Trust Liabilities	676,326,356.92	608,510,335.58
Other Current Liabilities	50,163,415.27	13,624,613.83
Total Current Liabilities	978,659,349.81	807,092,807.78
Non-Current Liabilities	16,570,820.75	13,957,645.52
Government Equity (Note 13)	1,001,342,575.72	942,584,705.11
TOTAL LIABILITIES & GOVERNMENT EQUITY	₱ 1,996,572,746.28	₱ 1,763,635,158.41

(See accompanying Notes to Financial Statements.)

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2014
(With Comparative Figures for 2013)

	2014	2013
Income		
Income from Dormitory Operations	P 5,747,782.36	P 7,781,812.85
Rent Income	1,728,556.25	952,815.70
Other Business Income	23,886,989.59	40,555,229.59
Fines & Penalties - Business Income	178.19	-
Subsidy Income from National Government	546,440,000.00	532,200,000.00
Income from Grants & Donations (Note 12)	2,166,793.80	7,214,354.00
Interest Income	3,351,701.93	5,016,471.33
Miscellaneous Income	935,083.62	859,046.42
Gain/Loss on Foreign Exchange	211,088.93	13,207,540.06
Gain on Sale of Disposed Assets	-	4,700.60
Total Income	584,468,174.67	607,791,970.55
Expenses		
Personal Services	159,391,621.88	150,500,520.55
Maintenance and Other Operating Expenses	320,584,619.56	381,993,145.48
Financial Expenses	45,902.32	265,432.96
Loss of Assets	375.61	-
Loss on Disposal of Assets	43,911.39	-
Total Expenses	480,066,430.76	532,759,098.99
NET INCOME (NET LOSS)	P 104,401,743.91	P 75,032,871.56

(See accompanying Notes to Financial Statements.)

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF CHANGES IN GOVERNMENT EQUITY
For the Year Ended December 31, 2014
(With Comparative Figures for 2013)

	2014	2013
Government Equity, Beginning	₱ 467,101,414.48	₱ 467,101,414.48
Retained Earnings, Beginning	475,483,290.63	409,388,854.03
Other Adjustments:		
Over (Under) statement of Receivables	(639,651.99)	(1,368,181.85)
Over (Under) statement of Assets	(4,659,268.55)	(1,659,753.88)
Over (Under) statement of Equipment Accounts	15,755,532.72	1,747,590.26
Under (Over) statement of Liabilities	(10,114,974.53)	1,717,433.63
Under (Over) statement of Other Liabilities	897,398.07	(7,765.82)
Under (Over) statement of Income	40,215.14	3,784,760.65
Under (Over) statement of Expenses	5,798,103.85	798,607.96
Under (Over) statement of Depreciation, Prior Years	(1,234,688.00)	(3,400,094.10)
Liquidation of Prior Years' Cash Advances	11,297.00	(179,820.75)
CNA Incentive/Productivity Incentive Bonus/IMS	(4,887,850.00)	(8,762,478.07)
Monetization of Leave Credits (2013)	(3,586,348.64)	(1,424,307.99)
Accumulated Compensated Absences	(43,023,638.37)	-
Payment of Magna Carta Benefits	-	(184,425.00)
Net Income (Loss) for the Period	104,401,743.91	75,032,871.56
Retained Earnings, End	534,241,161.24	475,483,290.63
GOVERNMENT EQUITY, End	₱ 1,001,342,575.72	₱ 942,584,705.11

(See accompanying Notes to Financial Statements.)

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENTS OF CASH FLOWS
For the Year Ended December 31, 2014
(With Comparative Figures for 2013)

CASH FLOW FROM OPERATING ACTIVITIES	2014	2013
Cash Inflows		
Collection of Receivables	₱ 34,112,100.69	₱ 77,974,758.06
Receipt of Subsidy	546,440,000.00	532,200,000.00
Collection of Income	83,940,181.45	107,471,503.48
Receipt of Performance/Bidder's/Bail Bonds	1,042,579.20	990,427.23
Receipt of Trust Funds	373,532,325.73	233,584,116.70
Refund of Overpayment of Expenses from Regular Funds	296,195.06	-
Collections of Taxes/Govt Remittances	16,996,748.22	44,889,221.25
Gain on Foreign Exchange	84,783.89	-
Collections of Contribution/APE/PMBF/PEMCO (for Remittance)	3,178,050.25	13,495,894.73
Collection of Retention Fee	-	5,002,179.63
Collection of Other Deferred Credits	6,967,140.11	3,820,896.26
Total Cash Inflows	1,066,590,104.60	1,019,428,997.34
Cash Outflows		
Payment of Operating Expenses	392,748,236.50	492,310,510.20
Payment of Payables	67,128,567.24	52,390,718.39
Payments Out of Trust Funds	318,043,842.80	252,675,980.31
Payments for Prepaid Items/Expenses	1,436,027.15	1,787,544.88
Remittance of GSIS/Pag-ibig/Withholding Taxes	20,694,465.72	58,974,038.23
Remittance of Contribution/APE/PMBF/PEMCO	1,630,559.90	14,225,007.87
Payment of CNA/Leave Monetization	9,794,956.93	4,170,076.14
Release of Bidder's Bonds	435,680.77	920,588.23
Purchase of Supplies for Inventory	35,876,375.64	4,374,621.75
Release of Retention Fees	4,287,155.34	-
Total Cash Outflows	852,075,867.99	881,829,086.00
NET CASH PROVIDED BY OPERATING ACTIVITIES	214,514,236.61	137,599,911.34
CASH USED IN INVESTING ACTIVITIES		
Purchase of Property & Equipment	20,812,042.12	50,914,818.15
NET CASH USED IN INVESTING ACTIVITIES	20,812,042.12	50,914,818.15
INCREASE (DECREASE) IN CASH	193,702,194.49	86,685,093.19
CASH BALANCE AT BEGINNING OF YEAR	840,605,350.39	753,920,257.20
CASH BALANCE AT END OF THE YEAR	₱ 1,034,307,544.88	₱ 840,605,350.39

(See accompanying Notes to Financial Statements.)

PHILIPPINE RICE RESEARCH INSTITUTE

(A Government-Owned and Controlled Corporation under the Department of Agriculture)

NOTES TO FINANCIAL STATEMENTS

1. AGENCY BACKGROUND

The Philippine Rice Research Institute (*PhilRice*), also known as the *Institute*, is a Government Owned and Controlled Corporation created under the Department of Agriculture through Executive Order No. 1061 signed on November 5, 1985 by the then President Ferdinand E. Marcos.

The Executive Order No. 76 issuance of the former President Gloria Macapagal - Arroyo dated March 4, 2002 transferred PhilRice from the Department of Agriculture to the Office of the President. Consequently, the issuance of Executive Order No. 219 dated June 26, 2003 directed the transfer/return of PhilRice to the Department of Agriculture for fusion of the Hybrid Rice Program's leadership.

The Board of Trustees, the Institute's highest policymaking body, with the Secretary of Agriculture as Chairperson, and twelve other members representing various sectors related to the rice industry governs PhilRice. The Executive Director of PhilRice is one of the regular members of the Board.

PhilRice is mandated to perform six basic functions as follows:

1. To serve as the coordinating center of a national network of rice research stations located in the different agro-ecological regions of the country;
2. To plan and carry out research and development activities, specifically in the areas of varietal improvement, planting and fertilizer management, integrated pest management, farm mechanization and post-harvest engineering, farming systems, training and technology transfer, and social science and policy research;
3. To verify, package and transfer economically viable technologies, giving emphasis on the social engineering aspects necessary for group endeavor;
4. To provide the data base or policy formulation that will stimulate and sustain rice production, marketing, and consumption;
5. To organize and develop strong training programs for rice scientists, research managers, and extension workers; and
6. To publish and disseminate research findings and recommendations.

PhilRice's Central Experiment Station is located at Brgy. Maligaya, Science City of Muñoz, Nueva Ecija. It has seven other branch stations such as: PhilRice Batac – in Batac, Ilocos Norte; PhilRice Isabela – in San Mateo, Isabela; PhilRice Los Baños – in Los Baños, Laguna; PhilRice Agusan – in RTR, Agusan del Norte; PhilRice Midsayap - in North Cotabato;

PhilRice Negros – in Cansilayan, Murcia, Negros Occidental; and PhilRice Bicol – in Silay City, Bicol. This 2013, the approval of PhilRice Rationalization Plan (RP) pursuant to Executive Order (EO) No. 366 and its Implementing Rules and Regulations and Memorandum Order (MO) No. 190, s. 2005, resulted to the creation of Central Mindanao University (CMU) Satellite Station under PhilRice Agusan and Zamboanga Satellite Station under PhilRice Midsayap

At Present, the Institute's Executive Director, Dr. Eufemio T. Rasco, Jr., directs and spearheads the over-all operations of the Institute with the assistance of his Deputy Executive Directors in Research, in Development, and in Administration rallying along with Branch Managers located in the stations and with the Central Office's research and development divisions/centers/units. PhilRice continues to carry its mission in strengthening national rice research and development (R&D) capabilities in generating, improving, and promoting appropriate and sustainable rice and rice-based technologies and in providing raw materials inputs, agricultural technologies and R&D services to core industries composed of rice farmers, farmers' groups and peoples' associations involved in a wide range of activities related to palay production, post production, trading, processing and rice marketing. It continues to tap network that includes agencies and seed centers strategically located nationwide thereby reducing poverty incidence and malnutrition.

The total work force of the Institute has decreased from One Thousand Three Hundred Thirty Five (1,335) personnel in 2013 composed of 212 regular staff and 1,123 job contractors to One Thousand Three Hundred Twenty Five (1,325) this CY 2014 composed of 218 regular staff and 1,107 job contractors. Together, the Institute has been building the country's capacity of development workers, strategic advocacy, behavioral/action research, and knowledge management for improving decision-making through knowledge networking and sharing, as well as, discipline-based activities in support of the research programs.

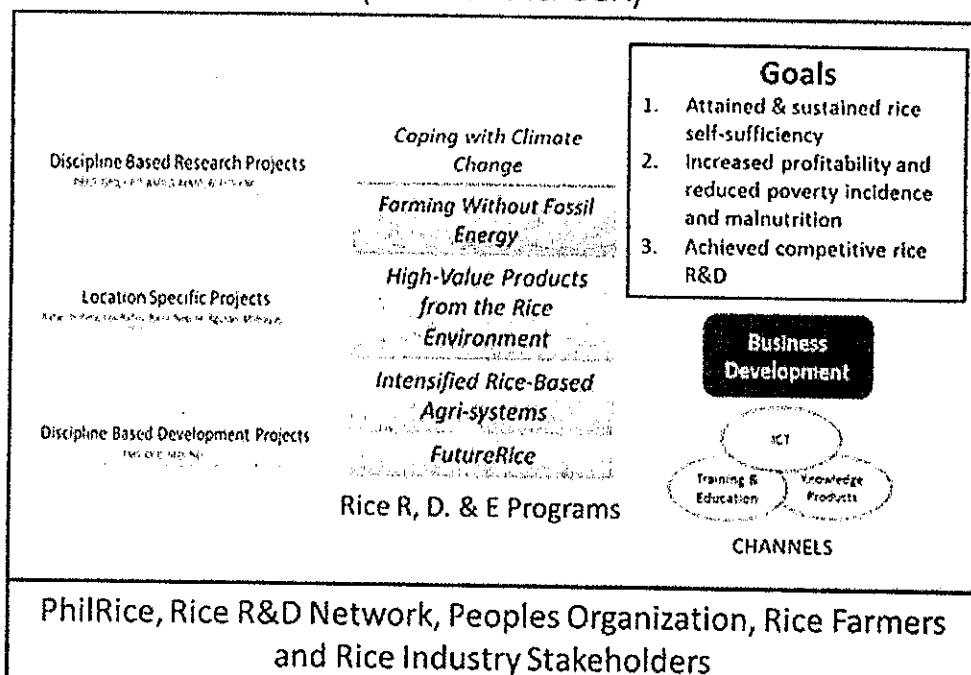
2. STATUS OF OPERATIONS

To pursue a more focused, efficient, and appropriate R&D efforts, PhilRice has developed its Strategic Plan for 2010–2020 with three main goals: (1) help in attaining national rice self-sufficiency by 2013 and in sustaining it in 2014 and beyond; (2) contribute in reducing the incidence of poverty and malnutrition; and (3) achieving competitiveness in rice science and technology. These goals are aligned with the Philippine Food Staples Sufficiency Program (FSSP, 2011-2016), the UN Millennium Development Goals, Philippine Development Plan (PDP), the Agriculture and Fishery Modernization Act (AFMA), and initiatives of civil society organizations (CSOs).

To achieve these goals, major programs and projects for 2011–2016 were conceptualized and developed in 2010, and implemented in 2011. After an R&D review in December 2012, the programs were recast into relevant and responsive themes, which have undergone review, consultation and critiquing during the PhilRice Board of Trustees meeting on March 4, 2013 and the quarterly meeting of the NAFC Sub-Committee on Cereals (composed of various private, government and non-government organizations in the rice and corn sub-sector) on March 15, 2013. The recast programs were partially implemented in 2013 and were fully implemented starting 2014:

**Clean, Green, Practical and Smart Rice Farming Systems for
Competitiveness, Sustainability and Climate-Change Resiliency
(Clean GPS for CSR)**

*To address the
problems of and
create
opportunities
amidst climate
change,
increasing cost
and demand for
fossil fuel,
dwindling natural
resources, cost
and energy
inefficiency in rice
farming, and
global
competitiveness.*



A total of 83 projects were conducted and distributed widely among R & D programs, divisions, centers and branch stations. These projects are also implemented nationwide in partnership with DA research centers, state colleges and universities, government and non-government organizations.

Programs, Divisions, Center, Stations	2013	2014
R&D PROGRAMS	22	26
Coping with Climate Change	4	3
High Value Added Products from Rice and Its Environment	3	3
Farming without Fossil Energy	3	3
Developing Technologies to Break the Low Rice Yield Barriers in Rainfed, Upland, & other Adverse Environments <i>(to be completed June 2014)</i>	5	3
Intensified Rice-based Agri-bio Systems	4	11
FutureRice	3	3
DIVISIONS & CENTER	40	48
Plant Breeding and Biotechnology	4	8
Genetic Resources	4	5
Agronomy, Soils and Plant Physiology	4	5

Crop Protection	5	5
Programs, Divisions, Center, Stations	2013	2014
Rice Chemistry and Food Science	2	2
Rice Engineering and Mechanization	3	3
Seed Technology	3	3
Information Systems	2	3
Development Communication	2	3
Technology Management and Services	4	5
Socioeconomics	4	4
Crops Biotech Center	3	2
BRANCH STATIONS	26	9
PhilRice Batac	5	1
PhilRice Isabela	2	1
PhilRice Los Baños	4	2
PhilRice Bicol	2	1
PhilRice Negros	6	1
PhilRice Agusan	7	1
PhilRice Midsayap		2
TOTAL	88	83

Highlights of Physical Performance as per DBM approved Major Final Outputs (MFOs). For the year, PhilRice implemented 89 projects for rice R&D. These projects developed different technologies such as varieties, machines, crop management options and to promote these technologies, different strategies or approaches were utilized such as trainings, information materials, exhibits, and others. In summary, PhilRice have accomplished 100% of its targets.

MFOs and Performance Indicators	FY 2014 Quarterly Targets					2014 Accomplishments				
	Q1	Q2	Q3	Q4	Total	Q1	Q2	Q3	Q4	Total
Number of research projects implemented	89	89	89	89	89	89	89	89	89	89
Percentage of research projects completed within the original proposed timeframe	-	-	-	100% (9)	100% (9)	-	-	-	100% (9)	100% (9)

Number of varieties developed for commercial production (Submitted to the National Seed Industry Council (NSIC) for deliberation and approval)	-	-	-	15	15	-	-	-	24	24
--	---	---	---	----	----	---	---	---	----	----

HIGHLIGHTS OF 2014 ACCOMPLISHMENTS

I. VARIETIES DEVELOPED FOR COMMERCIAL PRODUCTION

For 2014, ten new inbred and fourteen new hybrid varieties were approved by the National Seed Industry Council (NSIC) for commercial cultivation in irrigated lowland conditions

NSIC name	Local name	Provinces adapted	Ave. Yield (t/ha)	Maturity (DAS)
IRRIGATED LOWLAND (Inbred)				
NSIC 2014 Rc352	Tubigan 27	Pangasinan, Cagayan, Tabuk Kalinga, Or. Mindoro & Camarines Sur)	5.1	111
NSIC 2014 Rc354	Tubigan 28	National	5.4	112
NSIC 2014 Rc356	Tubigan 29	Samar, Aklan & Bohol	5.0	116
NSIC 2014 Rc358	Tubigan 30	Samar, Aklan & Bohol	5.4	114
NSIC 2014 Rc360	Tubigan 31	Aklan & Bohol	5.2	118
IRRIGATED LOWLAND (Hybrid)				
NSIC 2014 Rc362H	Mestiso 52	Bohol, Iloilo & Leyte	6.1	115
NSIC 2014 Rc364H	Mestiso 53	Bohol, Iloilo & Leyte	6.0	106
NSIC 2014 Rc366H	Mestiso 54	Bohol, Iloilo & Leyte	6.0	107
NSIC 2014 Rc368H	Mestiso 55	National (for dry season)	5.9	109
NSIC 2014 Rc370H	Mestiso 56	Bohol, Iloilo, Leyte & Negros	6.1	109
NSIC 2014 Rc372H	Mestiso 57	Bohol, Iloilo, Leyte & Negros	5.3	108
NSIC 2014 Rc374H	Mestiso 58	Bohol, Iloilo, Negros & Leyte	6.0	109
NSIC 2014 Rc376H	Mestiso 59	National	6.3	111
NSIC 2014 Rc378H	Mestiso 60	National (for dry	5.7	110

		season)		
NSIC 2014 Rc380H	Mestiso 61	Bohol, Iloilo & Leyte	6.0	109
NSIC 2014 Rc382H	Mestiso 62	National	6.2	108
NSIC 2014 Rc384H	Mestiso 63	Bohol & Leyte	6.0	111
NSIC 2014 Rc386H	Mestiso 64	National	6.4	108
NSIC 2014 Rc388H	Mestiso 65	Bohol, Iloilo, Leyte & Negros	5.9	106

NSIC name	Local name	Provinces adapted	Ave. Yield (t/ha)	Maturity (DAS)
SALINE				
NSIC 2014 Rc390	Salinas 19	National	4.0	112
NSIC 2014 Rc392	Salinas 20	National	3.2	113
UPLAND				
NSIC 2014 Rc25	Katihhan 2	National	3.0	107
NSIC 2014 Rc27	Katihhan 3	National	2.7	107
NSIC 2014 Rc29	Katihhan 4	National	2.3	108

These new varieties for commercial release passed the yield criterion for national recommendation. It has high yield advantage over existing varieties and can increase the rice production.

II. INTEGRATED/CROP MANAGEMENT OPTIONS

Management Options	Accomplishments
Effect of habitat manipulation through vegetation diversity on population of key insect pests, its natural enemies, damage and species richness.	Results indicated the high population of these beneficial organisms and arthropod species richness in the ecological engineering field as compared to farmers' field. Conservation of the rich communities of these beneficial organisms in the rice ecosystem is an important component for an effective and sustainable Integrated Pest Management (IPM) in rice.
Enhanced the qualities of rice grain for higher value	3 pre-harvest and post-harvest management options evaluated for aromatic and organic rice in 2016.
Appropriate pre-harvest and post-harvest management technologies developed for aromatic and organic rice	The effects of fertilizer management on grain quality are not yet determined. Evaluation is still ongoing.

III. MAJOR MACHINES AND SYSTEMS DEVELOPED/IMPROVED FOR INCREASING EFFICIENCY IN PRODUCTION THROUGH LABOR SAVING, ALTERNATIVE/ RENEWABLE SOURCE OF ENERGY

Machines	Accomplishments
<ul style="list-style-type: none"> • Prototype of crude and hydrous bioethanol distiller and power generating unit complete and ready for pilot testing 	<ul style="list-style-type: none"> • Fabrication of prototype of crude and hydrous bioethanol distiller was completed and launched during the Lakbay Palay at PhilRice in April 2014 • Testing, evaluation and modifications were done on the prototype to improve performance.
Machines	Accomplishments
Modification and improvement of the continuous flow rice husk gasifier	<ul style="list-style-type: none"> • Conducted 5 batches of drying in 2013 WS, 3 gasification tests in 2014 DS
Ride-on stripper combine	<ul style="list-style-type: none"> • Fabrication of header and other component parts, and jigs for the screw conveyor
Improvement of the Combine Harvester	<ul style="list-style-type: none"> • Field testing of previous model (1.3m combine harvester) on mungbean
Design and Development of a Village-Type Rice Silo to Reduce Storage Losses	<ul style="list-style-type: none"> • Conducted FGDs • Started fabrication of Silos
Design, Performance and Field Evaluation of a Downdraft Hydraulic Ram Pump for Irrigating Rice-Based Crops in Ilocos	<ul style="list-style-type: none"> • Identified 2 existing HRPs for improvement (Bacolod and Batangas) • Drafted profile data sheet for characterization of HRPs

IV. SOCIOECONOMICS, IMPACT AND POLICY RESEARCH

Impact evaluation, policy research, and advocacy measure the impacts of R&D on rice yield, farmers' income, and nutritional status of rice-based farming households to inform policymakers and donors, and help secure financial support for future R&D activities. Patterns and constraints to adoption, and social acceptability of rice R&D products are also analyzed. This provides feedbacks to R&D managers, scientists, and researchers toward improving technology development. With this information, PhilRice is in a better position to recommend appropriate policy actions toward the achievement of rice self-sufficiency, poverty alleviation, and improvement of the nutrition status of the population.

- **Palayabangan: The 10-5 Challenge (Cost and Returns Component).** There was one regional winner (able to achieve 10-5) and eight received consolation prizes (able to gain profit of at least PhP 80,000) in 2014 DS. The entry of Syngenta Philippines, Inc. in PhilRice-Isabela achieved 10-5 with a yield 10.54 tons per hectare (t/ha) with cost amounting to only PhP 4.94 per kilogram (kg). The eight participants awarded with consolation prizes were: LGU-San Mateo, Mr. Terte, Dynapharm, Mr. Jarvinia, Mr. Sevilleja, Pioneer, SL-Agritech, and Organic Resource Biotic Multi-Purpose Cooperative. The first five were from contestants from PhilRice-Isabela and the rest were from PhilRice-



CES.

- **Benchmarking Rice Economies in Asia – Philippines.** At average age of 58, Filipino rice farmers are generally the oldest among their counterparts in 6 countries. They achieved 8 years of formal education though 64% of them have attended rice production-related trainings since 2008. They support a household with 5 members. Eighty-seven percent of Filipino rice farmers are male while 65% of them cultivate own land. Sixty-four percent are also members of organization. With an average yield of 6,344 kg ha⁻¹, PH ranked fourth in terms of land productivity. Its average price of 14.80 PHP ha⁻¹ is the third least in the six countries. PH ranked fourth in terms of gross revenue at 93,902 PHP ha⁻¹.
 - Lower labor cost is the key factor why the other countries, especially the three exporters, were able to lower their cost per kilogram. Mechanization particularly that of harvesting and threshing plays a major role.
 - The use of direct seeding as mode of crop establishment in Can Tho and Suphan Buri also further the reduction in labor cost. On the contrary, about 79-99% of Nueva Ecija farmers transplanted rice, which required more labor. As a result, the annual labor productivity in Nueva Ecija is second to the lowest at 74 kg/man-day while that in Suphan Buri and Can Tho are 566 and 348, respectively.
 - The low usage of pesticides in Tamil Nadu is also a good practice that could be replicated. On average, Tamil farmers applied only twice per season. While Nueva Ecija farmers applied only five times in a season, it can be further improved to approach that in Tamil Nadu.
 - In terms of seeds, the use of hybrid varieties during appropriate season in Zhejiang led to their higher yield. Nevertheless, the use of hybrid was not able to lower the cost per kilogram in Zhejiang because of its labor-intensiveness and higher use of material

inputs. It must be noted that labor in China is increasingly becoming expensive because of their industrialization.

- Nutrient management is another area where we can learn from other countries. It was found that nitrogen productivity in Nueva Ecija is the third least among six sites. On average, only 46 kilogram of paddy is produced for every kilogram of nitrogen applied. This means that Nueva Ecija farmers were not able to maximize the potential yield during dry season (January-June) when palay is more responsive to nitrogen due to higher solar radiation.

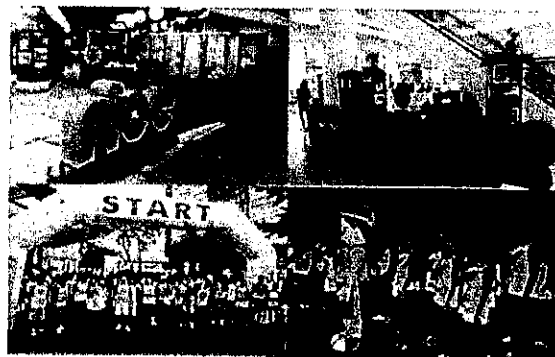
- **Adoption of Crop Insurance in the Philippines: Lessons from Farmers' Experience.** Results revealed that adoption of insurance is generally low in all provinces. Only 10 percent of the total respondents have participated in a rice insurance program from 2007 to 2012. Among the three provinces, Nueva Ecija had the highest percentage of crop insurance adoption with 20 percent followed by Leyte with 5 percent. Iloilo respondents are least adopters of insurance with less than 3 percent adoption. About 68 percent of the farmers who participated in a rice insurance program have purchased the traditional type of insurance while 27 percent have experienced enrolling their crop under a weather based index insurance (WBII) program.

V. TRAININGS, BRIEFINGS, AND OTHER TECHNO-PROMO STRATEGIES

The Be RICEponsible Advocacy Campaign Accomplishment Report. Taking off from the National Year of Rice 2013, the Be RICEponsible is an advocacy campaign that aims to promote the RICEponsibility of every Filipino to their bodies and to our country for better health and rice self-sufficiency. Apart from the role of the farmers, it is informing the consumers and policy-makers on how they can help the country achieve rice self-sufficiency.

For consumers, the campaign called for four things (4Ks in Tagalog). First, it called for reduction or elimination of rice wastage (konti-konting kanin muna, para walang tira). The second is thanking and showing appreciation for our rice farmers (kilalanin at pasalamatan ang mga magsasaka) by literally saying thank you and by valuing every grain of rice on the plate. The third is eating of brown rice (kumain ng brown rice) which has 10% higher milling recovery and the fourth is mixing rice with other staples (kakaibang kanin naman). The third and fourth, while helping lower the demand for rice, are also promoting better health as these are healthier than plain white rice. Thus, they are not only good for the country but good for the individual as well.

Be RiCEP©NSIBLE



Policy-makers were also targeted since they are crucial in making consumers RICEponsible. The campaign lobbied for an ordinance requiring the serving of half cup of rice and making it the default serving for plated meals to reduce rice wastage. We lobbied for this knowing that without complementary policies, the call to not waste rice would not be heeded by outside

diners especially since people would not normally force themselves to eat beyond what their appetites can take. Thus, the half cup of rice was suggested to give people more option – smaller rice denomination for those with smaller stomachs. This ordinance/bill do not only do good to the country but also to the consumers as they can also save by ordering half cup instead of ordering one whole and end up wasting half of it. Another resolution being lobbied to LGUs and congress is the serving of healthier rice such brown rice and rice mixes which would ultimately promote better health among rice consumers.

For farmers, the call was for them to feel proud of being farmers and to inspire them to produce even higher. Along with that, just as in the past, different efficient technologies and different forms and sources of farming information were promoted to help them improve their yield and income through the various bureaus and attached agencies of the Department of Agriculture (DA). And since these are but part of the mandates of different bureaus and attached agencies of DA, more focused was given to the consumption side as it is the first full-blown initiative to involve consumers in the achievement of the country's long-time goal to be rice self-sufficient.

The following is a summary of the campaign's accomplishments:

- **RICEponsible farmers.** Through the efforts of all DA offices - its regional offices, bureaus and attached agencies, International Rice Research Institute, leading seed companies and agri suppliers in the country together with east west seeds, we communicated the Be RICEponsible messages to farmers all over the Philippines through different trainings and events. We also exerted efforts to make them feel proud by asking all consumers to thank our farmers. We did that through different media – print, radio, TV and internet.
- **RICEponsible departments.** Through the support of different Department Secretaries (DILG, DepEd, DOTC) and Commissioners (NTC) to help disseminate and more importantly, promote the campaign messages to and through all their units and services, more people are now aware of the campaign. These departments and offices displayed the tarpaulin of the campaign during the National Rice Awareness Month in their buildings, recited the Panatang Makapalay (Rice Pledge) for consumers, and conducted related activities.
- **RICEponsible students.** Through the Department of Education, all students will soon know of the campaign, as they will be including it in the 10th grade curriculum for implementation in 2015. The Philippine Science High School System, by writing to DOST Secretary, also disseminated the campaign information to students. Different colleges and universities are also continually supporting the campaign by including it in their nutrition month activities, National Rice Awareness Month Activities, of other school events.
- **RICEponsible policy-makers.** We wrote to different local executives and legislators and asked their different associations to help promote the ordinances in support of the campaign, explaining how it might impact our rice industry. Based on the published articles alone, there are now 4 provincial ordinances and 14 city/municipal ordinances on half cup of rice, and more than 20 more pending. For brown rice, there is one house bill and a number of pending resolutions.

- **RICEponsible travellers.** The campaign messages were communicated to the different travellers in the Philippines, from land, to air, to sea, to train travellers. This is by asking for the help of DOTC who issued a memo to all of its offices so that they would support the campaign. This facilitated and enforced our partnership with PPA for the promotion to sea travellers; MMIAA and different airports for promotion to air travellers; and LRT and MRT for train travellers. For land travellers, on the other hand, MACEA helped to reach tunnel passers in Makati; AFP used its LED TV in EDSA; and Quezon City Memorial Circle allowed the use of their 50 billboards around QC. All of these were for free.
- **RICEponsible texters.** The help of NTC was requested to communicate the messages to texters or mobile subscribers. They endorsed our request to major telecoms. Among our loyal partners were Sun cellular who sent Be RICEponsible messages to its millions subscribers per month; and Smart communications who promoted our advocacies also in their office.
- **RICEponsible televiewers.** With the help of NTC's and KBP's endorsement, the campaign video ads were shown in different TV stations and cable networks for free. There were also TV programs that featured the campaign and conducted short interviews.
- **RICEponsible radio listeners.** With the help of NTC's and KBP's endorsement, the campaign audio plugs and songs were also aired in different national and regional AM and FM radio stations for free. There were also radio programs that featured the campaign and conducted short interviews.
- **RICEponsible mothers.** Through the continuous help of CARD-MRI, which is one of the leading small micro-financers in the country, the campaign reached around 5M debtors who are mostly mothers.
- **RICEponsible spenders.** Through the help of Megaworld malls, Robinsons Malls, and Seven-Eleven, the advocacies reached the many mall-goers and shoppers.
- **RICEponsible museumgoers.** Through the different exhibitions at the Mind Museum, National Museum, and GSIS museum, the campaign messages were communicated to students and other museumgoers in a fun and creative way.
- **RICEponsible medical professionals.** Through the help of Philippine Hospital Association, Nueva Ecija Medical Society, and Philippine Medical Association, more doctors and hospitals are now promoting brown rice to their patients.
- **RICEponsible researchers/professionals.** Through the presentation and exhibits of the campaign during national conferences and conventions for free, more research and professional associations and offices are now supporting the campaign.
- **RICEponsible diners.** More diners are now aware of brown rice and rice-corn mix through the help of the Hotel and Restaurants Association of the Philippines, Megaworld mall, and Robinsons. Particularly, they served brown rice and rice mix as part of the NRAM celebration. They will also take part in the wastage research in food establishments.
- **RICEponsible netizens.** Through the campaigns social media accounts (fb, twitter, youtube, instagram) more netizens are now aware of the campaign advocacies

Training activities. Among other technology promotion strategies, PhilRice commonly uses training to develop the skills and enhance the capacities of its partners in the field. Through

training, the adoption of rice and rice-based production technologies by farmers is enhanced. Training complements other promotion strategies and it reinforces learning. Over the years, PhilRice had proven the usefulness of training particularly to those that need some degree of specialization, accuracy, and precision.

For the year 2014, customized training courses including field days and were packaged and were implemented in close coordination and partnership with other divisions and stations.

Training activities conducted

Course Title	Date Conducted	No. of Participants
1. Rice Production Updates for Selected Farmers under the Farmer-to Farmer-Extension Approach	February 3-4, 2014	26
2. Farm Machinery Operations and Safety, cum PalayCheck System for Young Farmers	February 10-15, 2014	20
3. Training Course on Seed Testing and Quality Assurance in Hybrids	February 19-21, 2014	10
4. Seminar on Organic Rice Production for UMFI Staff	18-Mar-14	12
5. Lakbay- Aral for Universal Hrvester Inc. Farmer Benefeciaries	2-Apr-14	123
Course Title	Date Conducted	No. of Participants
6. Training of Farmer Trainers on Farmer-to-Farmer Training Approach (1st Batch)Lubao, Pampanga	April 21-25, 2014	18
7. Training on Rice and Rice-based Technologies for Areas Affected by Typhoon Yolanda (1st Batch-UEP, Catarman, N. Samar)	May 1-8, 2014	42
8. Rice Boot Camp for Newly Graduates of Agriculture, and, Rice and related Sciences	May 5-6, 2014	23
9. Training Course on the PalayCheck System for DuPont Technical Staffers	May 13-15, 2014	31
10. Training of Farmer Trainers on Farmer-to-Farmer Training Approach (1st Batch) San Fabian, Pangasinan	May 5-9, 2014	12

11. Training of Farmer Trainers on Farmer-to-Farmer Training Approach (2nd Batch) Manaoag and San Jacinto	May 19-23, 2014	24
12. Training of Farmer Trainers on Farmer-to-Farmer Training Approach (2nd Batch) Floridablanca, Pampanga	May 21-25, 2014	18
13. Training on Rice and Rice-based Technologies for Areas Affected by Typhoon Yolanda (2nd Batch-VSU, Baybay City, Leyte)	May 20-27, 2014	43
14. Appreciation Course on Rice Science and Technology for PhilRice' Non-Technical Staff	June 5 to July 10, 2014	23
15. Training Course on the Retooling Training cum Field Exposure for Agricultural Extension Workers (AEW's)- Rice in Region 5	June 23-24, 2014	21
	June 25-26, 2014	31
	July 2-3, 2014	21
16. Refresher Course for NISRI RiceTechs (Agusan)	August 13-14, 2014	8
17. Crash Course on Tour Guiding Technique	26-Aug-14	16
	24-Sep-14	14
18. Refresher Course for NISRI RiceTechs (CES)	September 10-12, 2014	6
Course Title	Date Conducted	No. of Participants
19. Proficiency Examination for Laborers	22-Sep-14	263
20. Lakbay-Aral/ Rice Science and Technology Updates for Universal Harvester Inc. Farmer Beneficiaries	September 24-25, 2014	137
21. Technical Briefing for PhilRice CES Laborers	October 13, 2014	
22. Technical Briefing for PhilRice CES Laborers	November 11-13, 27, Dec. 4-5 and Dec. 11-12, 2014	25
23. Rice Boot Camp for New Graduates of Agriculture and Related Sciences	November 17-28, 2014	26

24. Training Course on Seed Testing and Quality Assurance in Hybrids for Bayer CropScience Personnel	December 8-11, 2014	5
25. Training Course on Seed Testing and Quality Assurance in Inbred Production for PhilRice Staff	December 17-18, 2014	18

Field Days conducted, 2014

Station	Date of Field Day	Theme	No. of Participants
Agusan	October 16,2014	Sa IRBAS, Milyonaryo ka, Sakay Na!	1,106 farmers, seed growers, technicians, students, and other guests.
Batac	October 21-22, 2014	Maysa a Milyon Magun-odan no Kabarwanan a Teknolohiya Awaten ken Pagraranudan (One Million is Attainable if New Technologies are Adopted and Shared)	159 students, 630 farmers and other guests
Bicol	November 11, 2014	Iba-iba, Sama-sama, 1 Milyong Kita,Kayang-kaya!	250 farmers, technicians
Los Banos	October 23, 2014	Akmang Pagsasaka at Makabagong Teknolohiya, Susi sa Mas Mataas na Kita"	549 farmers, technicians and guests
Station	Date of Field Day	Theme	No. of Participants
Midsayap	May 28,2014	"Wais na Magsasaka, Hitik ang Kita."	598 farmers, local officials, technicians
Negros	May 7 and November 25,2014	Intensive Diversity (DS) Prosperity in Diversity (WS)	250 & 473 farmers, technicians and guests, respectively.

Information, Education, and Communication materials. Primarily intended for extension workers and rice specialists, print and video materials were produced to increase awareness and knowledge on technologies generated by the Institute. Below is the list of materials published by PhilRice in 2014.

Summary of Knowledge Products Produced

Type	Quantity
1. Magazine <ul style="list-style-type: none"> • ASEAN Free Trade • Ripples of Change • Farmers' primer on production of quality inbred seeds • Creating a Farm of Abundance • Touches of Transformation • El Niño ay di na bago kaya natin 'to 	5
2. Primer/Booklet <ul style="list-style-type: none"> • Kontroladong Pagpapatubig • &A Climate Change (Tagalog) • Q El Ni Niño ready varieties booklet 	3
3. Leaflet/Brochure <ul style="list-style-type: none"> • Climate change leaflet (English and tagalog) • PhilRice Text Center Brochure • Riceponsible brochure (for farmers, consumers and policy makers) • Reduced tillage brochure • El Ni Niño ready varieties flyer • MOET Leaflet • STCBF Leaflet • Golden Rice leaflet (Filipino) • 40-kg certified seeds leaflet 	12
4. Q&A <ul style="list-style-type: none"> • El Niño • Rice Biotech • Varieties and Seeds • Climate Change (English and tagalog) • Organic Fertilizer • Controlled Irrigation • Rice Biotechnology • Integrated Nutrient Management 	9
Type	Quantity
5. Billboards <ul style="list-style-type: none"> • Gusto naming milyonaryo ka (2 concepts) • El Niño billboards (3 concepts) 	5
6. Banners <ul style="list-style-type: none"> • Gusto naming milyonaryo ka (7 concepts) 	7
7. Posters <ul style="list-style-type: none"> • Gusto naming milyonaryo ka (2 concepts) • Helpful organisms (2 concepts) 	4

8.	Technology Videos/Teasers <ul style="list-style-type: none"> • Gusto naming milyonaryo ka (5 concepts) • Be RICEponsible Logo Animation • Kumpyansa sa Sarili • Kaakibat na Teknolohiya • Infomediary Campaign Teaser • Nutri Rice Milk • Gusto Namin Milyonaryo Kayo Teaser • 2014 Gawad Saka Awardee: Dr. Manuel Jose Regalado • Hybrid Rice Growers Testimonials • Infomediary Best Practices • Riding type Teaser • Drumseeder Teaser • Combine harvester Teaser 	18
9.	Rice Science for Decision Makers <ul style="list-style-type: none"> • Rice Smuggling 	1
10.	Modules <ul style="list-style-type: none"> • Climate Change 101 • Climate Change Adaptation and Mitigation: Palayamanan • Climate Change Adaptation and Mitigation: Integrated Crop Management System 	3
11.	Rice Technology Bulletin <ul style="list-style-type: none"> • Patok na Hybrid • Saclob Rice Technobulletin • Methane Emissions Rice Technobulletin • Stemborer Rice Technobulletin • Carbonized Rice Hull Rice Technobulletin • Metarhizium Rice Technobulletin 	6

A. SUPPORT TO OPERATIONS

AUDIT REPORT Continuation Page

Client ID No:	4630 I	Date of Audit:	04-05 March 2014	Page	of
Item #	Potential Non-Conformities (Stage 1 Audits only) / Observations/Opportunities for Improvement (NB: For Stage 1 Audits potential non-conformities may result in the Stage 2 Audit being delayed or these becoming documented non-conformances during the Stage 2 Audit)				
	<p>Auditor: Romeo M. Ramirez</p> <p>SURVEILLANCE AUDIT – ISO 9001:2008; ISO 14001:2004; OHSAS 18001:2007</p> <p>Areas Audited:</p> <ul style="list-style-type: none"> • March 04 – Legal Compliance; Customer Feedback, Site Inspection, Office of DED for Admin and Supply and Procurement Office • March 05 – Management Review, Physical Plant Division <p>Audit Findings:</p> <p>A. <u>Overall summary of findings in areas audited:</u> Except for a few issues needing improvement, the overall implementation of the specified QESH policies, processes and controls were generally consistent with specified requirements of ISO 9001:2008, ISO 14001:2004, and OHSAS 18001:2007.</p> <p>B. <u>Audit summary and OFIs of areas audited</u></p> <p>1. <u>Legal and Other Requirements; Evaluation of Compliance</u> GPM-06 Rev. 06 was verified. Compliance with legal and other requirements was verified. Permits, reports (SMRs) were verified.</p> <p>OFIs:</p> <ul style="list-style-type: none"> a) Quality-related laws were not yet included in the List of Applicable QESH Laws and Regulations b) It may be useful to define the specific responsible and accountable functions for legal compliance with regard to EMS-, OHS-, ERC-, and PDEA-related laws and regulations as well as for other applicable laws identified instead of merely "Process Owner" c) The "Summary of Legal Requirements Compliance Schedule" is no longer practiced but was still required by the procedure. d) Although monitoring of legal compliance was carried out, the status of compliance sometimes was lumped for different requirements being monitored, e.g. for discharge permit. e) Records of evaluation of legal compliance need to show how compliance to permit conditions is being evaluated and compliance status monitored, e.g. Discharge Permit, Permit to Operated. f) Actions to address exceedance in workplace total respirable dust to be formally documented. Standard was 5.0 mg/m³, actual was 7.0 at Supply Property Room, and 5.67 in Grd. g) There's a need to clearly reflect in the SMRs submitted to reflect effluent quality and not only influent. <p>2. <u>Customer Feedback / Customer Satisfaction Monitoring</u> The internal customer satisfaction survey was conducted quarterly per Division and summarized. Actions taken to address internal customer issues were verified. A Summary of Visitors Feedback was conducted for Jan-March 2013.</p>				

FOR NON-ENGLISH WRITTEN REPORTS ENGLISH TRANSLATION IS TO BE INCLUDED AGAINST EACH FIELD
 (Translation Original at Client, Copy at UJ)
 RPI-1 Gen Rev 1.2

AUDIT REPORT

Continuation Page

Client ID No: 46301		Date of Audit: 04-05 March 2014	Page	of
Item #	Potential Non-Conformities (Stage 1 Audits only) / Observations/Opportunities for Improvement NB: For Stage 1 Audits potential non-conformities may result in the Stage 2 Audit being delayed or these becoming documented Non-Conformances during the Stage 2 Audit			
	<p>OFIs:</p> <ul style="list-style-type: none"> a) The 2012 overall summary and analysis of customer feedback was much more comprehensive than the 1-page summary for 2013. b) The external customer satisfaction survey covers only "visitors". However, it's not clear if these "visitors" surveyed are those that had any transaction with and who availed of the services of PhilRice. c) It may be useful to analyse the responses given (by the "visitors") and evaluate whether or not target level or index of customer satisfaction is achieved. <p>3. Site Inspection</p> <p>Overall site upkeep was observed to be generally adequate. (PIs refer to the report of Mr. RID and Mr. LOC for other details.</p> <p>OFIs:</p> <p>REM AREA</p> <ul style="list-style-type: none"> a) Oxy-ace gas cylinders in REM area were mostly not secured from potential toppling over. b) The area is a fabrication area where multiple active hazards/risks abound. It may be useful to define minimum PPE requirement for this area of PhilRice. c) Operational controls in the painting area need to be enhanced, such as adequate ventilation and fume control. The entire area and its operation need to be subjected to HIRADC. d) The finished products of REM (e.g. tiffers) do not have records of final inspection to demonstrate conformity to design criteria and provide evidence of operability and functionality. <p>RICE LAB AREA</p> <ul style="list-style-type: none"> e) The electrical panel was blocked at the time of audit. f) There's a need to evaluate the workmanship and material quality of the electrical works in this panel. The conduit used was a water hose, not electrical-grade conduit or equivalent. The electrical tapping work exposed the 3 wires at the tapping point, defeating the purpose of concealing other parts of the electrical system. <p>4. Office of the Deputy Administrator for Administration (ODA)</p> <p>The OPCR for 2014 was verified. This was the result of the workshops in Nov and Dec 2013.</p> <p>OFIs:</p> <ul style="list-style-type: none"> a) It may be useful to define clearly in the OPCR the relevant objectives of the Deputy Executive Director for Admin that were cascaded to the Divisional and Sectional levels, instead of just defining the work of the ODA office. b) OPCR objectives do not consistently bear measurable or quantifiable targets as basis of performance monitoring and measurement. 			

FOR NON-ENGLISH WRITTEN REPORTS ENGLISH TRANSLATION IS TO BE INCLUDED AGAINST EACH FIELD
 Distribution: Original to Client, Copy to CF
 RP1-1 Gen Rev 1.2



AUDIT REPORT

Continuation Page

Client ID No:	4630 I	Date of Audit:	04-05 March 2014	Page	6	Of	6
Item #	Potential Non-Conformities (Stage 1 Audits only) / Observations/Opportunities for Improvement NB: For Stage 1 Audits potential non-conformities may result in the Stage 2 Audit being delayed or these becoming documented Non-Conformances during the Stage 2 Audit						
	<p>5. Supply and Procurement Office The OPCR for 2014 was verified. Records of transactions were verified.</p> <p>OFIs:</p> <ul style="list-style-type: none">a) Review and ensure that objective on compliance in ALL purchasing activities are clearly defined and practical to monitor and measure.b) Ensure that the controls for reporting receipt of procured items as defined in the memo are effectively implemented. <p>6. Management Responsibility. Please refer to the reports of Messrs. David and Del Carmen.</p> <p>7. Physical Plant Division The OPCR for 2014 was verified. Controls for the warehouse construction and plant maintenance activities were verified to be generally adequate.</p> <p>OFIs:</p> <ul style="list-style-type: none">a) The 2014 OPCR reflected specific tasks being implemented rather than measurable desired outcomes achieved through those tasks.b) Current maintenance plans are focused only for PhilRice's water system, and none for civil, mechanical, electrical, plumbing/sanitary, grounds, emergency exits, toilets, and other maintenance aspects requiring either inspection or maintenance activities.c) The current rate of defective emergency lighting was rather high. Although it was explained that two gen-sets were available to provide continuous lighting, there may be already a violation of the intent of the legal requirement for this equipment. Also, it's not clear if the gen-sets can still be effectively operated in case of occurrence of fire as usually electrical systems are cut-off to prevent further damage to the facility.d) The ground inspection record needs to incorporate the identification / detection of EHS hazards/risks that needs attention from PPD or other appropriate function.e) Consider recording the vehicle safety inspection done prior to any long trip, using BLOWBAGS criteria displayed in motorpool (for the vehicle) and safety checking of the condition of the driver (e.g. by disclosure of any potential threat to his effectiveness in driving such as over-fatigue, use of medicine that can be a downer, or prior consumption of intoxicating drink). <p>NC Report – Item 2 of RID/RMR-01 SV1 – PPD: non-conduct of HIRADC assessment for the warehouse construction project.</p> <p style="text-align: center;">-End of Report-</p>						

FOR NON-ENGLISH WRITTEN REPORTS ENGLISH TRANSLATION IS TO BE INCLUDED AGAINST EACH FIELD.
Distribution: Original to Client, Copy to CT
RP1-1 Gen Rev 1.2

3. ACCOUNTING POLICIES

The PhilRice financial statements pertaining to the financial position, results of operations, changes in government equity and cash flows as of December 31, 2014 are presented in conformity with accounting principles generally accepted in the Philippines as set forth in the New Government Accounting System (NGAS) for Corporations.

Likewise, the financial statements presented herewith have been prepared under the historical cost basis. The Modified Accrual basis of accounting is used. All expenses are recognized when incurred and reported in the financial statements in the period to which they relate. Income is recognized to the extent that it is probable that the economic benefits will flow to the Institute and that the income can be reliably measured on accrual basis, except for transactions where accrual is impractical or when the law requires other methods.

Change in accounting treatment

Accounts were reclassified to conform to the new chart of accounts prescribed under NGAS, which was implemented effective January 1, 2002. The accounts were later revised to comply with the revisions of NGAS for Corporations.

Correction of fundamental errors

Discovery of material errors relating to prior periods are corrected by restating figures in the financial statements for the year which the error is discovered using the Prior Years' Adjustments account. Errors affecting current year operations are charged to current year accounts.

Summary of Significant Accounting Policies

Cash

Cash comprises of Cash on Collecting Officers, Petty Cash Fund and Cash in Bank in form of current, savings, and time deposits' placements with banks that are readily convertible to cash without a significant risk of decline/changes in value. It includes foreign currency placements (in Dollars and Euro) maintained under Trust Fund Agreements.

Inventories

Supplies and materials purchased for inventory purposes are recorded using the Periodic Inventory System. Costing of ending inventory of office supplies and materials and other inventory items are computed using the Moving Average Method. Cost of each item is determined from the weighted average of the cost of similar items at the beginning of the period and the cost of items purchased during the year.

Property and Equipment

Property and Equipment are carried at acquisition or construction cost less accumulated depreciation.

Depreciation is charged so as to write off the cost of the assets over the estimated useful lives, using the straight-line method based on the Table of Useful Lives recommended by the Commission on Audit. A residual value of ten percent of the cost of assets is set and depreciation is computed beginning at the second month after purchase.

The initial cost of property and equipment consists of its purchase price including taxes and other directly attributable costs of bringing the asset to its working condition and intended use. Expenditures incurred after items have been put into operation, such as repairs and maintenance are charged against operations in the year in which the cost are incurred. When property and equipment are disposed of, the cost and the related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected as income or loss in the statement of income and expenses. All property and equipment for disposal are taken up in the books in the Other Assets account at net book value in accordance with the provision of NGAS.

Financial Expenses

Financial expenses such as bank charges are separately classified from MOOE.

Foreign Exchange Transactions

Transactions in foreign currencies are recorded in Philippine Peso based on the BSP rate of exchange prevailing at the date of the transactions. At the end of the year, these are revalued using the rate of exchange on the last business day of the year.

Foreign exchange gains/losses are recognized and credited to Gain (Loss) on Foreign Exchange (681) account.

4. Cash

This account includes the following:

		2014	2013
Cash – Collecting Officer	₱	178,773.59	₱ 156,882.47
Petty Cash Fund	4.a/	25,000.00	225,000.00
Cash in Bank–LC, Current Account	4.a/	518,868,113.24	322,694,185.56
Cash in Bank–LC, Savings Account		32,241,713.81	37,923,124.22
Cash in Bank–LC, Time Deposits		386,553,772.26	283,378,415.33
Cash in Bank–FC, Current Account	4.b/	3,125,604.11	2,273,452.71
Cash in Bank–FC, Savings Account	4.b/	7,873,036.13	18,410,346.13
Cash in Bank–FC, Time Deposits	4.b/c	85,441,531.74	175,543,943.97
TOTAL		₱ 1,034,307,544.88	₱ 840,605,350.39

4.a. Petty Cash Fund (code 104) was maintained in PhilRice Midsayap amounting to P25,000.00. Disbursements amounting to P5,000.00 and below are covered in the Petty Cash Fund.

Fund releases to Branch stations were recorded according to fund type. Central Station debits Subsidy to Regional Offices/Staff Bureaus (coded as 872) for corporate account, while for trust fund, a corresponding debit to Other Payables account (coded as 439-03) is made. Corollary entry from the branch station will be a debit entry to appropriate cash account and a credit to Subsidy from Central Office (coded as 653) or 439-03 accounts. For BDD fund transfers, the account Due to Other Funds (coded as 424) was being used for the transfer and actual receipt of the concerned branch station.

4.b. Foreign currency deposits in US dollars for 2014 are broken down as follows:

Account Name	2014	2013
Cash in Bank – FC, Current Account	\$ 70,065.10	\$ 51,192.36
Cash in Bank – FC, Savings Account	149,188.08	319,364.81
Cash in Bank – FC, Time Deposits	1,817,846.53	3,840,226.31
US Dollar Exchange rate per BSP	\$ 2,037,099.71	\$ 4,210,783.48
Dec. 29, 2014 US Dollar Exchange Rate per BSP - ₱ 44.61		

4.c. Foreign currency deposits in Euro for 2014 are broken down as follows:

Account Name	2014	2013
Cash in Bank – FC, Savings Account €	22,414.06 €	69,517.43
Cash in Bank – FC, Time Deposits	80,018.37	82,214.99
US Dollar Exchange rate per BSP €	102,432.43 €	151,732.42
Dec. 29, 2014 Euro Exchange Rate per BSP - ₱ 54.33		

5. Receivables

This account includes the following:

		2014	2013
Accounts Receivable	5.a/ ₱	30,260,904.67	₱ 35,739,715.91
Loans Receivable	5.b/	5,479,236.59	5,702,051.59
Due from Officers & Employees	5.c/	1,680,659.63	1,726,075.29
Due from National Government Agencies	5.d/	20,691,058.17	47,212,865.22
Due from Government Owned and/or Controlled Corporations	5.e/	1,400,898.42	1,401,940.74
Due from Local Government Units	5.f/	10,208,289.68	10,206,589.68
Due from Other Funds	5.g/	67,328,199.98	30,953,392.98
Due from NGOs/POs	5.h/	776,400.00	586,400.00
Due from Regional Offices/Branch Offices	5.i/	-	31,000.00
Advances to Officers & Employees		3,844,219.90	3,862,569.88
Receivables – Disallowances/Charges	5.j/	1,343.72	1,823.72
Other Receivables	5.k/	23,164,794.98	22,939,191.23
TOTAL	₱	164,836,005.74	₱160,363,616.24

For accounts with doubtful collection, no allowance was set since the Institute is on the process of preparing the necessary policies and procedures on setting up allowances for doubtful accounts for trade receivables through its Board of Trustees.

5.a. Accounts Receivable

This account includes the receivables for seeds, rice wine, souvenir items, publications, and other products held for sale at the BDD issued to customers, farmers and seed growers.

5.b. Loans Receivable

This pertains to those granted under the DA Farm Equipment Sales Project and the NAFC Equipment Loan (KR2 Grant), which is still ongoing to date. These loans are covered by a Mortgage and Purchase Agreement that included the provision of repossession of equipment in case of non-payment in accordance with the Chattel Mortgage Law. Confirmation letters were sent to those who availed the loan.

5.c. Due from Officers and Employees

This was composed of employees/dependents balance on health care premium payments, personal telephone calls, rental of housing, and electric consumption used by staff. It also includes the seeds and other products of BDD taken by PhilRice personnel for proper collection.

5.d. Due from National Government Agencies and Local Government Units

These are mainly composed of receivables for hybrid seeds issued to Regional Field Units of the Department of Agriculture and Local Government Units under Hybrid Rice Commercialization Project based on bills issued by the Special Program Management Office. This also includes fund releases to collaborating agencies for various projects subject to liquidation.

5.e. Due from Government Owned and Controlled Corporations

This pertains to receivable from GSIS for repair of vehicle.

5.f. Due from Local Government Units (LGUs)

This pertains to receivable from various LGUs for seeds released on prior years hybrid rice operations.

5.g. Due from Other Funds

This pertains to receivables from trust funds for gasoline expenses and supplies inventory previously charged to corporate funds, payment by PhilRice to DA – ACEF for amortization of loan temporarily paid by corporate funds and for issuances made by the Business Development Division to projects with Trust Fund agreements not yet paid/collected as of December 2014. It also includes unreleased subsidy fund transfers to Stations.

5.h. Due from NGOs/POs

This pertains to receivables from IRRI and Butil Farmers Partylist for seeds and other products issued by the BDD.

5.i. Due from Regional Offices/ Staff Bureaus/Regional Offices

This pertains to fund release made to DA CVLMROS Agricultural Pilot Center for the implementation of the project Consortium for Unfavorable Rainfed Environment (CURE), still unliquidated, to date.

5.j. Receivables – Disallowances/Charges

This includes CY2013 COA disallowances issued for incidental expenses claimed by PhilRice Los Baños staff.

5.k. Other Receivables

This pertains to inter-agency receivables which are still being reconciled to date.

6. **Inventories**

This account includes the following:

		2014		2013
Work-in Process Inventory	₱	12,054,010.93	₱	11,041,832.19
Finished Goods Inventory		37,607,958.98		29,224,896.09
Merchandise Inventory		8,245,359.48		8,299,068.29
Office Supplies Inventory		1,833,312.67		1,822,000.65
Accountable Forms Inventory		114,000.00		114,000.00
Medical, Dental and Laboratory Supplies		26,783.80		18,059.41
Gasoline, Oil & Lubricants Inventory		47,335.84		24,606.80
Agricultural Supplies Inventory		10,708,180.52		7,310,788.88
Other Supplies Inventory	6.a/	7,416,588.65		6,795,307.90
Spare Parts Inventory		168,714.29		145,375.19
Livestock Inventory		220.00		220.00
Crops & Fruits Inventory	6.b/	2,744,578.00		2,744,578.00
Other Agricultural, Fishery & Forestry Products	6.c/			
		632,532.80		632,532.80
TOTAL	₱	81,599,575.96	₱	68,173,266.20

6.a. Other Supplies Inventory

This consists of souvenir items and publications for sale of Business Development Division (BDD) and drum seeders purchased out of DA Trust Fund (134A) and handled by Rice Engineering and Mechanization Division for sale.

6.b. Crops and Fruits Inventory

This includes receipt and disposal of inbred seeds handled by the BDD. Likewise, receipt and disposal of hybrid seeds under the Hybrid Rice Commercialization Program for all stations were recorded in the Crops and Fruits Inventory account.

6.c. Other Agricultural, Fishery & Forestry Products Inventory

This consists of rice and rice wine for sale of BDD.

7. **Prepaid Expenses**

This account includes the following:

		2014		2013
Advances to Contractors	₱	842,950.89	₱	774,507.65
Deferred Charges	7.a/	488,282.00		488,282.00
Other Prepaid Expenses	7.b/	581,496.00		216,457.00
	₱	1,912,728.89	₱	1,479,246.65

7.a. Deferred Charges

These charges consist of fund transfers made to Central Luzon State University (CLSU) for the 2009 Hybrid Rice Production project awaiting terminal/audited financial liquidation report.

7.b. Other Prepaid Expenses

This consists of advance payments made by Batac Station to INEC, Inc. for electric bill meter system installed at the Station. It also includes the prepaid EC-Trip toll fees for PhilRice Central Office's vehicles.

8. **Other Current Assets**

This account includes the following:

This account includes deposits on containers being used at the laboratories. It also includes items in transit from the Department of Budget and Management (DBM) Procurement Services, not yet delivered as of December 31, 2014.

9. Property and Equipment

This account includes the following:

	2014	2013
Land	₱ 204,657,183.82	₱ 204,657,183.82
Land Improvements	53,738,496.56	51,796,480.36
Electrification, Power & Energy Structures	37,132,864.42	37,132,864.42
Office Buildings	618,678,951.54	594,674,229.96
Other Structures	67,497,036.47	64,437,384.32
Leasehold Improvements	7,161,711.58	7,337,163.59
Other Leasehold Improvements	1,829,780.20	1,829,780.20
Office Equipment	19,478,488.65	18,870,292.65
Furniture & Fixtures	14,237,055.12	13,858,481.56
IT Equipment & Software	45,914,543.90	38,723,576.64
Library Books	587,783.50	576,783.50
Machineries	11,201,718.76	10,611,363.76
Agricultural, Fishery & Forestry Equipment	54,946,873.70	50,004,714.73
Communications Equipment	5,107,466.71	4,779,418.71
Construction & Heavy Equipment	5,645,100.00	4,395,100.00
Firefighting Equipment & Accessories	739,964.58	543,039.58
Sports Equipment	566,280.80	566,280.80
Technical & Scientific Equipment	121,723,262.03	112,049,259.39
Other Machineries & Equipment	27,660,380.39	26,014,446.09
Motor Vehicles	35,965,999.26	33,967,999.26
Other Transportation Equipment	10,500.00	10,500.00
Other Property, Plant & Equipment	770,247.00	770,247.00
Construction in Progress-Agency Assets	22,489,856.73	26,035,557.18
Gross Amount	1,357,741,545.72	1,303,642,147.52
Less: Accumulated Depreciation	665,018,715.37	625,468,047.27
Property and Equipment , net TOTAL	₱ 692,722,830.35	₱ 678,174,100.25

PhilRice has satisfactory title to all owned assets except for agricultural land at PhilRice San Mateo with the total area of 35,967 square meters acquired in the amount of P6,650.00.

10. Other Assets

This account includes property and equipment that are unserviceable and ready for disposal. Those assets were recorded at Net Book Value.

11. Current Liabilities

This account includes the following:

	2014	2013
Accounts Payable	₱ 141,048,536.88	₱ 159,893,075.19
Due to Officers & Employees	98,913,777.75	15,518,266.07
Due to BIR	4,882,376.20	3,231,232.03
Due to GSIS	3,265,821.34	2,265,346.04
Due to Pag-ibig	406,000.43	266,837.34
Due to Philhealth	132,168.00	55,383.50
Due to Other NGA's	3,407,710.00	3,614,531.18
Due to LGUs	50,000.00	50,000.00
Due to Other Funds	48,194,302.91	12,210,351.40
Due to Other GOCCs	63,187.02	63,187.02
Performance/Bidders/Bail Bonds	1,963,241.79	1,408,391.86
Tax Refunds Payable	5,870.57	5,870.57
Other Payables	676,326,356.92	608,510,335.58
TOTAL	₱ 978,659,349.81	₱ 807,092,807.78

The Other Payables account in the NGAS represents trust funds from various donors for the implementation of the Institute's research projects. Coded as 439-03 in the system, it includes Loans Payable – Domestic accounts which will be paid eventually by collections from ACEF transactions treated as Trust Fund.

Other Deferred Credits is classified under Long Term Liabilities representing unclassified bank cash transfers from various collaborating agencies.

12. Income from Grants and Donations

This account consists of donated vehicles and equipments from lease-to-own scheme with Royce Motors, Inc., International Rice Research Institute (IRRI) and other externally funded projects from the Department of Agriculture (DA), constituting a non-cash income.

13. Government Equity

This account is composed of balances from the Government Equity and Retained Earnings (Losses).

	Government Equity	Retained Earnings (Loss)	Totals
Balance, Beginning	₱ 467,101,414.48	₱ 475,483,290.63	₱ 942,584,705.11
Prior Period Adjustments 13.a/		(45,643,873.30)	(45,643,873.30)
Net Income for the Period		104,401,743.91	104,401,743.91
Balance, END	₱ 467,101,414.48	₱ 534,241,161.24	₱ 1,001,342,575.72

13.a/ Adjustments in Retained Earnings for 2014 were from the following:

Overstatement of Income	₱ 40,215.14
Understatement of Liabilities	(10,114,974.53)
Overstatement of Other Liabilities	897,398.07
Understatement of Assets	(4,659,268.55)
Understatement of Expenses	5,798,103.85
Understatement of Equipment Accounts	15,755,532.72
Overstatement of Depreciation, PY	(1,234,688.00)
Understatement of Receivables	(639,651.99)
CNA Incentive/Productivity Incentive	(4,887,850.00)
Liquidation of Prior Years' Cash Advances	11,297.00
Monetization of Leave Credits	(3,586,348.64)
Accumulated Leave Balances	(43,023,638.37)
Payment of Magna Carta Benefits	-
TOTAL	₱ (45,643,873.30)

14. PhilRice Business Development Division (PBDD)

	2014	2013
Income		
Sales Revenue	₱ 85,684,947.82	₱ 119,772,395.04
Other Business Income	5,021,303.72	4,768,257.50
Rent Income	1,628,996.25	-
Interest Income	625,574.75	979,659.00
Miscellaneous Income	377,445.64	322,282.79
Other Fines & Penalties	-	-
Foreign Exchange Gain	126,305.04	-
Total Income	93,464,573.22	125,842,594.33
Expenses		
Cost of Goods Sold	47,438,405.45	62,232,553.47
MOOE	19,196,889.68	22,428,396.66
Depreciation Expenses	1,290,982.14	1,463,649.76
Total Expenses	67,926,277.27	86,124,599.89
Net Income (BDD) *	₱ 25,538,295.95	₱ 39,717,994.44

* The Net Income of BDD is included in the PhilRice Consolidated Statement of Income & Expenses categorized under Other Business Income, coded as 648.

15. Pending Administrative and Criminal Cases

As of December 31, 2014, PhilRice has the pending administrative and criminal cases, tabulated below:

Case Reference	Particulars	Respondent	Regional Trial Court (RTC)/Municipal Circuit Trial Court (MCTC)	Remarks
Case No. 61-SD-2001-AF	Civil Case	Toyota Motor Philippines	RTC, Baloc, Sto. Domingo, Nueva Ecija	Still pending.
Case No. 603	Civil Case	Heirs of Datu Dilangalen, Guiambangan	RTF, Branch 18 Midsayap, Cotabato	Still pending.
Case No. 19-1181	Civil Case	Estate of the Late Simeon T. Agustin & Jhoemar P. Bosi	RTC , Branch 19, Cauayan City, Isabela	Still pending.
Case No. 7094	Criminal Case for Reckless Imprudence resulting to Double Homicide, etc.	Jhoemar P. Bosi	MCTC, Solana, Enrile, Cagayan	Still pending.
Cases No. SD (09) 527, 528, 529, 530, 531, 532, 533, 534, 535, and 536	Cadastral Cases Petition for Judicial Titling of PhilRice CES	Science City of Muñoz, Nueva Ecija	RTC, Baloc, Sto. Domingo, Nueva Ecija	10 cases still pending.

PART II – OBSERVATIONS and RECOMMENDATIONS

PART II - OBSERVATIONS AND RECOMMENDATIONS

1. *The accuracy and reliability of the reported Cash in Bank-Local Currency, Current Accounts (CIB-LCCA) amounting to ₱518,868,113.24 could not be ascertained due to deficient cash management and accounting practices, which were not in conformity with Section 12 of the NGAS Manual, Section 118 (c) of GAAM, Volume I and Sections 74 and 111 of Presidential Decree (PD) No. 1445.*

1.1 We took issues on the following conditions that caused unreliability of the CIB-LCCA balance reported at ₱518,868,113.24 as at December 31, 2014:

Unreconciled cash balances of general ledgers (GLs), subsidiary ledgers (SLs) and cash books

1.2 The monthly or regular reconciliation of GLs and SLs and the maintenance of schedules in support of the GL balances were required in Section 12 of NGAS, Volume I, while the quarterly reconciliation of accounting records and cash books was prescribed under Section 181 (c) of GAAM, Volume I.


1.3 We observed lapses by Management in complying with the above regulations as shown in the accounts of the following stations:

A. Philrice-Isabela

Account Title	Amount
<i>Balance per SL</i>	
Cash in Bank - LC, CA PNB 348-58630001-9 (356-840076-2)	₱1,358,813.37
Cash in Bank - LC, CA PNB 348-58630002-7 (356-840081-9)	0.00
Cash in Bank - LC, CA PNB 348-58610001-1 (356-840092-4)	750.00
Cash in Bank - LC, CA PNB 349-25570001-5 (356-850045-7)	0.00
Cash in Bank - LC, CA LBP 006-203-764-4	98,250.59
Cash in Bank - LC, CA LBP 0006-20378-57	562,522.29
Cash in Bank - LC, CA LBP 0006-20378-73	0.00
Cash in Bank - LC, CA LBP 0006-20381-01	1,324,024.72
<i>Total per SL</i>	3,344,360.97
<i>Balance per General Ledger</i>	3,379,435.04
<i>Difference</i>	₱35,074.07

B. PhilRice – Midsayap

FUNDS	CASHIER'S CASHBOOK	GENERAL LEDGER	DIFFERENCE
Corporate Book			
LBP-1002-0050-90	₱2,725,445.11	₱2,295,496.69	₱ 429,948.42
LBP-1002-0089-30	3,163,537.11	2,919,550.27	243,986.84
LBP-1002-1096-00	2,072,823.42	2,069,828.49	2,994.93
LBP-1002-1096-18	4,714,366.33	4,707,544.96	6,821.37
PNB-355861200016	5,688,949.22	5,637,778.57	51,170.65
PhilRice Business & Development Office (PBDO)			
PNB-355924500010	1,298,910.36	827,573.36	471,337.00
PNB-356069100010	6,672,159.85	6,978,920.65	306,760.80)
TOTAL	₱ 26,336,191.40	₱ 25,436,692.99	₱ 899,498.41

1.4 The Acting Accountant and the Acting Cashier at Philrice-Midsayap commented that the non-reconciliation of cashier's cashbook against the ledger balances were due to voluminous work load and lack of manpower to perform the task. 

Absence of or delayed submission of bank reconciliation statements (BRS) and un-validated reconciling items

1.5 As observed in PhilRice-Isabela and PhilRice-Midsayap, the 2014 bank reconciliation statements were not submitted on time or outright not submitted.

1.6 Meanwhile, we noted the existence of un-validated bank reconciling items in the books of PhilRice-Los Baños in the total amount of ₱19,770,983.89.

1.7 The significant delay in the submission of bank reconciliation statements, the failure to altogether submit the BRS and its supporting documents and the inability to validate and effect proper disposition of reconciling items preclude the establishment of a more reliable cash in bank balance as at end of any reporting period.

Inclusion in the CIB-LCCA balance as at December 31, 2014 of already closed or inexistent bank accounts, or those without cash back up

A. Philrice-Isabela

1.8 We noted that the Cash in Bank-Local Currency, Savings account of PhilRice-Isabela, with a balance of ₱93,266.61 was not valid and no longer exist since the account pertaining thereto has long been closed.

1.9 Validation disclosed that said account pertained to deposit of proceeds from sale of hybrid rice seeds. With the termination of the Hybrid Rice Program, the account was closed on October 8, 2010. Records showed that, at that time, the said account had a balance of ₱37,114.12 only, which amount was consequently remitted to PhilRice Central Experiment Station (CES). However, up to this writing, the account balance remained reported at ₱93,266.61 and that no reconciliation has been made for the difference between the book balance and the amount that was actually withdrawn and transferred.

1.10 This is a reiterated observation and had been commented on in audit for the past three years.

B. PhilRice - Midsayap

1.11 Per bank confirmation, we established that Philippine National Bank (PNB) SA#642-508891-0 with a balance of ₱842,845.75 as at December 31, 2014 did not have cash back up. We learned from Management that this concern came to be when they implemented the One-Fund Concept in accounting whereby all of the three funds were consolidated at the PhilRice-CES. However, a later instruction of segregating once again the agency's fund into three entailed transfers of cash balances among Satellite Stations, which later on could no longer be traced or followed through. Incidentally, this was already included in last year's audit observations.

C. PhilRice-Los Baños

1.12 The existence of PNB Account No. 446-514291-5, with a negative balance of ₱961,749.70 per books was not confirmed by the bank, thus, the validity of such Cash account is doubtful. Management believed that Philrice-Los Baños was similarly situated with Philrice-Midsayap as far as inexistent bank account is concerned.

Unreliable fund data generated from the Financial Management Information System (FMIS)

1.13 Contributing further in the unreliability of the CIB-LCCA balance was the noted glitches in the Financial and Management Information System (FMIS), which generated information that did not agree with accounting records, or which gave abnormal fund balances. This was observed in PhilRice-Agusan.

1.14 Philrice - Agusan maintains its books through its Financial and Management Information System (FMIS), first established in CY 2009, which was developed by the Central Office and rolled out to branches/stations. All transactions were encoded and

processed through the system. Reports and schedules were then extracted for Management and other users.

1.15 The data generated from the system revealed that fund balances per project totaled ₱68,951,335.17 for 250 project classes (Appendix 1), while Cash in Bank accounts amounted to ₱30,790,776.42 only, showing a difference of ₱38,160,558.75. The difference was arrived at as follows:

Fund	Account		Bank Balance
Corporate	CIB- Local Currency-Current	P	15,392,502.86
Trust Fund	CIB- Local Currency-Current		3,381,026.99
Business Deve-	CIB- Local Currency-Current		1,220,009.36
lopment Office	CIB- Local Currency-Savings		10,740,567.21
	Cash-Collecting Officers		56,670.00
Total Cash Balance CY 2014			30,790,776.42
Balance of Fund per Project			68,951,335.17
Difference			P (38,160,558.75)

1.16 Data in the system started in CY 2009 constituting 19 funds. We noted that these funds have no beginning balances; only debits for funds received and credits for disbursements made for 2009 were shown and the balance of ₱6,364,102.70 at year-end.(Appendix 2).

1.17 The audit further revealed that there were 37 funds that have negative balances in the system aggregating ₱8,485,942.25 (Appendix 3). These negative balances in the funds were also observed when Liquidation Reports were submitted for audit. Interview with the concerned officials disclosed that this was due to the practice of the agency of making disbursements even if funds for a particular project were not yet released. Cash was borrowed from other projects and refunded as soon as funds were released. There were also instances when negative balances occurred on a particular class of expenditure in a fund as shown hereunder:

Fund	Expense Class	Date of Report	Fund Balance
1. Fund 629-DA-RFU XI	Other MOOE	March 31, 2014	(278,256.84)
R and D Support Fund	Travel	March 31, 2014	(34,029.31)
	Other MOOE	June 30, 2014	(334,142.84)
	Travel	June 30, 2014	(57,859.31)
2. Fund 633A-RTF-194	Other MOOE-Services	June 30, 2014	(153,653.04)
NISRIP-GOP			

1.18 As such, we called up the attention of Management to the apparent practice of overspending and borrowing from other funds as it might jeopardize the implementation of other projects in the event that there will be no more releases to cover up the negative balances. Also, the non-reconciliation of cash in bank balances with the balances per lapsing schedule renders the amount unreliable.

1.19 Overall, the foregoing deficiencies in the management of and accounting for Cash in Bank resulted in the unreliability of the reported balance of the account as at end of any

reporting period, and was not harmonized with Section 111 of the PD No. 1445, which requires observance of the highest standards of honesty, objectivity and consistency in the keeping of accounts to safeguard against inaccurate or misleading information.

1.20 We recommended and Management agreed to (a) reconcile the differences between GLs, SLs and cash books; (b) make appropriate disposition of reconciling items; (c) observe timely submission of the bank reconciliation statements and supporting documents to COA. Thereafter, make the necessary adjusting entries to reflect the correct balances of the affected accounts; (d) instruct the accountant of Satellite Stations concerned to coordinate with the PhilRice Central Office regarding the inexistent PNB bank accounts having book balances of ₱842,845.75 and (₱961,749.70), respectively; (e) require the Accountant Philrice-Agusan to reconcile the fund balances in the system and actual fund balance per bank; (f) provide sufficient workforce to Accounting Sections to address the lack of manpower; and (g) refrain from overspending or borrowing from available fund balances.

2. *Unused balance of Trust Fund amounting to ₱47,631,453.31 was not returned by PhilRice to the Department of Agriculture, contrary to the Memorandum of Agreement (MOA) and COA Circular No. 94-013 dated December 13, 1994, thus, exposing the excess funds to possible misuse and the agency to legal repercussions of breach of agreement.*

2.1 PhilRice was a recipient of Foreign Assisted Projects and External Funded Projects for the implementation of various research and development projects nationwide.

2.2 Analysis of Cash in Bank – LCCA, showed that, out of the ₱518,868,113.24 balance as at December 31, 2014, ₱47,631,453.31 represents unused cash intended for various projects that were implemented from 2004 to 2014.

2.3 Further review showed that these unused cash balances were neither returned to the Department of Agriculture nor set up as Due to NGAs (account code 411), contrary to the pertinent provisions of the MOA and COA Circular No. 94-103 dated December 13, 1994. The unused fund is summarized below:

Source of funds	Amount
Foreign Assisted Projects	₱ 13,117,963.47
External Funded Projects	34,513,489.84
Total	₱ 47,631,453.31

2.4 Specifically, Paragraph 6 of COA Circular No. 94-013 dated December 13, 1994 states that the implementing agency shall return to the source agency any unused balances upon completion of the projects.

2.5 By retaining the unused cash, PhilRice is exposing itself to irregular opportunity of using the above-mentioned funds on purposes other than which the trust fund was received and will violate Section 4(3) of PD No. 1445, which requires the use of trust funds only for the specific purpose for which the trust was created or the funds received. Likewise the national

government was deprived of the use of the unused cash in the implementation of other projects of the government.

2.6 We recommended and Management agreed to immediately return the unused cash balances as of December 31, 2014 to the Department of Agriculture and to henceforth comply with the provision of the MOA.

3. *Cash advances totaling ₱493,232.76 remain unliquidated as at December 31, 2014, which resulted in the delayed recognition of the related asset and/or expense accounts and its reciprocal effect on the Retained Earnings. Moreover, non-adherence to Section 89 of PD No. 1445 and COA Circular No. 97-002 dated February 10, 1997 exposed cash advances to possible loss or misuse and the accountable officer to the legal repercussions of the non-observance thereof.*

3.1 Review of the Advances to Officers and Employees account disclosed that PhilRice-Isabela and PhilRice-Midsayap have uncollected Advances to Officers and Employees amounting to ₱211,778.95 and ₱281,453.81, respectively, as at December 31, 2014, which have been outstanding for at least six years now.

3.2 Further examination revealed that the amount of ₱211,778.95 pertains to carry-over balances from prior years. Reportedly, Management was not able to reconcile the amount with the available records of PhilRice - Isabela.

3.3 We also noted that additional cash advances were granted to some employees despite having unliquidated cash advances, in violation of Section 89 of PD No.1445 and COA Circular 97-002 dated February 10, 1997, which state, thus:

Section 89 of PD No. 1445: "Limitation on cash advance – No cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or proper accounting thereof is made."

COA Circular 97-002 dated February 10, 1997 -

- *No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first liquidated and accounted for in the books.*
- *A cash advance shall be liquidated/reported as soon as the purpose for which it was granted has been served.*
- *Cash advance which are no longer needed or have not been used for a period of two months shall be returned to or deposited immediately with the proper collecting officer or treasurer*
- *All cash advances shall be fully liquidated at the end of the year.*

3.4 The non-liquidation of the aforementioned cash advances resulted in the delayed recognition of the related asset and/or expense accounts to which these advances pertain with reciprocal effect on the Retained Earnings account as at year end.

3.5 We recommended and Management agreed to (a) exert extra effort in determining the details of the carry-over balances of Advances to Officers and Employees; (b) refrain from granting cash advances to officers and employees that have outstanding cash advances; and (c) henceforth, strictly comply with COA Circular No. 97-002 dated February 10, 1997 regarding the rules on the granting and utilization of cash advances. Corollary hereto, all cash advances should be immediately liquidated as soon as the purpose/s for which these were granted have been served. Any unused or unspent cash advances should be returned or refunded.

4. *The balances of receivable accounts of PhilRice as of December 31, 2014 were doubtful due to the (a) presence of negative balances in the SLs totaling ₱8,711,738.57; (b) non-provision of allowance for doubtful accounts on trade receivables; and (c) non-availability of data to support the beginning balance of Due from Central amounting to ₱6,180,460.44, in violation of NGAS Manual, Volume I and Section 111 and 114 of PD No. 1445. Moreover, the balance was overstated by ₱3,385,350.45 or 4.5% of the total receivables due to the failure of Management to exclude from the balance the unreleased amount of subsidy from the PhilRice-Central Office as at year end.*

4.1 In the audit of receivable accounts, we noted that the reliability of the balance of receivable accounts was put to doubt by the presence of abnormal balances in the books of the following Satellite Stations:

Branch/Station	Accounts	Amount
Midsayap	Accounts Receivable	₱ 6,756,172.86
	Loans Receivable	60,863.34
Agusan	Accounts Receivable	236,730.00
Batac	Accounts Receivable	54,186.60
	Loans Receivable	23,675.00
	Due from Officers and Employees	133,127.44
Los Baños	Accounts Receivable	.60
	Due from Officers & Employees	10,671.93
	Due from Other Funds	1,226,526.84
	Receivable – Disallowances/charges	96.28
	Advances to Officers and Employees	209,687.68
Total		₱ 8,711,738.57

4.2 Meanwhile, in PhilRice-Batac, we noted the following lapses that may also contribute in the unreliability of the receivable balances:

No SLs maintained

4.3 Management did not maintain Subsidiary Ledger (SL) for the account Due from Officers and Employees amounting to ₱11,900.00 under the BIN Corporate Fund, contrary to Section 114 of PD No. 1445, which requires the maintenance of subsidiary records in support of general ledger balances.

No allowance for doubtful accounts

4.4 We also observed that a disclosure was made in the Notes to Consolidated Financial Statements for the non-provision of allowance for doubtful accounts and that the agency was still in the process of developing pertinent policies thereon. The disclosure, however, did not correct the defect in the valuation of receivables as it failed to present the account at its net realizable value, thus, affecting its fair presentation in the financial statement. This practice is not in conformity with the following rules and regulations:

NGAS Volume I, Chapter 2, Section 4(q), which states that: **Allowance for Doubtful Accounts**-An Allowance for Doubtful Accounts shall be set up for estimated uncollectible trade receivables to allow for their fair valuation.

4.5 Meanwhile, the following issues were disclosed in the audit of the receivable account at Philrice – Agusan:

Overstatement of Accounts Receivable-Due from Other Funds – ₱3,385,350.45

4.6 Review of records disclosed that the Accounts Receivable (AR) - Due from Other Funds was used to record the funds released from PhilRice-CES as PhilRice-Agusan's budget for the year. This is accounted using the following journal entries:

Accounts	Account Code	Debit	Credit
1. Set up of Budget			
AR- Due from Other Funds	144	xxx	
Subsidy from Central	653		xxx
2. Receipt of funds from CES			
Cash in Bank - LCCA	111	xxx	
AR -Due from other Funds	144		xxx
3. Closing of unreleased budget			
Subsidy from Central	653	xxx	
AR- Due from other Funds	144		xxx

4.7 The general ledger for the above receivable account showed a balance of ₱3,385,350.45 as at December 31, 2014. Further review revealed that the amount was an accumulation of unreleased budget of prior years until 2014.

4.8 Due to the failure to close the unreleased budget, AR-Due from Other Funds balance was overstated by ₱3,385,350.04 and caused reciprocal overstatement of Retained Earnings by the same amount.

4.9 The available details of the ₱3,385,350.45 balance was shown in Appendix 4 and was summarized below:

Beginning balance (from previous years)	₱ 2,677,063.25
Current Year Balance	<u>708,287.20</u>
Total	<u><u>₱ 3,385,350.45</u></u>

Doubtful beginning balance of Accounts Receivable-Due from Central Office-~~₱6,180,460.44~~

4.10 Parallel review of receivable accounts also revealed that the beginning balance of Due from Central Office (141) of ₱6,180,460.44 has no available details or breakdown information neither in the FMIS nor in the Manual Books of Accounts, thus the validity and accuracy of the accounts could not be ascertained.

4.11 We recommended and Management concurred to (a) instruct the Accountant to exert extra effort to verify the negative balances in the receivable accounts and make adjustments, as warranted; (b) formulate an accounting policy on the setting up of Allowance for Doubtful Accounts pursuant to New Government Accounting System, for fair presentation of receivable accounts in the financial statements; (c) require the Accountant to record subsidies only upon receipt. Should they opt to accrue the same as income, adjust any unrealized subsidies at year-end using the pro-forma journal entries so as not to bloat the receivable account and present its correct balances at year end; and (d) make enhancement in the FMIS to come up with accurate and real-time information on reported subsidies, or on all other accounts for that matter.

5. *Utilization of funds amounting to ₱79,943,237.72 and transferred/granted to satellite stations, NGAs, LGUs, SUCs, and POs could not be monitored and determined if in accordance with the works and financial plans of the projects because of the absence of liquidation and accomplishment reports, contrary to COA Circular No. 94-013 dated December 13, 1994 and COA Circular No. 2007-01 dated October 25, 2007.*

5.1 We reviewed the liquidation reports rendered by PhilRice-CES to various Source Agencies (SA) in settlement of the funds received for the implementation of various projects. These reports include the ₱79,943,237.72 (Appendix 5) funds transferred by CES to various satellite stations, LGUS, NGAs, and POs from 2004 to 2013.

5.2 We were able to validate the utilization of the funds spent by PhilRice CES and found the same to be in accordance with the works and financial plan per Memoranda of Agreement. However, we found no details on the utilization of the ₱79,943,237.72 funds

released to various recipients, which had been unreported on for a number of years ranging from two years to eight years and seven months (Appendix 6).

5.3 Management admitted that they did not require reporting of fund utilization from these recipients, which was not in keeping with the requirements of COA Circular 94-013, which states, thus -

Paragraph 5 of COA Circular 94-013:

“Duties and Responsibilities of the Source Agency;

5.1 xxx

5.4 Require the Implementing Agency to submit the reports and furnish the IA with a copy of the journal voucher taking up the expenditures. Upon receipt of the copy of the Certificate of Settlement and Balances and the Credit Notice issued by the IA auditor, the Accountant shall draw a journal voucher restoring back the amount previously credited for any disallowance. He shall furnish the IA with a copy of the JV; and

5.5 Issue the official receipt for the unexpended balance and the refunded disallowance remitted by the IA.”

“Paragraph 6 of COA Circular 94-013:

Duties and Responsibilities of the Implementing Agencies

6.1 xxx

6.4 Within five (5) days after the end of each month, the accountable Officer shall prepare the RCI and the RD and shall submit them with all supporting vouchers/payrolls and documents to the Accountant. These reports shall be approved by the Head of the Agency;

6.5 Within ten (10) days after receipt from the AO, the Accountant shall verify the Reports, provide accounting entries, record and submit the duplicate copies of the Reports with all the original vouchers/payrolls and all supporting documents to the IA auditor. The Accountant shall ensure that only expenses for the project are included in the Reports. He shall submit the original copy of the Reports to the SA. (Attention : The SA Accountant)

6.6 Record the disallowance in audit after receipt of the CSB and the CN issued by the IA Auditor and require the settlement of any suspension and disallowance;

6.7 Return to the SA any unused balance and refund of disallowance upon completion of the project.”

5.4 Due to non-observance of the foregoing rules, the determination of the extent of compliance with the work and financial plans and with the general requirements of the MOA could not be made, thus failing to attain transparency in government spending.

5.5 We recommended and Management agreed to (a) instruct the accountants concerned to record the amount of ₱79,943,237.72 in their respective books in accordance with the procedures prescribed in COA Circular No. 94-013. Henceforth, take up in the books the succeeding transfers and receipts of funds accordingly; and (b) require the submission of liquidation and accomplishment reports on any unliquidated fund releases.

6. *The correctness, accuracy and reliability of the balances of the Inventory accounts totaling ₱81,599,575.96 cannot be ascertained due to the (a) variances that existed among reciprocal inventory records; (b) non-maintenance of stock cards; and (c) unaccounted balances pertaining to prior years, contrary to Section 111, 114.2 and 122 of Presidential Decree No. 1445 and Section 490 of the Government Accounting and Auditing Manual (GAAM), Volume I.*

6.1 Review of the Statement of Financial Position as of December 31, 2014 disclosed that the inventory accounts have a consolidated balance of ₱81,599,575.96 which comprised of the following:

Account Title	Code	Amount
Work in Process Inventory	152	₱12,054,010.93
Finished Goods Inventory	153	37,607,958.98
Merchandise Inventory	154	8,245,359.48
Office Supplies Inventory	155	1,833,312.67
Accountable forms	156	114,000.00
Medical, Dental & Laboratory Supplies Inventory	160	26,783.80
Gasoline, Oil & Lubricants Inventory	161	47,335.84
Agricultural Supplies Inventory	162	10,708,180.52
Other Supplies Inventory	165	7,416,588.65
Spare Parts Inventory	167	168,714.29
Livestock Inventory	169	220.00
Crops & Fruits Inventory	170	2,744,578.00
Other Agricultural, Fishery & Forestry Product	176	632,532.80
Total		₱ 81,599,575.96

6.2 Test of the extent of reliability of the reported inventory balances disclosed the following instances that counters management's assertion on the accuracy, completeness and existence of these assets, and violated Sections 111, 114. 2 and 122 of PD No.1445 and Section 490 of the GAAM, Volume I, which generally define the standards and procedures in

the management of, and maintenance of records for, inventories. The lapses were exhibited in the following conditions:

Unreconciled GL, SL and Report on the Physical Count of Inventories (RPCI)

6.3 We noted disharmony in the supposed-to-be reciprocal records of inventory in the following stations:

A. PhilRice-Central Experimental Station (CES)

Account Title	Code	Per GL	Per SL	Per count
Work in Process Inventory	152	₱24,128.28	₱24,128.28	₱0.00
Finished Goods Inventory	153	9,317,737.82		1,526,905.80
Merchandise Inventory	154	5,842,104.51		6,823,787.35
Office Supplies Inventory	155	735,792.87	1,109,913.89	1,109,913.89
Accountable forms	156	114,000.00	0.00	0.00
Medical, Dental & Laboratory Supplies Inventory	160	18,356.80	3,510.00	3,510.00
Gasoline, Oil & Lubricants Inventory	161	0.00	0.00	0.00
Agricultural Supplies Inventory	162	5,773,229.75	998,123.27	2,202,715.27
Other Supplies Inventory	165	5,931,127.60	64,158.35	1,242,042.14
Spare Parts Inventory	167	8,447.45	1,915.20	1,915.20
Livestock Inventory	169	220.00	0.00	0.00
Crops & Fruits Inventory	170	2,656,238.00	0.00	0.00
Other Agricultural, Fishery & Forestry Product	176	632,532.80	0.00	0.00
Total		₱31,053,915.88	₱2,201,748.99	₱12,910,789.65

B. PhilRice-Midsayap

- Corporate Books

Account Title	Code	Per Accounting Records	Per Physical Inventory Report	Variance
Office Supplies Inventory	155	₱417,397.04	₱334,634.48	₱82,762.56
Medical, Dental & Laboratory Supplies Inventory	160	9,275.00	0.00	9,275.00
Agricultural Supplies Inventory	162	1,196,517.65	577,286.00	619,231.65
Other Supplies Inventory	165	192,216.10	0.00	192,216.10
Spare Parts Inventory	167	90,980.00	0.00	90,980.00
Total		₱ 1,906,385.79	₱ 911,920.48	₱ 994,465.31

- Business and Development Office (PBDO)

Account Title	Code	Per GL as of Dec. 31, 2014	Per Report of Physical Count as of Dec. 31, 2014	Variance
PhilRice Business & Development Office				
Finished Goods Inventory	153	₱ 6,412,552.10	₱4,262,568.87	₱2,149,983.23
Merchandise Inventory	154	710,110.80	53,347.43	656,763.37
Agricultural Supplies Inventory	162	1,122,119.00	0.00	1,122,119.00
Other Supplies Inventory	165	50,860.00	0.00	50,860.00
Total		₱ 8,295,641.90	₱4,315,916.30	₱3,979,725.60

C. PhilRice-Bicol

Account	Balance per Inventory	Balance per Books	Variance
Finished Goods Inventory	₱ 403,750.00	₱ 403,201.76	₱548.24
Merchandise Inventory	123,260.00	106,660.00	16,600.00
Office Supplies Inventory	21,579.98	34,285.68	12,705.70
Other Supplies Inventory	3,510.43	4,053.32	542.89
Total	₱ 552,100.41	₱ 548,200.76	₱30,396.83

D. PhilRice-Agusan

6.4 In PhilRice - Agusan, Other Supplies Inventory per Accounting Ledger and per Balance sheet did not tally, showing a difference of ₱90,280.00. Moreover, the RPCI did not show the cost per item, which caused further difficulty in the reconciliation of inventory records.

E. PhilRice-Isabela

Inventory Account	Per Accounting Records	Per Physical Inventory Report	Variance
a) Finished Goods Inventory			
M1	365	-	365
R-Line (M1) – F4L2	-	115	115
R-Line (M1) – F5L2	-	250	250
PSB Rc 72H	-	12,901	12,901
NSIC Rc 244H	-	4,442	4,442
Total Finished Goods Inventory (in kilos)	365	17,708	17,343 kilos
b.) Merchandise Inventory	220,404.99	36,260	₱184,144.99

6.5 The table likewise showed that the difference in the Finished Goods Inventory was stated in kilos because the cost for that inventory was not provided.

6.6 We further noted that in PhilRice-Isabela, RPCI was submitted only for Finished Goods Inventory and Merchandise Inventory, while none was made for the rest of the inventory accounts, an indication of incomplete physical count of inventories.

F. PhilRice-Los Baños

Inventory Accounts	Per FS	Per Inventory Report	Difference	Remarks
Work in Process Inventory	₱69,585.00	₱-	₱69,585.00	No Inventory
Finished Goods Inventory	5,204,637.06	-	5,204,637.06	No Inventory
Merchandise Inventory	122,643.81	-	122,643.81	No Inventory
Office Supplies Inventory	(21,906.97)	26,833.97	(48,740.94)	
Medical, Dental, and Laboratory Supplies Inventory	(850.00)	-	(850.00)	No Inventory
Agricultural Supplies Inventory	211,306.50	18,160.05	193,146.45	
Other Supplies Inventory	44,589.05	-	44,589.05	No Inventory
TOTAL	₱ 5,630,004.45	₱ 44,994.02	₱ 5,585,010.43	

6.7 As shown, the inventory balance was unreliable owing primarily to a variance amounting to at least ₱ 23,774,812.81 that existed among the inventory records, which accounted to 29.1% of the inventory balance as at December 31, 2014. Summarized below are the noted variances per station:

Station	Variance
CES	₱ 12,910,789.65
Philrice-Midsayap	
• Corporate Books	994,465.31
• PBDO	3,979,725.60
PhilRice-Agusan:	90,280.00
PhilRice-Bicol	30,396.83
PhilRice-Isabela	184,144.99
PhilRice-Los Baños	5,585,010.43
Total	₱ 23,774,812.81

6.8 Overall, we learned that the prevailing variances could be attributed to the (a) non-maintenance of or un-updated stock cards and SLCs; and (b) incomplete physical count of inventories.

6.9 The said variances were indications of deficient accounting and management practices on inventory that contributed in the unreliability of correctness and existence of said assets.

Unaccounted beginning balance of inventory -P2,386,580.32

6.10 We also observed that there were unaccounted balances totaling to P2,386,580.32 pertaining to the prior period balances. Subsidiary ledgers that shall provide the details or breakdown of the balances of the accounts were not available thus casting doubt as to the accuracy, validity and reliability of these inventories.

Account Title	Amount
Finished Goods Inventory	P2,007,861.33
Merchandise Inventory	220,404.99
Agricultural Supplies Inventory	56,024.00
Other Supplies Inventory	13,950.00
Crops & Fruits Inventory	88,340.00
Total	P2,386,580.32

6.11 We recommended and Management agreed to instruct the accounting and property officials to (a) maintain and update SLCs and SCs; (b) complete the conduct of physical count of inventories; (c) reconcile accounting and property records and settle the differences in the manner prescribed by regulations; (d) exert extra efforts in the determination of the details of the unaccounted beginning balances; and (e) henceforth observe sound management and accounting practices on inventories.

7. *The correctness, validity and accuracy of the consolidated Property, Plant and Equipment (PPE) account amounting to P1,357,741,545.72 as of December 31, 2014 were doubtful due to deficient accounting and management practices on PPE, contrary to Section 490 of GAAM, Volume I, Section 68 of NGAs Manual, Volume I and Sections 79 and 111 of Presidential Decree (PD) No. 1445.*

7.1 The issues prevalent in the management of supplies and materials inventory as discussed in the foregoing paragraphs were also true for the PPE accounts. The following lapses/deficiencies were again observed in various stations, which ensued from the failure of Management to align PPE-related actions with Sections 111, 114. 2 and 122 of PD No.1445 and Section 490 of the GAAM, Volume I:

Unreconciled balances of GLs, SLs, PLCs and Report of PPE Inventory

A. PhilRice-CES

- GL vs. Property Records

PPE Accounts	Account Code	Balance per General Ledger	Balance Per property records	Difference
Land	201	₱204,657,183.82	₱196,453,403.82	₱ 8,203,780.00
Land Improvement	202	53,738,496.56	53,092,291.11	646,205.45
Electrification, Power and Energy Structures	205	37,132,864.42	37,296,664.42	163,800.00
Office Buildings	211	618,678,951.54	610,354,309.60	8,324,641.94
Other Structure	215	67,497,036.47	72,912,960.34	5,415,923.87
Leasehold Improvement, Buildings	219	7,161,711.58	7,139,951.58	21,760.00
Other Lease hold Improvement	220	1,829,780.20	1,829,780.20	0.00
Office Equipment	221	19,478,488.65	18,907,906.65	570,582.00
Furniture & Fixtures	222	14,237,055.12	14,040,933.11	196,122.01
IT Equipment & Software	223	45,914,543.90	45,760,355.96	154,187.94
Books	224	587,783.50	587,783.50	0.00
Machineries	226	11,201,718.76	12,982,450.76	1,780,732.00
Agricultural, Fishery & Forestry Equipment	227	54,946,873.70	58,034,440.22	3,087,566.52
Communication Equipment	229	5,107,466.71	5,282,088.95	174,622.24
Construction & Heavy Equipment	230	5,645,100.00	5,645,100.00	0.00
Firefighting Equipment & Accessories	231	739,964.58	739,964.58	0.00
Sport Equipment	235	566,280.80	566,280.80	0.00
Technical & Scientific Equipment	236	121,723,262.03	124,821,080.54	3,097,818.51
Other Machineries& Equipment	240	27,660,380.39	28,631,744.68	971,364.29
Motor Vehicles	241	35,965,999.26	39,964,680.56	3,998,681.30
Other Transportation Equipment	248	10,500.00	10,500.00	0.00
Other Property, Plant & Equipment	250	770,247.00	752,747.00	17,500.00
Construction in Progress-Agency Assets	264	22,489,856.73	22,489,856.73	0.00
Total		₱1,357,741,545.72	₱1,335,807,418.38	₱36,825,288.07

• Property Records vs. Physical Inventory Report

PPE Accounts	Account Code	Balance Per property records	Balance Per Inventory Report	Difference
Land	201	₱196,453,403.82	₱196,453,403.82	₱ 0.00
Land Improvement	202	53,092,291.11	3,350,510.11	49,741,781.00
Electrification, Power and Energy Structures	205	37,296,664.42	163,800.00	37,132,864.42
Office Buildings	211	610,354,309.60	5,576,971.50	604,777,338.10
Other Structure	215	72,912,960.34	8,930,778.10	63,982,182.24
Leasehold Improvement, Buildings	219	7,139,951.58	7,139,951.58	0.00
Other Lease hold Improvement	220	1,829,780.20	1,829,780.20	0.00
Office Equipment	221	18,907,906.65	13,023,672.10	5,884,234.55
Furniture & Fixtures	222	14,040,933.11	9,165,528.12	4,875,404.99
IT Equipment & Software	223	45,760,355.96	32,075,594.49	13,684,761.47
Books	224	587,783.50	144,572.28	443,211.22
Machineries	226	12,982,450.76	10,129,960.30	2,852,490.46
Agricultural, Fishery & Forestry Equipment	227	58,034,440.22	34,292,925.51	23,741,514.71
Communication Equipment	229	5,282,088.95	2,679,750.10	2,602,338.85
Construction & Heavy Equipment	230	5,645,100.00	5,115,500.00	529,600.00
Firefighting Equipment & Accessories	231	739,964.58	598,964.58	141,000.00
Sport Equipment	235	566,280.80	554,780.80	11,500.00
Technical & Scientific Equipment	236	124,821,080.54	100,378,329.37	24,442,751.17
Other Machineries& Equipment	240	28,631,744.68	20,897,796.67	7,733,948.01
Motor Vehicles	241	39,964,680.56	30,994,286.76	1,029,606.20
Other Transportation Equipment	248	10,500.00	10,500.00	0.00
Other Property, Plant & Equipment	250	752,747.00	654,432.00	98,315.00
Total		₱1,335,807,418.38	₱484,161,788.39	₱843,704,842.39

B. PhilRice – Isabela

PPE Accounts	Account Code	Balance Per Inventory Report	Balance Per Books	Difference
Land	201	₱41,942.98	₱41,942.98	₱0.00
Office Buildings	211	26,096,100.99	26,096,100.99	0.00
Other Structure	215	3,445,146.56	3,445,146.56	0.00
Leasehold Improvement, Buildings	219	-	21,760.00	21,760.00

Office Equipment	221	966,763.00	797,800.00	168,963.00
Furniture & Fixtures	222	275,496.00	240,500.00	34,996.00
IT Equipment & Software	223	942,243.30	707,476.14	234,767.16
Machineries	226	1,442,292.00	205,993.00	1,236,299.00
Agricultural, Fishery & Forestry Equipment	227	1,972,550.32	832,050.32	1,140,500.00
Communication Equipment	229	82,500.00	24,100.00	58,400.00
Construction & Heavy Equipment	230	450,000.00	450,000.00	0.00
Firefighting Equipment & Accessories	231	25,000.00	25,000.00	0.00
Technical & Scientific Equipment	236	1,580,766.00	1,452,766.00	128,000.00
Other Machineries& Equipment	240	750,010.00	251,154.00	498,856.00
Motor Vehicles	241	2,167,500.00	2,167,500.00	0.00
Other Property, Plant & Equipment	250	205,944.00	205,944.00	0.00
Total		₱40,444,255.15	₱36,965,233.99	₱3,522,541.16

C. PhilRice – Los Baños

PPE Accounts	Account Code	Balance Per Inventory Report	Balance Per Books	Difference
Land Improvement	202	₱ 1,378,464.00	₱ 1,378,464.00	₱ 0.00
Office Buildings	211	15,166,337.91	15,166,337.91	0.00
Other Structure	215	1,342,131.59	1,342,131.59	0.00
Office Equipment	221	503,772.00	490,610.00	13,162.00
Furniture & Fixtures	222	626,546.50	936,743.96	310,197.46
IT Equipment & Software	223	769,737.00	822,283.00	52,546.00
Books	224	50,944.19	50,944.19	0.00
Machineries	226	0.00	44,470.00	44,470.00
Agricultural, Fishery & Forestry Equipment	227	2,048,216.22	2,086,916.22	38,700.00
Communication Equipment	229	0.00	12,000.00	12,000.00
Technical & Scientific Equipment	236	7,886,159.29	7,791,652.79	94,506.50
Other Machineries& Equipment	240	0.00	1,730,162.11	1,730,162.11
Other Assets	290	3,653,300.00	379,046.75	3,274,253.25
Total		₱33,425,608.70	₱32,231,762.52	₱5,569,997.32

D. PhilRice – Agusan

PPE Accounts	Account Code	Balance Per Inventory Report	Balance Per Books	Difference
Land	201	P 7,565,890.00	P 7,565,890.00	0.00
Land Improvement	202	1,930,259.60	1,930,259.60	0.00
Office Buildings	211	32,890,171.32	32,890,171.32	0.00
Other Structure	215	1,342,131.59	1,342,131.59	0.00
Office Equipment	221	629,565.00	632,215.00	2,650
Furniture & Fixtures	222	564,938.00	564,138.00	800.00
IT Equipment & Software	223	1,137,729.00	1,211,270.00	73,541.00
Books	224	28,000.00	28,000.00	0.00
Machineries	226	678,941.38	678,941.38	0.00
Agricultural, Fishery & Forestry Equipment	227	1,956,789.25	4,342,494.25	2,385,705.00
Communication Equipment	229	266,088.00	266,088.00	0.00
Construction Equipment		450,000.00	450,000.00	0.00
Sport Equipment		11,500.00	11,500.00	0.00
Technical & Scientific Equipment	236	5,253,098.73	5,253,098.73	0.00
Other Machineries& Equipment	240	1,523,570.00	2,510,059.50	986,489.50
Motor Vehicles	250	98,315.00	98,315.00	0.00
Other Assets	290	236,314.24	0.00	236,314.24
Total		₱56,563,301.11	₱59,774,572.37	₱3,685,499.74

7.2 As shown, the PPE balance was unreliable owing primarily to a variance amounting to ₱51,650,782.45 that existed among the PPE records, which accounted to 3.8% of the account balance as at December 31, 2014. Summarized below are the noted variances per station:

Station	Variance
CES	₱ 36,825,288.07
PhilRice-Agusan:	3,685,499.74
PhilRice-Isabela	5,569,997.32
PhilRice-Los Baños	5,569,997.32
Total	₱51,650,782.45

7.3 The disparities among reciprocal PPE records were also indicators of weak internal control practices that were otherwise aimed at producing reliable accounting data.

Failure to conduct or finish the physical inventory and/or to report on the result of the physical count

7.4 The concerned officials of PhilRice CES informed us that they were not able to finish the inventory taking as of December 31, 2014 while PhilRice-Midsayap totally failed to conduct the physical inventory of PPE. We were informed by PhilRice-Agusan that they conducted a physical count of PPEs but they failed to submit the report thereon to PhilRice-CES for consolidation. These actions were contrary to Sec. 490 of the GAAM, Volume I, which states that:

"Physical inventory taking is an indispensable procedure for checking the integrity of property custodianship. Physical inventory is required at least once a year and reconciled with accounting records to determine the whereabouts and actual conditions of the properties of the Agency."

Completed projects still included in the Construction in Progress account – ₱1,364,544.71

7.5 In PhilRice-Midsayap, the construction of two reversible flatbed dryers costing ₱1,364,544.71 was already completed in 2012. However, this was still included in the balance of Construction in Progress – Agency (264) as at December 31, 2014, which caused the overstatement of the CIP account and reciprocally understated the related PPE account, contrary to Section 128, Volume III, New Government Accounting System (NGAS). This accounts is used to record the cost or accumulated value of agency assets, which are still under construction. We debit this accounts for material, labor, overhead and other cost incurred while the asset in under construction and we credit this account for transfer to appropriate agency assets account upon completion.

Non-provision of, or inaccurate depreciation cost

7.6 Further audit of PPE accounts showed the failure of Management to provide for depreciation cost of hereunder identified items in the manner required in Section 68 of the NGAS Manual, Volume I, which provides that:

"Method of Depreciation. Depreciation shall be computed using the Straight Line Method. Depreciation shall start on the second month from purchase. A residual value equivalent to ten percent of the cost shall be set. Annual depreciation is computed as follows:

$$\text{Annual Depreciation} = \frac{\text{Asset Cost less Estimated Residual/Salvage Value}}{\text{Estimated Useful Life}}$$

Asset Cost	- Purchase or Acquired Value of the Asset
Estimated Salvage Value	- 10% of the asset cost
Estimated Useful Life	- Estimated number of years the asset shall be used as determined by the Commission on Audit"

7.7 Sample deficiencies in the allocation of depreciation were presented below:

Account	Account Code	Cost	Accumulated Depreciation	Book Value	Salvage Value	Remaining Depreciable Value	Remarks
Leasehold Improvements, Building	219	₱21,760.00	-	₱21,760	₱2,176	₱19,584.00	No depreciation provided
Motor Vehicles	241	2,167,500.00	2,003,785.74	163,714.26	216,750.00	(53,035.74)	Depreciation provided for fully depreciated property
Other Property, Plant and Equipment	250	205,944.00	222,419.52	(16,475.52)	20,594.40	(37,069.92)	Depreciation provided for fully depreciated property

7.8 As shown, there was no depreciation cost recognized for Leasehold Improvements, Building contrary to Section 67 of the NGAS Manual Volume I which prescribes depreciation accounting, while the reported book value of the other two items were already below the assigned salvage value. The above lapses contributed in the doubtful correctness of the carrying value of PPE as at December 31, 2014 and caused the misstatement of related asset, expense, and retained earnings.

7.9 The foregoing deficiencies and violations counter Management's assertions on the correctness, validity and existence of Property Plant Equipment reported at ₱1,335,341,689.24 as at said year-end.

7.10 We recommended and Management agreed to instruct the accounting and property officials concerned to (a) determine the variance among the reciprocal PPE records and adjust records as warranted; (b) conduct or finish the physical count of PPEs; (c) allocate depreciation cost in accordance with Section 68 of the NGAS Manual, Volume I; (d) reclassify completed projects from Construction in Progress account to appropriate asset account; and (e) henceforth, align PPE-related actions with pertinent laws and regulations.

8. *The validity and correctness of Accounts Payable amounting to at least ₱72,128,297.36 could not be ascertained because of the doubtful basis in the booking up of payables and the existence of negative balances in the individual creditors' ledgers, in violation of Section 40 Book VI of the 1987 Administrative Code.*

8.1.1 We noted, which concerned official confirmed, that it was the practice of PhilRice-CES to set-up Accounts Payable upon approval of the Budget Utilization Report (BUR) even without the approved disbursement vouchers and the required documentations.

8.2 As such, various payments or adjustments were made through the years which were of doubtful legitimacy, as summarized below:

Year	Beginning balance	Payments/Adjustment	Ending balance
2005	₱ 396,059.45	₱ 0.00	₱ 396,059.45
2006	655,949.18	(167,317.08)	488,632.10
2007	1,675,553.89	(60,423.50)	1,615,130.39
2008	23,575,944.50	(911,413.38)	22,664,531.12
2009	2,028,826.47	(17,855.44)	2,010,971.03
2010	3,177,196.14	(861,448.51)	2,315,747.63
2011	1,012,855.26	(54,147.52)	958,707.74
2012	5,052,152.57	(964,165.12)	4,087,987.45
2013	61,041,535.45	(39,914,274.76)	21,127,260.69
2014		1,420,143.26	1,420,143.26
Total	₱ 98,616,072.91	₱ 41,530,902.05	₱ 57,085,170.86

8.3 The above table showed the movement purely of the yearly beginning balances of the account and did not represent the accumulated or carry-over balances.

8.4 Analysis revealed that the payments made through the years represent adjustment and payment. On the other hand, the adjustment of P1,420,143.26 in 2014 were for payments made in prior years which apparently were not part of the obligations earlier booked. As such, payment of the same resulted in abnormal balance of the account, hence, the necessity to increase the balance by said amount to avoid abnormal balance as at end of 2014.

8.5 Based on the foregoing, the ending balance of ₱57,085,170.86 was the accumulation of unpaid obligations, the validity of which was doubtful.

8.6 The practice was not in conformity with Section 40 Book VI of the Administrative Code of the Philippines, which states as follows:

“Sec. 40. Certification of availability of funds.-xxx

No obligation shall be certified to accounts payable unless the obligation is funded on a valid claim that is properly supported by sufficient evidence and unless there is proper authority for its incurrence. Any certification for a non-existent or fictitious obligation and/or creditor shall be considered void. xxx”

8.7 Contributing further to the unreliability of the booked payables was the existence of abnormal balances in the individual creditor's ledgers, which amounted to ₱5,043,126.50.

8.8 We recommended and Management agreed to (a) stop the practice of recognizing payables based on mere approved BUR; (b) determine the details of the ₱57,085,170.86 accounts payable which may already correspond to invalid obligations. Likewise, investigate the cause of the abnormal balances in the individual creditors' ledger. Adjust books as maybe warranted by circumstances; (c) book payables based on

valid obligations, or when goods were already received and services rendered; and (d) henceforth, strictly comply with Section 40 Book VI, 1987 Administrative Code.

- 9 *Erroneous accounting entries contrary to COA Circular No. 2004-02 dated April 29, 2004 and failure of the accounting personnel to conduct reconciliation of balances rendered the Account Due to Other Funds unreliable since 2009.*

9.1 The table below shows the balances of Due to Other Funds as of December 31, 2014 as reported in the satellite stations, which indicated a consolidated net balance of P77,771,385.78.

Due to Other Funds-CES	P 34,138,499.88
-MES	21,473,414.54
-BIN	1,801,842.50
-LBL	(446,140.05)
-SMI	2,432,788.24
-RTR	18,858,653.63
-CMU	19,444,342.61
-VIS	(14,752,456.39)
-BIC	(2,746,770.94)
Total	P 77,771,385.78

9.2 In our analysis of Account Code 424-08 maintained at PhilRice Business Development Division – Central Experimental Station (PBDD-CES) and Business Development Division (BDD) – Satellite Stations, we noted the following deficiencies:

The ending balances of previous years were not forwarded as beginning balance of the ensuing year

9.3 The above lapses were noted in the following satellite stations:

Satellite Station	Year
BDD Negros	2010 to 2013
BDD Los Baños	2011
BDD Midsayap	2010 to 2013
BDD San Mateo, Isabela	2010 to 2013
BDD Batac	2010 to 2013
BDD Remedios Trinidad Romualdez	2010 to 2013
BDD Central Mindanao University	2010 to 2013

Transactions of Business Development Divisions of satellite stations were not taken up in the CES books or vice-versa

9.4 Below are the list of satellite stations where corresponding or reciprocal entries were not booked in either BDD's or CES' books:

Satellite Station
BDD Negros
BDD Los Baños
BDD Midsayap
BDD San Mateo, Isabela
BDD Bicol
BDD Batac
BDD Remedios Trinidad Romualdez
BDD Central Mindanao University
PBDD Central Experimental Station

Inaccurate results/data generated by the FMIS

9.5 We also noted inaccuracies in the processing of entries in the FMIS where the operation was not undertaken as programmed:

Satellite Station	Error
BDD Negros	The credit transaction was posted in the SL as credit, however the effect in the balance was a deduction instead of addition while the debit transaction was posted in the debit; however the effect was addition to the balance instead of deduction. As a result, the SL did not reflect the correct balance.
BDD Los Baños	Credit transaction was posted in the SL as credit; however the effect in the balance was a deduction instead of addition to the balance while the debit transaction was posted in the debit, however the effect in the balance was addition instead of deduction, thus the ending balance of the SL does not reflect the correct SL balances

9.6 Following are narrations of actual procedures where specific errors were noted:

Various expenses for delivery of products/seeds/airfare, etc. paid by PBDD-CES chargeable against funds of BDD Stations were treated as payables by CES to Stations, as evidenced by the entry below:

PBDD-CES

Due to Other Funds	xxx	
Cash in Bank		xxx

9.7 The stations were notified thru e-mail for the expenses chargeable thereat, and/or for any reconciling items noted during consolidation of PBDD financial statements at CES,

the stations were advised to prepare an accounting entry pertaining to the said expenses. The said expenses should be taken-up as receivables from BDD stations. However, no receivables were recognized; instead Due to Other Funds was used.

9.8 The following entry was taken-up in the BDD stations:

Expenses	₱xxx	
Due to Other Funds		₱xxx

9.9 PBDD-CES issues stocks (products, seeds, etc.) to stations for sale. Below were the entries taken-up both by PBDD-CES and Stations.

PBDD-CES	BDD-Stations
Issuance of stocks for sale (JEV#2012-01-000133)	Receipt of stocks for sale (RTR JEV#2012-04-000212)
Due to Other Funds-RTR 14,873.40	Mdse Invty-RTR Souvenir Items 7,985.00
Due to Other Funds-BIN 11,030.00	Mdse Invty-RTR Rice Wine 6,908.40
Due to Other Funds-LBL 17,500.00	Due to Other Funds-RTR 14,873.40
Other MOE-Institutional Devt 132.00	
Mdse Invty-Souvenir Items 16,795.00	
Mdse Invty-Mestizo Rice 2,332.00	
Finished Goods Invty-Rice Wine 6,908.40	
Mdse Invty-MOET 17,500.00	
Issuance of Seeds (JEV# 2012-06-00785)	Receipt of seeds for sale (RTR JEV#2012-06-00431)
Work in Process-SPHD 2,897.60	Finished Goods Invty-RTR Breeder Seeds 1,895.45
Work in Process-Rice Wine 1,448.80	Due to Other Funds RTR 1,895.45
Due to Other Funds-RTR 1,895.45	
Due to Other Funds-BIN 98,667.00	
Due to Other Funds-BIC 8,692.80	
Due to Other Funds-LBL 24,906.40	
Due to Other Funds-VIS 9,375.50	
Cost of Sales-Foundation Seeds 362.20	
Cost of Sales-Reg Seeds 1,811.00	
Finished Goods Invty-Breeder Seeds 7,648.95	
Finished Goods Invty-Foundation Seeds 56,334.40	
Finished Goods Invty-Registered Seeds 86,073.40	
	Sale of stocks
	RTR JEV#2012-10-000647
	Cash Collecting Officer 3,870.00
	Sales Revenue-Registered Seeds 2,400.00
	Sales Revenue-Souvenir Items 1,320.00
	Sales Revenue-Rice Wine 150.00
	RTR JEV#2012-10-000697
	Cost of Sales-MOET 280.00
	Cost of Sales-Rice Wine 2,795.31
	Cost of Sales-Souvenir Items 6,949.00
	Mdse Invty-RTR-MOET 280.00
	Mdse Invty-RTR-Rice Wine 2,795.31
	Mdse Invty-RTR Souvenir Items 6,949.00

Receipt of remittance from stations (JEV#2012-02-000272)		Remittance of sales/income (RTR JEV#2012-10-000659)	
Cash in Bank	1,000,000.00	Due to Other Funds	1,000,000.00
Due to Other Funds	1,000,000.00	Cash in Bank	1,000,000.00

9.10 Also, sales of stocks from stations in excess of ₱50,000.00 were likewise remitted to PBDD-CES every succeeding month which was taken-up as a credit to Due to Other Funds. This will eventually be transferred to stations for their operating expenses.

9.11 Fund transfer for operating expenses of BDD Stations were likewise debited to the same account, while a credit to the account was taken-up in the stations;

9.12 The accounting entries made were not in accordance with the COA Circular No. 2004-002 dated April 29, 2004.

9.13 We recommended and Management concurred to (a) book up the identified BDDs the beginning balances of the accounts that were erroneously not forwarded in the ensuing years; (b) take up reciprocal transactions in the books of CES and concerned BDDs and effect adjustments, where necessary; (c) enhance the FIMS of PhilRice Negros and PhilRice Los Baños to assure that the system was operating as programmed; and (d) henceforth, comply with COA Circular 2004-002 in the recording of transactions.

10 Existence of abnormal balances in liability accounts totaling to ₱23,206,210.62 casts doubt on the validity and reliability of the affected accounts, contrary to Section 111 of PD No. 1445, thus affecting the fairness of presentation of the financial statements.

10.1 Review of Liabilities balances disclosed that several liability accounts were presented with abnormal balances, to wit:

Fund	Account Name	Account Code	Amount	
Isabela			Debit	Credit
BDD	Due to Other Funds	424	₱5,358,185.49	
BDD	Other Payables	439	1,022,148.83	
Trust	Due to Other Funds	424	135,573.62	
Agusan				
	Due to Other Funds	424	14,850,549.74	
Los Baños	Accounts Payable	401	1,058,744.25	
	Due to Off. & Empl.	403	751,008.70	
	Due to Other Funds	424	30,000.00	
TOTAL			₱23,206,210.63	

10.2 Liability accounts normally have credit balances. However, as shown on the table above, the accounts were presented on the debit side, hence showing abnormal balances. Negative /abnormal balances signify an error in recording transactions, contrary to Section 111 of PD No. 1445, which states that:

Xxx

“(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of accounts to safeguard against inaccurate or misleading information.”

10.3 In PhilRice - Agusan, review of the SLs of the payable accounts revealed that all accounts have negative credit balances resulting from recording of erroneous beginning balances, entries and adjustments, failure to set up the payable accounts or over or double payment. Details of the accounts with negative balances are presented below:

Acct Code	Account Name	Amount	
403-2	Due to Officers and Employees-PIB	P	(10,500.00)
403-3	Due to Officers and Employees-MOOE		(307,874.11)
412-29-03	Due to BIR-10% Professional		(12,986.63)
413-05	Due to GSIS-Optional Loan Installment		(1,600.00)
413-11	Due to GSIS-UOLI		(120.00)
413-12	Due to GSIS-Investment Loan		(28,794.24)
413-17	Due to GSIS-E-Card		(3,321.40)
	Total	P	(365,196.38)

10.4 Account 403-2-Due to Officers and Employees-MOOE showed that the negative credits were from the beginning balances which cannot be traced anymore. Acct 413-12 also have no claimant name, only claimant code, an indication that the payable was not properly entered in the system. The existence of negative balance affects the fair presentation of this account.

10.5 Meanwhile, the Due to Operating Units and Due to Other Funds accounts amounting to ₱6,192,249.13 and ₱16,798,558.42 respectively, were without available details or breakdown that can support the validity and accuracy of the accounts either in the FMIS or manual books of accounts.

10.6 We recommended and Management agreed to (a) analyze the entries made on the accounts affected to correct the negative/abnormal balances and prepare necessary adjusting entries as needed; and (b) enhance the FMIS to enable generation of reliable data and information.

11 Contributions and loan payments due to GSIS, Pag-IBIG and PhilHealth were not remitted on prescribed due dates contrary to Republic Act (RA) No. 8291, Implementing Rules and Regulations (IRR) of RA No. 9679 and Revised IRR of RA No. 9241, thus resulted in the accumulation of unremitted Inter-Agency Payables amounting to P2,261,101.33, and exposes the Agency and its employees to possible imposition of sanctions and/or payment of interests and penalties.

11.1 Audit of the Inter-Agency Payables (Due to GSIS, Pag-IBIG and PhilHealth) disclosed that the beginning balances of said accounts were not remitted to agencies concerned on the prescribed dates contrary to Republic Act (RA) No. 8291, Implementing Rules and Regulations (IRR) of RA No. 9679 and Revised IRR of RA No. 9241. The specific provisions thereof are cited below:

Section 6 (b) of RA No. 8291:

“Section 6. Collection and Remittance of Contributions. – (b) Each employer shall remit directly to the GSIS the employees' and employers' contributions within the first ten (10) days of the calendar month following the month to which the contributions apply. The remittance by the employer of the contributions to the GSIS shall take priority over and above the payment of any and all obligations, except salaries and wages of its employees.”

Section 3 (a) of the IRR of RA No. 9679:

“Section 3. Remittance and Collections. – (a) All employers shall remit to the fund their contributions of their covered employees as well as the latter's loan amortizations or payments to the Fund, as provided for under Section 2 of this rule, when applicable, within fifteen (15) days from the date the same were collected unless another period is previously agreed upon between the employer and the Fund, or within such periods as the Fund may prescribe otherwise.”

Section 20 (b) of the Revised IRR of No. RA9241:

“Section 20. Payment of NHIP Premium Contributions. – (b) The monthly premium contribution of employed members shall be remitted by the employer on or before the tenth (10th) calendar day of the month following the applicable month for which the payment is due and applicable.

11.2 Analysis of contributions and loan payments withheld for the current year showed that the unremitted balances were increased due to under remittances.

11.3 Inter-Agency Payables – Central Experimental Station (CES) already due for payment as of December 31, 2014 amounting to P2,261,101.33. Details are shown below:

Account Name	Beginning Balance 01.01.2014 <i>a</i>	CY 2014			Ending Balance 12.31.2014 <i>(a+b-c)</i>
		* Withheld <i>b</i>	Remitted <i>c</i>	Unremitted <i>(b - c)</i>	
Due to GSIS	₱2,042,338.14	₱10,461,604.15	₱10,455,557.93	₱6,046.22	₱2,048,384.36
Due to Pag-IBIG	164,071.48	1,017,849.03	1,015,159.01	2,690.02	166,761.50
Due to PhilHealth	43,392.97	608,525.00	605,962.50	2,562.50	45,955.47
TOTAL	₱2,249,802.59	₱12,087,978.18	₱12,076,679.44	₱11,298.74	₱2,261,101.33

* Excludes the amount withheld for December 2014 (due for remittance on January 2015)

11.4 The consolidated balances of CES, Branch/Satellite Stations & Business Development Division (BDD) for the above accounts as of December 31, 2014 were reckoned, as follows:

Account Name	Central Experiment Station (CES)		Ending Balance 12.31.14		
	<i>Due but Unremitted 12.31.14 (a)</i>	<i>Withheld for December 2014 (b)</i>	<i>CES (a+b)</i>	<i>Branch/ Satellite Stations & BDD</i>	<i>Consolidated (CES, Stations & BDD)</i>
Due to GSIS	₱2,048,384.36	₱943,745.59	₱2,992,129.95	₱273,691.39	₱3,265,821.34
Due to Pag-IBIG	166,761.50	96,653.80	263,415.30	142,585.13	406,000.43
Due to PhilHealth	45,955.47	56,012.50	101,967.97	30,200.03	132,168.00
TOTAL	₱2,261,101.33	₱1,096,411.89	₱3,357,513.22	₱446,476.55	₱3,803,989.77

11.5 Analysis showed that the Due to GSIS, Pag-IBIG and PhilHealth in the total amount of ₱2,261,101.33 were not remitted to agencies concerned contrary to RA No. 8291, IRR of RA No. 9679 and Revised IRR of RA No. 9241 and exposes the agency and its employees to possible imposition of sanctions and/or payment of interests and penalties.

11.6 We recommended and Management agreed to instruct the Finance Division to promptly remit contributions and loan payments due to GSIS, Pag-IBIG and PhilHealth and comply strictly with RA 8291, IRR of RA No. 9679 and Revised IRR of RA No. 9241.

12 Funds received from various national government agencies to implement research projects totaling ₱7,057,471.72 were taken up in the books as Other Payables instead of Due to NGAs, in violation COA Circular No. 2004-002, dated April 29, 2004.

12.1 In PhilRice – Isabela, review of the account balances disclosed that funds received by the Branch from various national government agencies for the implementation of research projects totaling ₱7,057,471.72 were taken up as Other Payables.

12.2 As prescribed in the New Government Accounting System under COA Circular No. 2004-002, the account, Due to NGA is used to record the amount of liabilities due to national government agencies including those inter-agency transferred funds received for the implementation of specific programs/projects. On the other hand, Other Payables account is used to record all other current liabilities not falling in any of the specific current liability accounts including those authorized deductions from salaries and other liabilities of the government, payment of which are held in escrow.

12.3 Premised on the above regulation, the receipt of the fund should have been recorded in PhilRice-Isabela as a credit to Due to NGAs and accordingly, requires the said Satellite Station to submit liquidation reports to the source agencies as set forth in the covering MOA.

12.3 We recommended and Management agreed to instruct all the Branch Accountants to take up fund transfers from various national agencies for the implementation of research projects as Due to NGAs and to liquidate the funds as stipulated in the MOA.

13 Sales was recorded twice contrary to Section 111 of PD No. 1445, which resulted in the overstatement of sales and cost of goods sold by ₱2,213,699.60 and ₱1,054,993.72, respectively, thus the information in the financial statements were misleading.

13.1 Post audit of the JEV, Product Order and Issue Slip (POIS) and Seed Order and Issue Slip (SOIS) showed that the transfer of seeds and products from CES to Satellite Stations, and receipts and sales of seeds and products by the Satellite Stations were recorded in the following manner:

CENTRAL EXPERIMENTAL STATION	SATELLITE STATION
Transfer Products to Satellite Stations	Receipt of Products from CES
Due to other funds P xxx	Inventory P xxx
Sales P xxx	Due to other funds P xxx
Cost of Goods Sold xxx	
Inventory xxx	
	Sales of Satellite office
	Cash/Account Receivable P xxx
	Sales P xxx
	Cost of Goods Sold P xxx
	Inventory P xxx

13.2 Records showed that the transfer of seeds and products by the CES and the sale of products by the Satellite stations were recorded twice: one in the CES upon transfer of seeds and products to the Satellite Station, and again, in the Satellite Station upon sale of the product, contrary to Section 111 of Presidential Decree (PD) No. 1445, which is quoted hereunder:

Section 111 of PD No. 1445:

“Section 111. Keeping of accounts. – (1) xxx
(2) The highest standards of honesty, objectivity and consistency shall be observed in the keeping of account to safeguard against inaccurate or misleading information.’

13.3 Further analysis of the corollary entry showed that the cost of goods sold was also recorded twice: one in the CES upon transfer, and again, in Satellite station upon sale of the product.

13.4 The transfer of seeds and products made by CES to the satellite stations totaled to ₱2,213,699.60, the breakdown of which is shown below:

Satellite Station	Total Amount
PhilRice Agusan – RTR	₱ 73,120.00
PhilRice Batac – BIN	390,374.00
PhilRice Bicol	271,329.00
PhilRice - CMU	48,450.00
PhilRice Isabela	288,339.84
PhilRice – LB	787,966.76
PhilRice MES	186,740.00
PhilRice Negros	167,380.00
Total	₱ 2,213,699.60

13.5 The seeds and products amounting to ₱2,213,699.60 was only a transfer to the satellite stations to be sold by the station; nevertheless, sales and the corresponding cost of goods sold were already recognized in the books of CES-BDD. Of the total items transferred, actual sales were made by the following satellite stations in the total amount of ₱1,448,634.76 and was duly recorded with the cost of goods sold, in their respective books:

Satellite Station	Total Amount
PhilRice Agusan – RTR	₱ 18,270.00
PhilRice Batac – BIN	282,828.00
PhilRice Bicol	122,666.00
PhilRice - CMU	11,045.00
PhilRice Isabela	97,816.00
PhilRice – LB	728,614.76
PhilRice MES	145,105.00
PhilRice Negros	42,290.00
Total	₱ 1,448,634.76

13.6 In effect, the sales and cost of goods sold were overstated by ₱2,213,699.60 and ₱1,054,993.72, respectively, thus the financial information in the financial statement were misleading.

13.7 We recommended and Management agreed to (a) instruct the CES Chief Accountant and all Accountants in Satellite station to correct the misleading statements/double entries made; (b) record sales and cost of goods sold only at the point of actual sales; and (c) henceforth observe the requirements of Section 111 of PD No. 1445.

14 PhilRice paid an excess of ₱163,552.67 in honoraria to some of its employees contrary to the provision of Budget Circular No. 2007-002, which was an irregular expenditure as contemplated under COA Circular No. 85-55A dated September 8, 1985 and amended under COA Circular No. 2012-003 dated October 29, 2012.

14.1 Analysis of the Other Maintenance and Operating Expenses (MOOE) Account showed that the amount of ₱2,518,347.09 were paid for the honoraria of officials and employees in the performance of assigned task in addition to regular duties, functions and responsibilities.

14.2 Determination of compliance of said payments with Budget Circular No. 2007-002 dated October 1, 2007 disclosed that these exceeded the allowable honoraria, which was prescribed not to exceed 25% of the basic salary. The excess was computed as follows: :

Name	Basic Salary Per Annum	Honoraria Received	25% of Basic Salary - Allowable	Overpayment
Susan R. Brena	₱ 511,824.00	₱ 165,500.00	₱ 127,956.00	₱ 37,544.00
Nenita V. Desamero	630,564.00	186,000.00	157,641.00	28,359.00
Eden C. Gagelonia	528,900.00	168,000.00	132,225.00	35,775.00
Paulino S. Ramos	265,032.00	70,950.00	66,258.00	4,692.00
Manuel Jose C. Regalado	696,336.00	231,266.67	174,084.00	57,182.67
Total				₱ 163,552.67

14.3 Notice of Disallowance No. 15-007-101(14) dated March 17, 2015 was issued on March 20, 2015 and properly received by the persons liable.

14.4 We recommended and Management agreed to cause the refund of the overpaid honoraria and to, henceforth, strictly comply with Paragraph 4.9 (e) of Budget Circular 2007-02.

15 Rental expenses totaling ₱626,307.56 was incurred for various trips/travels using the private vehicle of the Acting Branch Manager, in violation of Section 7(a) of Republic Act No. 6713 otherwise known as the Code of Conduct and Ethical Standards for Public Officials and Employees.

15.1 Section 7(a) of Republic Act (RA) No. 6713 states:

“Financial and material interest. – Public officials and employees shall not, directly or indirectly, have any financial or material interest in any transaction requiring the approval of their office”.

15.2 In PhilRice–Negros, we reviewed the disbursement vouchers for the rental of vehicle from 2009 to 2011. The documents showed that only one and the same vehicle was rented by the station for the various trips/travels of officials, employees and visitors to Dumaguete, Iloilo, Bohol, Tacloban and other places under the jurisdiction of Negros Station. Further audit disclosed that the vehicle is owned by the Station’s Acting Branch Manager, the approving officer himself. As such, the approving officer has a financial and material interest over the said vehicle rental and thus violated Section 7(a) of Republic Act No. 6713.

15.3 We recommended and Management concurred to require the Acting Branch Manager of PhilRice–Negros to refund the total amount of ₱626,307.56, and to cause observance of the provisions of RA No. 6713 in future actions and transactions of the agency and its officials and staff.

16 Payment was made even with incomplete supporting documents, in violation of Paragraph 6 Section 4 of PD No. 1445 and Section 37.2.3 of RA No. 9184, which cast doubt on the correctness and the legality of the transaction.

16.1 Post audit of disbursement vouchers for various infrastructure projects showed that the payments were made even with incomplete supporting documents, contrary to Paragraph 6, Section 4 of PD No. 1445, otherwise known as the Government Auditing Code of the Philippines, and Section 37.2.3 of RA No. 9184, thus cast doubt on the correctness and the legality of the transactions.

16.2 The former statute requires complete documentation of the use of government funds while the latter prescribes the integral parts of the contract that should support the procurement of infrastructure projects.

16.3 The concerned officials informed us that the un-submitted supporting documents were existing but were kept in separate files. However, as of this report, they failed to submit the said documents.

16.4 We recommended that Management strictly comply with Paragraph 6, Section 4 of PD No. 1445, and Section 37.2.3 of RA No. 9184 and require the concerned official to ensure the complete documentation of a claim before its approval and payment.

17 At least 9,203 disbursement vouchers (DVs) amounting ₱308,651,081.44 for all funds have not been submitted to the Auditor's Office for post-audit, while the related financial statements and reports have not been timely submitted, in violation of Sections 100, 107 and 122 of PD No. 1445, which precluded the timely examination, review and evaluation of the legality and correctness of the disbursements.

17.1 Review of the timeliness of submission of the Report of Check Issued and disbursement vouchers showed that the disbursing officer did not submit monthly reports within the prescribed period, in violation of Section 100 of PD No. 1445. We noted that, it took her one month to eight months to submit the reports, thus hindering the audit team from performing timely examination, review and evaluation of the disbursements.

17.2 We further observed that the submission was on staggered basis or when the need arises, as in the case when a Credit Notice is required by the Source Agencies in the liquidation of funds transferred to PhilRice.

17.3 As of December 31, 2014, a total of 9,203 disbursement vouchers amounting to ₱308,651,081.44 remained un-submitted, as summarized below:

Station	Name of Funds	No. of DVs	Amount
Central Experimental Station	Corporate	1,153	₱ 70,323,856.18
	Trust Fund	3,456	147,106,548.87
	IGO	188	40,836,194.12
Total		4,797	₱258,266,599.17
PhilRice -UPLB	Corporate	1,573	18,989,926.36
	Trust Fund	821	7,982,262.42
	IGO	619	5,293,842.94
	NISRIP	59	307,710.68
Total		3,072	₱ 32,573,742.40
PhilRice- Negros	Corporate	768	8,927,009.37
	Trust Fund	90	2,059,356.05
	IGO	451	6,499,527.74
	NISRIP	25	324,846.71
Total		1,334	17,810,739.87
Grand Total		9,203	₱ 308,651,081.44

17.4 The above practices were not harmonized with Section 100 of PD No. 1445, which states that:

“Report of disbursing officers in a government agency. – Disbursing officers in any government agency shall render monthly reports of their transactions pursuant to regulations of the Commission to be submitted not later than the fifth day of the ensuing month to the auditor concerned who shall conduct the necessary examination and audit within thirty days from the receipt thereof.”

17.5 Failure to comply with the foregoing provisions is sanctioned under Section 122 of PD No.1445, and reiterated in Paragraph 7.0 of COA Circular No. 95-006 dated May 18, 1995 which states that:

“Unjustified failure on the part of the official or employee concerned to submit the documents and reports mentioned herein shall be considered a ground for the automatic suspension of payment of his salary until he shall have complied with the aforesaid requirements without prejudice to any disciplinary action that may be instituted against him (Section 122, PD No. 1445).

“Section 107. Time and mode of rendering account. – In the absence of specific provision of law, all accountable officers shall render their accounts, submit their vouchers, and make deposits of money collected or held by them at such times and in such manner as shall be prescribed in the regulations of the Commission.”

17.6 The delays were observed in PhilRice-Isabela, CMU, Musuan, Maramag, Bukidnon and Agusan.

17.7 In PhilRice-Agusan alone, as of January 15, 2015, the status of submission of records by the Agency were as follows:

A. Trial Balances for both BDD-Income Generating Office(IGO) and Regular Fund:

January 2014	April 21, 2014
February to July 2014	September 19, 2014
August to December 2014	Not yet submitted

B. Bank Reconciliation Statements (seven bank accounts):

January 2014	April 21, 2014
February to June 2014	September 18, 2014
July 2014	September 19, 2014
August 2014	December 5, 2014
September to December	Not yet submitted

C. Bank Reconciliation Statement for BDD-Income Generating Office for January 2014 was also not submitted.

17.8 Relative to the foregoing, PRRI operates in CMU, Musuan, Maramag, Bukidnon producing certified seeds and sold to farmers and cooperatives. Official Receipts were issued by the collecting officers and other deputized collectors, while disbursements were done in Agusan Norte including the maintenance of the books of accounts.

17.9 Lately, the team was informed that paid transactions of the agency will be transferred to Musuan for audit purposes.

17.10 Meanwhile, for PhilRice-Isabela's Corporate Fund ,the latest disbursement vouchers submitted were for September 2014. Also, no disbursement vouchers were submitted for two bank accounts maintained under the BDD and Trust Fund as of the end of the year.

17.11 Records showed that Management partially submitted the official receipts from January to August 2014 but nothing follows afterwards.

17.12 The late submission of the Financial Statements, financial records, reports and other related documents adversely affect the audit validation process in determining the fairness of the presentation of the Financial Statements as of December 31, 2014.

17.13 Also, late and/or non-submission of the above-mentioned reports precluded us from analyzing, reviewing and verifying/audit of the affected accounts and early determination of deficiency, if any, that requires immediate corrections or adjustments. It also resulted in the unavailability of current information on the financial operations of the Agency that could have provided its Management and stakeholders information which is relevant for sound financial decisions.

17.14 We recommended and Management agreed to require the accountable officers to render/submit monthly reports in accordance with Section 100 of PD No. 1445. For any unjustified failure of persons responsible in the submission of accounts to COA, we suggested that Management impose sanctions n accordance with Section 122 of PD No. 1445 as reiterated in paragraph 7.0 of COA Circular No. 95-006 dated May 18, 1995.

18 The Field Office Custodian of Supplies Inventory were Service Contractors designated as Warehouse In charge and not properly bonded, contrary to Section 101 of Presidential Decree No. 1445.

18.1 The Revised Cash examination Manual and Handbook of Supply and Management System provides that Fidelity Fund shall be available for the purpose of replacing defalcations, shortages, unrelieved losses in the accounts of bonded public officers:

18.2 In PhilRice CMU, we verified that the Field Office Ware House In Charge was not covered by Fidelity Bond, which was not in accordance with Section 101 of PD No.1445. Said law specifically provides the bonding requirement for accountable officers.

18.3 Relevant thereto, the information we gathered revealed that, except for the appointment or lawful accession by the person to a bonded or bondable position or office, no office memorandum was issued designating them as bondable public officers to be recommended for bonding.

18.4 The Field Office manning list showed that, only two personnel were holding regular positions, and 53 were Service Contractors distributed in the various sections and units, such as Project Management, Production and Technical Services, Warehousing and Marketing Administrative Support Services and Field Maintenance.

18.5 In the event of any defalcations, shortages, or unrelieved losses in the accounts of bonded public officers, the amount of fidelity fund that could be recovered may not be sufficient to cover the loss, hence prejudicial to the government.

18.6 We recommended that Management refrain from designating Service Contractors to act as Warehouse In-Charge. Should funds warrant, consider hiring additional employee; for the meantime, the designated Warehouse in Charge should be under the supervision of a regular employee to protect the interest of the government. Adhere strictly to the provision of Section 101 of P.D. No. 1445.

18.7 Management explained that as of the moment, plantilla of PRII has not yet been filled up after the implementation of the Rationalization Plan.

19 Some members of the Bids and Awards Committee (BAC) have no knowledge, experience and/or expertise in government procurement, contrary to Section 11.2.2 b of RA No. 9184 and its Implementing Rules and Regulations thus, professionalization and harmonization of procedures and standards in government procurement may not be attained.

19.1 Section 11.2.2. b of the RA 9184 is quoted below;

“b. An officer, who is at least a fifth ranking permanent official with knowledge, experience and/or expertise in procurement who, to extent possible, represent the legal or administrative area of the procuring entity, provided that in the case of bureaus, regional offices and sub-regional/district office, BAC member be at least third ranking permanent personnel.”

19.2 PhilRice Memorandum Nos. 2014-62 and 2014-89 were issued for the composition of Bids and Awards Committee (BAC) for Civil Works and for Goods and Services, which we evaluated vis-a-vis the requirements of the foregoing law.

19.3 In the process, we noted that some members of the BAC have no knowledge, experience and/or expertise and relevant trainings in government procurement, contrary to Section 11.2.2. b of the RA No. 9184 the Government Procurement Reform Act and its Revised Implementing Rules and Regulations. As such, the BAC may not be able to provide the professionalized procurement processes as the law desired.

19.4 We recommended and Management agreed to endeavor to professionalize the procurement processes by appointing BAC members who have relevant knowledge, expertise of, or trainings on, government procurement.

20 Some procurement practices at PhilRice-Agusan Experimental Station (AES) and PhilRice-CMU, Musuan were not compliant with pertinent provisions of RA No. 9184 hence, did not cater to the standardization and the promotion of economy and transparency in government procurement.

20.1 Review and observation of the procurement processes undertaken in PhilRice-CMU, Musuan disclosed several activities that were not aligned with pertinent provisions of RA No. 9184, as exemplified in the following instances:

The Project Procurement Management Plan (PPMP) was not prepared, while the Annual Procurement Plan exceeded the budgetary limits

20.2 Being an end-user, PhilRice-CMU, Musuan was mandated, under Section 7.3.2 of RA No. 9184, to prepare a PPMP for their different programs, activities, and projects (PAPs), which shall include the following:

- a) information on whether PAPs will be contracted out, implemented by administration in accordance with the guidelines issued by the GPPB, or consigned;
- b) the type and objective of contract to be employed;
- c) the extent/size of contract scopes/packages;
- d) the procurement methods to be adopted, and indicating if the procurement tasks are to be outsourced as provided in Section 53.6 of this IRR;
- e) the time schedule for each procurement activity and for the contract implementation; and
- f) The estimated budget for the general components of the contract.

20.3 As required, the PPMP shall be submitted to and evaluated by the procuring entity's Budget Office and if warranted, include it in the procuring entity's budget proposal for approval by the Head of the Procuring Entity.

20.4 After the budget proposal has been approved by the Head of the Procuring Entity and/or other oversight bodies, the procuring entity's budget office shall furnish a copy of the budget proposal as well as the corresponding PPMPs to the BAC Secretariat for its review and consolidation into the proposed APP.

20.5 The PPMPs and the consolidated APP for each procuring entity shall be updated every six months or as often as may be required by the Head of the Procuring Entity. This shall be the responsibility of the respective end-user units of the Procuring Entities, while the consolidation of these PPMPs into an APP shall be lodged with the BAC Secretariat, subject to approval of the Head of the Procuring Entity.

20.6 Verification disclosed that the procurement planning and budgeting processes in PhilRice-CMU, Musuan were shortened such that, instead of preparing a PPMP, an APP was passed in its place thereby missing out on the review processes that should have been undertaken by PhilRice-Agusan Experimental Station (AES) BAC. Consequently, they failed to note, among others, that the APP was inconsistent with the duly approved annual budget, which resulted in procurements exceeding the budgetary limits.

The use of Shopping or Small Value Procurement was not justified while procurement of items not included in the approved APP was not covered by Supplemental APPs

20.7 The presence of the APP notwithstanding, we observed that the manner of procurement of goods and services was usually done on "as the need arises" basis, which connotes deficient planning and of Management's failure to reasonably approximate its requirements for the current year. As such, most of the purchases were made thru shopping or small value procurement even though a public bidding is the more economical mode.

20.8 Moreover, there was an issue on lack of authority inasmuch as items procured that were not considered in the APP were not covered by an approved supplemental APP. This is not consistent with Section 7.2 of the IRR of RA No. 9184, which provides that no procurement shall be undertaken unless it is in accordance with the approved APP of the procuring entity.

20.9 To illustrate, PhilRice-CMU, Musuan has paid for various construction supplies used in the backfilling of potholes and in the installation of concrete culverts per CL # 40028 dated May 5, 2014 of TJ & J Enterprises, in the amount of P149,500.00.

20.10 Verification showed that the foregoing items were not included in the PPMP/Annual Procurement Plan of the PhilRice-CMU, Musuan for CY 2014 since the only available copy was for their office use only.

The Head of the Procuring Entity (HOPE) was a member of the BAC and performs functions that defeated check and balance on procurements

20.11 Section 11.2.5 of RA No. 9184 prohibits the HOPE to sit as Chairman or member of the BAC. This is so for check and balance.

20.12 PhilRice, CMU, Musuan is a Field Office of PhilRice-Agusan with more or less 364 kilometers in between. Because of the geographical location, the Agency has two sets of BAC. Memorandum Nos. 2014-92 and 2014-89, respectively, were issued by the Executive Director, re: Composition of BAC: 1) PhilRice- AES, Basilisa, RTR, Agusan del Norte; and 2) PhilRice Central Experiment Station (PCES), Maligaya, Science City of Munoz, Nueva Ecija.

20.13 The procurement processes for goods and services with Approved Budget for the Contract (ABC) of more than ₱100,000.00 to ₱1,000,000.00 ABC were conducted in AES while those in excess of ₱1,000,000.00 were conducted in CES.

20.14 Being the end user and a provisional member of the BAC, PhilRice-CMU, Musuan should have been involved in the procurement process. However, as can be gleaned in the paid disbursement vouchers, it was the HOPE of PhilRice-AES that signed the abstract of Request for Quotations or bids in behalf of the end user PhilRice-CMU, Musuan. A similar incident was noted in the procurement for the Zamboanga satellite station that is also under the Agusan Experiment Station.

20.15 Review of the documents pertinent to the payment of goods procured through shopping showed that the abstract of Bids were signed by the HOPE of AES instead of the designated BAC Provisional Member as end user.

20.16 We observed further that the HOPE acknowledged receipt of goods in the Inspection and Acceptance Report.

20.17 Consequently, it defeated the check and balance imbedded by law on government procurements.

20.18 We recommended and Management concurred to instruct –

- a. PhilRice-CMU, Musuan to (i) prepare PPMP with appropriate consideration of budgetary limits; and (ii) make a reasonable approximation of annual requirements based on approved plans and programs.
- b. The BAC of PhilRice-AES to (i) consider public bidding in all procurements unless the conditions warrant the use of alternative modes as provided in Rule XVI of RA No. 9184; (ii) refrain from procuring items that were not included in the approved APP or supplemental APP; (iii) see to it that the end-user/provisional member is properly represented in BAC proceedings; and (iv) henceforth, strictly adhere to the procurement rules pursuant to RA No. 9184.

20.19 We also caution the HOPE of PhilRice-AES to refrain from performing functions that tend to override check and balance in government procurement and those that were not within his mandated tasks.

21 *PhilRice had already incurred development costs amounting to ₱579,519.00 for the three new satellite stations even without the approved Memorandum of Agreement/Understanding(MOA/U) and approved Master Development Plan, which exposes PhilRice to possible loss of government funds should the agreements were not approved by the second parties. Further, determination of compliance by Management with rules and regulations relevant to the project implementation was not facilitated because of the unsystematic manner by which the project accounts were submitted.*

21.1 The PhilRice Board of Trustees (BOT) approved the Corporate Operating Budget for CY 2014, which was duly approved by the Department of Budget and Management. It included the opening of three PhilRice satellite stations in the Provinces of Mindoro, Samar, and Zamboanga Peninsula.

21.2 The BOT also approved ₱75,000,000.00 for the acquisition of Land, Development of Site, Construction of Facilities and various equipment.

21.3 The primary purpose of the newly opened Satellite Stations is for seed productions and the conduct of training of farmers, students, teachers, local government workers and other interested rice stakeholders on Multiple Intensified Rice Base Agri-Bio Systems in MIMAROPA, Samar and Zamboanga Peninsula.

21.4 For the implementation of the said projects, PhilRice entered into a MOA/U with the following:

Location of the Project	Required Land Area (in has.)	Second Party/ies to the MOA/U
Occidental Mindoro	3.50 has. 4.00 has.	Provincial Government of Occidental Mindoro; Private Donor
Northern Samar	6.00 has. 30 has.	Department of Agriculture Regional Field Unit (DA-RFU) VIII; University of Eastern Philippines
Zamboanga del Norte	None specified	Sindangan National Agricultural School (SNAS), Galeo, Sindangan

21.5 Further review of the memoranda disclosed that these did not bear the requisite signature/approval of the second parties identified above.

21.6 Management informed us that the MOAs/Us for Oriental Mindoro were sent for signature/approval of the concerned official and the private donor. Similarly, the MOAs/Us for Northern Samar were sent to the Office of the Secretary of Department of Agriculture and to the office of the President, University of Eastern Philippines. Meanwhile, the MOA/U with SNAS, Galeo Sindangan, Zamboanga Del Norte was already signed by both parties; however, they belatedly noted that the Principal of the SNAS was not the authorized official to sign the MOA/U. As such, another MOA/U was drawn with the new signatory for the second party, i.e. the Secretary of the Department of Education. The said agreement was accordingly sent to the latter's office for signature/approval.

21.7 To date, the above MOAs/Us and Master Development Plans remained unsigned by the concerned officials and donors.

21.8 The lack of approval notwithstanding, post audit of disbursement vouchers revealed that PhilRice went on with the project and had so far incurred site development costs on the three stations in an approximate amount of ₱579,519.00.

21.9 Further review of documents also showed that alignment of these projects with the overall direction of the agency could not be readily evaluated because of the absence of an approved Master Development Plan. Moreover, determination of the extent of compliance of these disbursements with pertinent rules and regulations was not facilitated because of the state of filing of the documents, wherein the transactions/accounts pertaining to PhilRice Mindoro were mixed with the transactions/accounts of PhilRice-Los Baños. In like manner, those of PhilRice-Samar were mixed with the accounts of PhilRice-Bicol, while the accounts of PhilRice-Zamboanga were mingled with the accounts of PhilRice-Agusan.

21.10 Due to the uncertainty of the MOAs/Us being eventually approved, and of the possibility of changes in the Master Development Plan that may no longer be aligned with the already started projects, PhilRice stands to lose the resources already put into the projects.

21.9 During the exit conference we were informed that the MOA with the Province of Occidental Mindoro and the private donor were already signed by the parties concerned. However the Master Development Plans was not yet approved.

21.10 We recommended and Management agreed to (a) facilitate the immediate approval by the concerned parties of the MOA/U; (b) seek the immediate approval by the BOT of the master development plan for the three newly opened Satellite Stations; and (c) henceforth refrain from pursuing new projects unless the requisite approvals and development plans were already in place. In the event of non-approval, work for the proper turn-over of technology to the host agency or LGU for eventual dissemination to farmer stakeholders.

21.11 We further recommended that Management instruct the accountants to separate the transactions/accounts of PhilRice Mindoro, Samar and Zamboanga Peninsula for a facilitated review of transactions.

22 *Non-submission of complete documents/information to prove the correctness of the Gender and Development (GAD) Accomplishment Reports in PhilRice-CES hindered the validation of the reported GAD projects/accomplishment. Moreover, no budget was provided for the implementation of GAD projects in the different stations.*

22.1 Section 33 of 2014 General Appropriations Act (GAA), Programs/Projects Related to Gender and Development states that:

“ xxx The preparation and submission of the xxx annual GAD Accomplishment Report shall be subject to the guidelines issued by the agencies concerned.”

22.3 For CY 2014, targeted activities were accomplished by the agency with a total budget of ₱32,361,672.94, of which ₱26,934,488.97 were disbursed, as shown below:

Gender Issue and/or GAD Mandate	GAD Activity	Actual Result	Budget	Actual Disbursement
CLIENT FOCUSED				
Gender-friendly machine and equipment/Gender friendly machine and equipment	Development of gender-friendly machine and equipment	5 gender-friendly machine/equipment (rice-on stripper combine village-type rice silo hydraulic ram pump rice hull gasifier engine pump rice hull gasifier)	₱1,284,259.00	₱1,097,940.63
Information/Knowledge Products and campaigns are gender sensitive	Development, execution, and production of knowledge products and social marketing campaign that are gender friendly and accessible for various rice stakeholders	10 knowledge products (rice, magazines, KPs on Be riceponsible, KPs on IRBAS, rice bulletins, other and 2 social campaigns (be riceponsible and IRBAS)	8,610,000.00	7,854,338.84
Non-integration of	Continuous	12 research	15,476,725.94	12,755,218.89

Gender Issue and/or GAD Mandate	GAD Activity	Actual Result	Budget	Actual Disbursement
the GAD perspective in the major programs	development and implementation of gender-appropriate rice technologies and activities	division/program (agro and soils div genetic resource div. plant breeding div, rice chemistry div. BYB prog. Climate change prog. Rem Div. ST div, PhilRice Fellowship Prog. PB div, HV prog. FFE prog) and 5 development division/program (devcom, TMS, climate change program, irbas, future rice)		
Training activities are biased for male farmers, poverty alleviation, poor access to resources and services	Capacitate both gender of rice stakeholders in rice production inclusion of rice-related topics(i.e. partnership, linkages) in training module to improve skills of stakeholders	Data on number of trainees is still being processed I module on partnership	1,555,628.00	1,184,820.56
ORGANIZATION FOCUSED				
Improve/enhance GAD awareness in the Institute/Non-integration of GAD perspective in programs and projects	Celebration of Women's Month and other GAD-related awareness activities	3 training activities conducted 100 staff received token for recognizing its women's month seven beneficiaries of	180,000.00	129,684.92

Gender Issue and/or GAD Mandate	GAD Activity	Actual Result	Budget	Actual Disbursement
		GAD scholarship were recognized at PhilRice All Staff wore a weight top on March 7, and 28 6 PhilRice staff showed GAD works in their PMS		
Increase staff efficiency/ Non-integration of GAD perspective in programs and projects	Compilation of GAD materials at the PhilRice Library	1 section in the PhilRice library showcases materials on GAD Search engine database included GAD	876,060.00	607,888.21
Increase staff efficiency	Continuous implementation of DayCare	1 DayCare	190,000.00	125,188.12
Non-integration of the GAD perspective in programs and projects/Provision of data on farm labor	Documents male and female labor contributions in rice farming inclusion of both male and female rice stakeholders in date gathering respondents and showcase in rice museum	5 projects of SED has gender component Rice museum showcases men and women rice farm contributions in its premises	4,189,000.00	3,179,408.80
Totals			₱32,361,672.94	₱26,934,488.97

22.4 However, quantifiable data on performance indicators and target were not available, thus we could not validate the output. Also, we noted that disbursements were based on attributes from Research and Development studies and verification of such could not be performed due to lack of information as to the actual expenses incurred for the GAD project and actual source of fund used.

22.5 Paragraph 10.2 of Joint Circular No. 2012-01 of Philippine Commission on Women, National Economic and Development Authority and Department of Budget and Management states that:

“In case an agency attributes a portion or the whole of the budget of its major program to the GAD budget, it shall subject the same to the Harmonized Gender and Development Guidelines (HGDG) test to determine the actual expenditures that may be attributed to the GAD budget (Please see paragraph 6.4) If required the agency may present the HGDG test result to GAD funds audit to justify GAD budget expenses.

xxx”

22.6 The submission of HADG test result during the planning and preparation of accomplishment report is very important to determine the actual budget and actual expenses for GAD project.

22.7 Meanwhile, no GAD related activity was implemented in the different stations because no budget was appropriated and transferred thereto. As such, the agency missed out on the opportunity to maximize the coverage and beneficiaries of GAD-related activities designed to enhance poverty alleviation, economic empowerment especially of marginalized women, protection, promotion, and fulfillment of women’s human rights, among others.

22.8 We recommended and Management agreed to (a) issue guidelines on the submission of the detailed information in support to the reported accomplishments to facilitate validation thereof; (b) maximize the coverage of GAD programs by involving the satellite stations in the implementation of GAD-related activities with sufficient budgetary support; and (c) follow strictly the rules and regulations in DBM/NEDA/NCRFW Joint Circular No. 2004-1, as amended.

Compliance with tax laws

23 *The Institute complied with the BIR Revenue Regulation No. 2-98 on the withholding and remittances of taxes from salaries of its official and employees as well as from payments to its suppliers and dealers.*

23.1 Taxes withheld from the Salaries and Benefits of personnel of the PhilRice were remitted regularly to the BIR. In addition other taxes withheld by the PhilRice were also remitted to the BIR regularly.

23.2 Taxes withheld from salaries and payments to creditor for the period January to December 2014 amounted to ₱38,508,881.55. The amount of ₱36,857,737.38 was remitted from January to December 31, 2014, while the balance of ₱4,882,376.20 was remitted on January 10, 2015. The monthly details are shown in the table below:

Month	Beginning Balance	Taxes Withheld	Taxes Remitted	Ending Balance
January	₱ 3,231,232.03	₱ 2,417,690.06	₱ 1,594,768.57	₱ 4,054,153.52
February	4,054,153.52	2,950,993.10	2,665,211.18	4,339,935.44
March	4,339,935.44	3,030,801.78	2,265,755.67	5,104,981.55
April	5,104,981.55	3,090,012.18	4,638,887.69	3,556,106.04
May	3,556,106.04	3,686,234.01	2,163,826.30	5,078,513.75
June	5,078,513.75	3,632,253.71	4,158,631.95	4,552,135.51
July	4,552,135.51	3,205,638.66	3,474,573.88	4,283,200.29
August	4,283,200.29	3,256,402.78	3,198,649.95	4,340,953.12
September	4,340,953.12	3,442,050.72	3,647,199.92	4,135,803.92
October	4,135,803.92	3,334,346.50	3,194,359.59	4,275,790.83
November	4,275,790.83	3,085,310.71	3,546,243.26	3,814,858.28
December	3,814,858.28	3,377,147.34	2,309,629.42	₱ 4,882,376.20
Total		₱ 38,508,881.55	₱ 36,857,737.38	

23.3 We recommended that Management continue complying with Revenue Regulation No. 2-98.

Status of Audit Suspension, Disallowance and Charges

24 *Disallowances and charges amounting to ₱11,889,284.71 and ₱1,031,413.32, respectively, remained unsettled as of December 31, 2014.*

24.1 The status of settlement of suspensions, disallowances and charges is shown below:

	Beginning Balance, January 1, 2014	This period January 1 – December 31, 2014		Ending Balance December 31 , 2014
		NS/ND/NC	NSSDC	
Notice of Suspension	₱0.00	₱0.00	₱0.00	₱0.00
Notice of Disallowance	11,312,515.06	576,769.65	0.00	11,889,284.71
Notice of Charge	1,031,413.32	0.00	0.00	1,031,413.32
Grand Total	₱12,343,928.38	₱576,769.65	₱0.00	₱12,920,698.03

24.2 Notice of disallowances and Notice of Charges amounting to ₱11,561,643.46 and ₱1,031,413.32, respectively, were under appeal with the COA Regional Office No. III and the balance of Notice of Disallowance amounting to ₱327,641.25 still within the reglementary period.

24.3 We recommended that Management require the persons deemed liable to follow up the status of their appeal to the COA and also require the other persons liable to settle the disallowance within six months from receipt of the notice.

VALUE FOR MONEY AUDIT

25 Lack of survey for and failure to rehabilitate the windmill pump irrigation system resulted in waste of government funds of at least ₱4,500,000.00 and deprived the intended beneficiaries of the use or benefits of a windmill pump irrigation system.

25.1 The PhilRice entered into a MOA with the Department of Agriculture DA-RFU III on December 13, 2011 for the implementation of Project, "Windmill Pump Irrigation Technology Adoption for Improved rainfed Agriculture Productivity and Profitability in Gerona, Tarlac with a total cost of ₱2,500,000.00 and develop and promote the agriculture sector in Region IV –A also known as the CALABARZON area (Cavite, Laguna, Batangas, Rizal, and Quezon) on October 24, 2011 through the provision of appropriate support service including water management technologies that will boost farm productivity, profitability, and resource sustainability.

25.2 Review of MOA showed that, one obligation of PhilRice was to implement the project as per approved work and financial plan and project proposal.

25.3 Review of the work and financial plan and project proposal showed that four units of windmill pump irrigation system will be constructed each in Barangay Magaspac, Gerona, Tarlac and San Isidro, Tiaong, Quezon.

25.4 The goal of the project is to help increase productivity and improve profitability of resource-poor farmers in rain-fed areas. Specifically, it aims to:

1. Introduce and promote the use of the windmill-pump system for irrigation of high-value crops to rural communities in rainfed areas of Gerona, Tarlac;
2. Conduct technology transfer activities, such as, but not limited to, accreditation of local fabricators, and trainings on the fabrication, installation, operation and maintenance of the windmill-pump irrigation system;
3. Conduct season-long training for farmer-beneficiaries on Palayamanan system, IPM for vegetable production, and organic agriculture;
4. Package viable windpump technology-based enterprises modalities for small scale rainfed farmers or communities in Tarlac; and
5. Capacitate DA RFU, LGU and NGO extension worker on the applications of the windpump and support technologies.

For Windmill pumps, Gerona, Tarlac

25.5 In the inspection conducted on October 10, 2014 in Gerona, Tarlac, we found out that only two units were constructed in Brgy. Magaspac while the remaining two units were constructed in Barangays Tagumbao and Singat, still in Gerona, Tarlac. We noted further that the four units of windmill-pump were not functional/operational due to worn out parts. (see appendix "7")

25.6 Some intended farmer beneficiaries informed us that they did not get full benefit from the windmill pump irrigation system because the extracted water from the well was mixed with sand, which resulted in the frequent replacement of rubber cup of the windmill pump.

25.7 We also noted that the support structure of one of the wells located at Brgy. Magaspac sagged, thus might endanger the lives and limbs of farmers in the unfortunate event that the windmill pump, the elevated tank and/or the whole structure collapses.

25.8 We also noticed that the concerned government agency failed to conduct technology transfer activities, which should have included (a) trainings on the fabrication, installation, operation and maintenance of the windmill-pump irrigation system; (b) establishment of farmer beneficiaries/association; and (c) accreditation of local fabricators

25.9 Of the windmill pump re-aligned to Barangay Tagumbao, Gerona, Tarlac, we observed that there was no area in the vicinity cultivated to vegetable or seedlings, contrary to the intent of the transfer, which was for the use of the Greenhouse of DA Gerona and its farmer-beneficiaries. (see appendix "8")

25.10 On the other hand, the windmill pump re-aligned to Barangay Singat, Gerona, Tarlac, which was intended for Gulayan ng Barangay and High Value Crop of farmers in the area, was in a state of disrepair, thus remained idle and the pump, not used. The barangay officials informed us that they already called the attention of PhilRice Research Division for the immediate repair of the windmill pump, but no action was taken on their request as of this date.

25.11 Meanwhile, verification of the disbursement voucher and available documents on the two windmill pumps re-aligned to Barangays Tagumbao and Singat revealed that these were without the approved realignment from the DA RFU, Regional Office No. III.

25.12 Failure to make appropriate transfer of technology for the operation, maintenance and rehabilitation of windmill pump deprived the farmer beneficiaries of the benefit that may have been derived from the windmill pump irrigation system, and put to waste government resources put into the project amounting to at least P2,500,000.00.

For Windmill pump, Region IV-A

25.13 Inspection conducted on November 12, 2014 with the PhilRice representative in Barangay San Isidro, Tiaong, Quezon disclosed that all four windmill pump irrigation systems were destroyed by super typhoon Glenda that hit the CALABARZON area.

25.14 Some beneficiaries informed us that before the onslaught of super typhoon Glenda, the said windmill pumps were already not operational due to worn-out parts, specifically the rubber cups of the 6m-diameter rotor and 1.25m-diameter Clayton mark deep-well pump. They also informed us that the windmill pump are good only for household use and cannot supply the water needed in the production of High Value Crop, specially the various vegetables.

25.15 Of the targeted establishment of one farmers association for each pump constructed, only one farmer-association was established, which is the SIGLA association.

25.16 Upon interview with the concerned PhilRice officials, they informed us that after the devastation of typhoon Glenda, one windmill located at Sitio Marasigan, San Isidro, Tiaong, Quezon was rehabilitated and brought back to normal operation. They also requested additional funding for the three remaining windmill pumps, however during inspection we found out that the said windmill pump were not operational due to some missing parts.

25.17 Thus, it is possible that the government might incur further loss of ₱2,000,000.00 equivalent to the amount of funds poured into the project, while the intended farmer beneficiaries were deprived of the benefit on the use of said windmill pumps.

25.18 Based on the foregoing observations, it is apparent that the fault lies in deficient planning which should have looked into the technical viability of the project and considered, among others, soils and foundation investigation, the design standards, as well as the availability of support funds for rehabilitation of the system.

25.19 We recommended that Management make representation with the DA RFU Regional Office No. 111 and No. IV-A for the immediate release of funds for the full rehabilitation of Windmill Pump Irrigation System in Gerona Tarlac and Tiaong, Quezon.

25.20 We also recommended that Management conduct training on technology transfer activities, such as, but not limited to, accreditation of local fabricators, and trainings on the fabrication, installation, operation and maintenance of the windmill-pump irrigation system.

25.21 We further recommended that Management, upon completion of rehabilitation of windmill pump, establish farmer association who will take charge of operation and maintenance, and transfer the ownership to the farmer association.

**PART III— STATUS OF IMPLEMENTATION OF PRIOR
YEAR'S RECOMMENDATIONS**

PART III-STATUS OF IMPLEMENTATION ON PRIOR YEAR'S RECOMMENDATIONS

Out of the 18 audit recommendations contained in the 2013 Annual Audit Report, seven were implemented; six were partially implemented; and five were not yet implemented by the Institute.

Observation and Recommendation	Ref.	Management Action	Status of Implementation	Reason for Partial/Non Implementation
<p>1. <i>The partial reconciliation on the property and accounting records reflected a variance of P52,594,443.29 between the two records casting doubt on the reliability of the reported balance of the Property, Plant and Equipment (PPE) account.</i></p> <p>We recommended and management agreed to (a) continue to reconcile the PPE account balances per accounting and per property records; (b) dispose immediately the unserviceable assets and de-recognize in the books the carrying amount of the sold items and recognize gain or loss from the sale, as the case may be; (c) draw the appropriate correcting/adjusting entries for the errors already identified in PhilRice-CES, Agusan and Batac; (d) advise the Accountant in Batac to record the sheller acquired in 2012 at €3,507.36 for conversion to its peso equivalent at</p>	CAAR 2013	The reconciliation of Property, Plant & Equipment accounts by designated personnel in the Financial Management Division (FMD) and in the Supply and Property Office (SPO), in Central Office and all stations	Partially implemented	See related Observation No. 7

acquisition date; (e) require the CES supply officer to transfer all PPE-related information and documents pertinent to all transfers made to stations for the proper recording in the receiving stations and in the books of CES.				
<p>2. <i>The reliability of the Construction in Progress (CIP) account balance in CES amounting to ₱21,594,143.96 and the completeness of the CIP projects were not ascertained because no subsidiary ledgers (SL) were maintained for each specific project and no reconciliation was made between the general ledger and the SL (per category) contrary to Sections 111 and 114 of PD 1445.</i></p> <p>We recommended and management agreed to reconstruct and maintain subsidiary ledgers for the specific CIP accounts and to perform a review of transactions to determine the cause of the negative balance of the CIP-Agency Assets account.</p>	CAAR 2013	Necessary adjustment to CIP are effected per JEV No. 2014-02-001359, 2014-05-004591, 2014-05-004129 and 2014-003078	Implemented	
<p>3. <i>The accuracy of the Cash in Bank-LCCA account amounting to ₱322,694,185.56 as of year-end was not established due to (a) unadjusted discrepancies between bank and book balances; (b) non-</i></p>	CAAR 2013	Reconciliation of the discrepancies is still on going. Monthly preparation of Reconciliation Statement at CES and branch stations	Partially implemented	See related Observation No. 1

<p><i>preparation of bank reconciliation statements (BRS); and (c) presence of subsidiary ledger account balance without actual cash.</i></p> <p>We recommended and management agreed to (a) require the Cashier in Batac Station to submit to the Accountant an accurate report on the deposits and disbursements to avoid discrepancies with the depository bank's record; (b) instruct the Accountants of the different stations to (i) establish the nature of the transactions identified as reconciling items; (ii) exert additional efforts to identify the source of the still unidentified reconciling items in the BRS; (iii) prepare the necessary adjusting journal entries; and (iv) revert to the Cash in Bank account all stale checks noted in the audit; (b) direct the Accountant of Midsayap and CES-BDO to ensure the monthly BRS are prepare and submitted promptly; (c) advise the Midsayap Station to (i) make representation with the depository bank for the prompt release of monthly bank statements and/or perform alternative procedures such as requesting for snap shots of bank account transactions and availing the statement of account generation</p>		<p>is now monitored regularly.</p>		
---	--	------------------------------------	--	--

<p>facility of the “we access” online feature of the bank to ensure the regular and prompt preparation of BRS; and (ii) trace to pertinent records and coordinate with the PhilRice CES to establish the reason behind the existence of two bank accounts with no actual cash with book balance of ₱1,011,508.92 and draw the appropriate adjusting journal entries.</p>				
<p>4. <i>The Institute has continuously maintained deposits with the PNB, a private bank, contrary to existing rules and regulations governing the maintenance of government funds with authorized depository banks.</i></p> <p>We recommended and management agreed to (a) seek approval from the Department of Finance (DOF) to maintain depository accounts with the PNB pursuant to DOF Department Order No. 27-05 dated December 9, 2005; and (b) limit the level of the funds deposited to the minimum working balance of the agency in accordance with Section 6 of BSP Circular 110, S of 1996, otherwise, gradually transfer the PNB deposits to any authorized government depository banks.</p>	CAAR 2013	<p>The gradual transfer of bank accounts from PNB to Land Bank of the Philippines is ongoing. PNB accounts maintained are those accounts used for foreign currency related transactions</p> <p>Memorandum Order No. 2014-013 dated July 23, 2014 was issued directing all branch station to eventually transfer their deposit from PNB to LBP before the end of 2014.</p>	Partially implemented	See related Observation. 1
5. <i>The accuracy of the</i>	CAAR	The reconciliation	Partially	See related

<p><i>Accounts Receivable account balances at year-end is doubtful due to (a) non-provision of allowance for doubtful accounts on trade receivables of ₱41,441,767.50; (b) presence of negative subsidiary ledger (SL) balances of individual debtors; and (c) poor confirmation results.</i></p> <p>We recommended that management (a) regularly monitor the status of receivables from private individuals, NGAs, LGUs and NGOs and apply the necessary interventions on the accounts before they became delinquent; (b) provide pertinent transactions documents to the LGUs to serve as basis in the recording of their payables to PhilRice; (c) require the Rice Engineering and Mechanization Division to regularly provide the pertinent information to the Finance Division and the Property Division regarding the status of repossessed equipment for the proper updating of their respective records; (d) enhance efforts in the collection of prior year's receivables; (e) assess the recovery of receivable balances based on proper aging and collection experience and recommend to the Board of Trustees appropriate policy</p>	2013	<p>of receivable account is now being conducted at CES and all stations, two additional staff were hired to focus on the reconciliation of receivable and payable accounts and regular monitoring of Account Receivable.</p>	implemented	Observation. 4
---	------	--	-------------	----------------

on the provision for doubtful accounts; and (f) strictly enforce sanctions in the suretyship agreement should the grantee fail to comply with the provision in the PhilRice Scholarship Agreement.				
<p>6. <i>The lack of periodic monitoring on the grant and liquidation of cash advances in Midsayap and Isabela Stations resulted in negative balances of the employees' individual accounts aggregating to ₱360,770.78 which set off the uliquidated cash advances of ₱592,291.38 thus reflecting a reduced balance of the Advances to Officers and Employees account in the amount of ₱231,510.60.</i></p> <p>We recommended that management (a) instruct the Accounting Units of the two afore-cited stations to trace pertinent records and documents in order to determine the cause of abnormal balances of individual cash advances (CA), establish their correct balances and effect the necessary adjustments in the books; (b) cause the immediate liquidation of all overdue CA and ensure compliance with laws and regulations on the grant and liquidation thereof; (c) cause the inclusion in the CES monitoring report all</p>	CAAR 2013		Not implemented	See related Observation. 3

information on the CA of other stations; and (d) strictly enforce the regulation on the prompt liquidation of cash advances as soon as the purpose has been served.				
<p>7. <i>The accuracy of the year-end balance of the Inventory account of P68,173,266.20 was not established owing to accounting errors and omission to perform the periodic inventory-taking, among others, contrary to Section 58 of PD 1445 and Section 490, Volume I of the Government Accounting and Auditing Manual (GAAM).</i></p> <p>We recommended that management (a) direct all accountable officers to render an account on the difference inventory items not presented during the actual count; (b) direct the Accounting Division to reconcile the subsidiary and general ledger balances and work back on records to establish the cause of negative balances; (c) cause the reconciliation of records between the Accounting and Property Units, determine the cause of variance and effect the necessary adjustments in their respective records; (d) instruct the Accountants to draw the appropriate adjusting and</p>	CAAR 2013	The management are in the process of upgrading the FMIS and adjustment will be effected upon assignment of proper account code to the system. Adjustment to correct the deficiency was made under JEV No. 2014-04-000184. The Stock and Bin cards are now maintained.	Partially implemented	See related Observation. 6

reclassification journal entries to correct the errors and exercise due care in making accounting entries; (e) provide the branch stations with the price list of the 21 publication items without cost as basis in recording of transactions thereto; (f) require the inventory committee in Batac to submit the Report on the Physical Count of Expired Merchandise Inventory to Accounting Office as basis for the recording of transactions thereto; (g) sell the damaged items at cost or below cost for partial cost recovery; (h) strictly comply with the provisions on the regular conduct of inventory-taking and reconciliation of related inventory accounts pursuant to regulations; (i) ensure that all issuances are covered by Seed Order Slips/Product Order Issue Slip/Requisition and Issue Slip (SOIS/POIS/RIS) and the corresponding Monthly Summary Report contain summary of transactions as to quantity and amount of stock sold on cash and on account and those issued for planting; (j) hold the warehouse main-in-charge liable for the cost of unaccounted inventory items; (k) require the warehouse man to prepare the statement of all seeds received and issued for				
--	--	--	--	--

2013 and submit to the COA auditor for validation; and (l) require the Bicol Branch Manager to implement a stricter internal control system in the issuance and handling of inventories.				
<p>8. <i>The lack of priority guidelines relative to the costing of items for sale under the PhilRice Business Development Office resulted in varying rates of mark-up per product, which may be the reason why the selling price of some products are too high, making it non-competitive in the local market.</i></p> <p>We recommended and top management agreed to study and formulate policy guidelines on the costing of products for sale under the PBDO for uniformity of mark-up on items for sale in order to attain competitiveness in the local market.</p>	CAAR 2013	A draft on revised pricing policy is being finalized, This Includes the following: protocol for pricing, selling, and distribution of knowledge products, with additional provision for other products including e-book and those sold via ecommerce, souvenirs and other products, stock transfer, collaborative products, and discounts.	Implemented	No related observation
<p>9. <i>The accuracy of the balance of Accounts Payable and Other Payables accounts amounting to P175,411,341.26 and P608,924,598.0, respectively, is doubtful due to (a) presence of abnormal balances; and (b) absence of subsidiary ledger (SL) and/or incomplete data on summary schedules to</i></p>	CAAR 2013	Reconciliation of the accounts is ongoing in CES and branch stations. Two additional accountants are hired at CES to focus on the reconciliation and also assist the branch accountants.	Not Implemented	See related Observation. 8

with the recorded debits to the Inter-Agency Payables account.				
<p>11. <i>Purchases of office supplies of Agusan Branch with an aggregate amount of P89,464.26 were not made from Procurement Services contrary to Administrative Order No. 17 of the President of the Philippines and DBM Circular Letter No. 2011-6 dated August 25, 2011.</i></p> <p>We recommended and management agreed to consider the procurement of all common-use supplies from the Procurement Service and to comply with the posting of procurement notices in the PhilGEPS website.</p>	CAAR 2013		Implemented	
12. <i>The Request for Quotation of PhilRice Batac on procurements with an Approved Budget for the Contract (ABC) over P50,000.00 per transaction were not posted in the</i>	CAAR 2013		Implemented	

<p><i>support the account balances contrary to Sections 111 and 114 of PD 1445.</i></p> <p>We recommended that management require the Accountant to (a) thoroughly examine or investigate the cause of abnormal balances of identified creditors and prepare the necessary adjusting journal entries accordingly; (b) use the Due to NGAs/GOCCs account in recording receipt of funds pertaining to externally-funded projects; and (c) exert efforts to reconstruct all SLs for project funds subject to liquidation to establish the balance of every project.</p>				
<p><i>10. The balance of the Inter-Agency Payables account showed a net difference of P2,432,290.70 between the general ledger and the subsidiary ledger casting doubt on the year-end account balance of P3,587,179.39.</i></p> <p>We recommended that management direct the Accountant to (a) analyze and trace the pertinent records and transaction documents to reconcile the noted discrepancy between GL and SL balance of the said account; and (b) ensure that actual remittances tally</p>	CAAR 2013		Not Implemented	See related Observation. 11

with the recorded debits to the Inter-Agency Payables account.				
<p>11. <i>Purchases of office supplies of Agusan Branch with an aggregate amount of ₱89,464.26 were not made from Procurement Services contrary to Administrative Order No. 17 of the President of the Philippines and DBM Circular Letter No. 2011-6 dated August 25, 2011.</i></p> <p>We recommended and management agreed to consider the procurement of all common-use supplies from the Procurement Service and to comply with the posting of procurement notices in the PhilGEPS website.</p>	CAAR 2013		Implemented	
12. <i>The Request for Quotation of PhilRice Batac on procurements with an Approved Budget for the Contract (ABC) over ₱50,000.00 per transaction were not posted in the</i>	CAAR 2013		Implemented	

<p><i>PhilGEPS website contrary to Item 3.d of GPPB Resolution No. 09-2009 thereby defeating the purpose of transparency in the procurement process through wide dissemination of bid opportunities.</i></p> <p>We recommended that management strictly comply with the requirements on posting in the PhilGEPS website of all procurement notices and contract or purchase order awards.</p>				
<p><i>13. Non-submission of complete documents/informations to prove the correctness of the Gender and Development (GAD) Plan and Budgets as well as Accomplishment Reports in CES hindered the validation on the reported GAD projects/accomplishment. Moreover, no budget was provided for the implementation of GAD projects in the different stations.</i></p> <p>We recommended that management to (a) follow strictly the rules and regulations in DBM/NEDA/NCRFW Joint Circular No. 2004-1, as amended, regarding the allocation of at least five percent of the total budget appropriation of GAD</p>	CAAR 2013		Partially Implemented	See related Observation. 22

projects/programs/activities and Joint Circular No. 2012-01 on the prescribed guidelines on the reporting of GAD targets and accomplishments to facilitate validation thereof.				
<p><i>14. The registration of 12 motor vehicles was not renewed with the Land Transportation Office (LTO) contrary to Section 5, Article I of RA No. 4136 and COA-OBM-MOF-MOTC Joint Circular No. 1-85 exposing the Institute to undue liability should accident happen.</i></p> <p>We recommended that management include in the annual budget of the Institute adequate amount to cover the LTO registration of motor vehicles as protection from unnecessary liability.</p>	CAAR 2013	Registration of Motor vehicles was renewed with the Land Transportation Office except those vehicles for disposal and vehicles plate are under storage at LTO	Implemented	No related observation
<p><i>15. Management failed to submit the financial statements and all paid disbursement vouchers within the required period in violation of Par. 6.03 of COA Circular No. 95-006 thus hindering the Audit Team from performing an updated audit, review and evaluation thereof.</i></p> <p>We recommended that management direct the Accounting Division to comply strictly with the submission of financial</p>	CAAR 2013		Not implemented	See related Observation 17

statements and the rendition of accounts and financial reports with the prescribed period.				
<p>16. <i>The Institute complied with the BIR regulation on the withholding of taxes and in the remittance thereof within the reglementary period except for Bicol Station.</i></p> <p>We recommended that management direct the Bicol Station officials (a) to obtain immediately a Tax Identification Number for PhilRice Bicol to pave the way for the remittance of all taxes withheld as of year-end; and (b) follow the prescribed period in the remittance of withholding taxes.</p>	CAAR 2013		Implemented	See related Observation. 23
<p>17. <i>Disallowances and charges in CES and Agusan Station amounting to ₱11,337,987.03 and ₱1,031,413.32, respectively, remained unsettled as of December 31, 2013.</i></p> <p>We recommended that management require the persons deemed liable to settle the disallowances and charges unless an appeal memorandum is filed with Regional Director within six months from receipt of the notices.</p>	CAAR 2013	Disallowance and charges in CES an appeal memorandum is filed with the Regional Director within six months from receipts of the notices.	Not implemented	See related Observation. 24

<p>18. <i>Had the annual corporate operating budget of ₱500,016.00 for On-Station Palayamanan Model Farm project been linked to its specific components, the terminal report could easily be evaluated in terms of efficiency, effectiveness and economy in implementing such project that would serve as an input in the decision making process of top management.</i></p> <p>We recommended that management direct the project proponents to incorporate in the terminal report the budget and actual cost for each program and activity of the completed project.</p>	CAAR 2013		Implemented	No related obsevation

PART IV – APPENDIXES

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class
As of December 31, 2014

	Project code	December 31, 2014 Balance
1	135A-RTF-032	P 6,482,864.70
2	325-RTF-071	393,596.82
3	367-RTF-100	679,937.87
4	388-RTF-001	(43,612.50)
5	412-RTF-001	876.24
6	412-RTF-120	680,405.27
7	424-RTF-001	3,064.70
8	442-RTF-001	534,614.64
9	448-RTF-133	28,651.78
10	456-RTF-138	108,764.37
11	460-RTF-001	489,823.53
12	479-RTF-001	180,111.81
13	483-RTF-001	1,256,677.56
14	488-RTF-001	144,748.83
15	511-RTF-141	131,978.24
16	512A-RTF-001	732,166.26
17	512B-RTF-001	95,580.76
18	535-RTF-001	2,393,781.85
19	536-RTF-001	168,842.66
20	289-RTF-052	(505.00)
21	442A-RTF-001	(571,624.75)
22	512A-RTF-001a	204,549.86
23	524A-RTF-099	112,750.01
24	524D-RTF-099	102,461.90
25	526-RTF-001	207,743.86
26	526-RTF-001A	47,230.50
27	526-RTF-001B	416,931.97
28	526-RTF-001C	13,144.00
29	526-RTF-001E	73,406.00
30	526-RTF-001F	621,002.45
31	535-RTF-001 (NCT)	367,576.78
32	535-RTF-001A	41,346.33
33	535-RTF-001B	60.00
34	535-RTF-001C	1,149,053.62
35	535-RTF-001D	33,836.00
36	CO-004D	132,482.98
37	G1-005-004	189,172.90
38	G2-004-001	2,954,802.93
39	G2-004-002	4,401.15
40	G2-004-004	4,725.00
41	G2-005-000	57,547.03
42	G3-003-000	(143,966.35)

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class
As of December 31, 2014

	Project code	December 31, 2014 Balance
43	G3-004-000	₱ 66,000.00
44	G3-015-000	117,165.60
45	GAS-001-001	24,000.00
46	GAS-001-001A	31,706.25
47	GAS-001-006	7,910.00
48	GAS-001-012	-
49	GAS-001-013	6,600.00
50	GAS-001-014	34,750.00
51	GAS-001-020	164,250.00
52	GAS-001-022	112,478.93
53	GAS-003-000	400.00
54	GAS-006-005	1,041,586.99
55	GAS-RTR-001	7,242,581.09
56	IEP-002-006	4,770.00
57	IEP-004-001	14,062.50
58	IPR-002-006	8,687.24
59	KMP-005-006	12,743.21
60	MIN-001	212,681.30
61	MIN-002	(3,201.20)
62	MIN-002-001	138,861.80
63	MIN-004	175,376.74
64	MIN-005-001	101,404.95
65	MIN-005-002	64,933.83
66	MIN-005-003	174,025.71
67	MIN-006	172,320.07
68	MIN-007	172,666.83
69	MIN-009-001	264,061.41
70	MIN-009-002	128,051.93
71	MIN-010-001	162,820.56
72	MIN-011	236,306.69
73	MIN-014-001	53,455.00
74	MIN-014-002	70,020.32
75	MIN-014-003	106,206.18
76	MIN-014-004	23,412.64
77	MIN-014-005	139,650.02
78	MIN-014-006	(348,250.95)
79	PSC-RTR-000	16,443,829.94
80	RTR-000	(766,373.23)
81	RTR-001	56,601.98
82	RTR-007	65,147.28
83	RTR-008	13,300.35
84	RTR-009	96,050.84

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class
As of December 31, 2014

	Project code	December 31, 2014 Balance
85	RTR-010	P 58,317.63
86	RTR-011	97,834.83
87	RTR-012	177,523.18
88	RTR-013	8,086.26
89	RTR-014	5,590.05
90	RTR-016	180.08
91	RTR-017	137,417.30
92	TAS-001-003	6,456.02
93	TAS-001-003A	(932.92)
94	TAS-001-004	18,663.28
95	135A-RTF-032a	25,500.00
96	512A-RTF-001b	2,400,571.72
97	526-RTF-001D	564,382.58
98	526-RTF-001g	175,597.29
99	526-RTF-001h	116,756.29
100	526-RTF-001i	105,933.47
101	550E-RTF-001	74,645.34
102	552-RTF-001	33,769.91
103	570-RTF-001	2,080,189.23
104	571-RTF-001	2,300,578.08
105	573-RTF-003	1,785,096.79
106	574-RTF-001	98,757.18
107	580-RTF-003	(292,725.00)
108	594-RTF-001e	337,284.68
109	594-RTF-001f	369,884.34
110	594-RTF-001g	481,056.44
111	BYB-003-003	85,747.24
112	BYB-003-007	33,776.18
113	BYB-003-023	17,577.88
114	BYB-003-024	115,176.68
115	BYB-003-025	32,177.80
116	BYB-003-026	94,925.74
117	G3-000-003	(5,786.00)
118	G3-004-000a	10,000.00
119	G3-004-000b	220,000.00
120	G3-015-000a	41,199.97
121	GAS-001-002	20,000.00
122	GAS-001-002b	18,250.00
123	GAS-001-012a	0.83
124	GAS-012-000	(0.83)
125	GAS-013-001	242,209.55
126	GAS-RTR-001A	1,750.00

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class
As of December 31, 2014

	Project code	December 31, 2014 Balance
127	IPR-004-004	-
128	LST-002-001	P 1,611,712.59
129	LST-002-001a	76,000.00
130	MIN-002-002	211,565.12
131	MIN-002-003	176,369.24
132	MIN-003-006	204,919.09
133	MIN-004-001	170,931.28
134	MIN-004-002	140,530.99
135	MIN-004-003	126,792.19
136	MIN-004-004	85,510.45
137	MIN-004-005	78,691.68
138	MIN-004-006	36,025.31
139	MIN-004-007	143,773.26
140	MIN-004-008	133,877.09
141	MIN-005-001A	146,759.33
142	MIN-008-002	101,123.03
143	MIN-008-003	198,984.45
144	MIN-010-001A	72,860.44
145	MIN-013-001	107,815.94
146	MIN-013-002	86,013.63
147	MIN-013-004	100,778.48
148	MIN-013-005	5,226.82
149	MIN-013-006	85,621.02
150	SYP-004-004	13,818.17
151	SYP-005-010	3,800.00
152	GAS-002-002	(31,400.00)
153	134A-RTF-001	(20,600.00)
154	551-RTF-001	(241,337.50)
155	551A-RTF-001	194,056.18
156	551B-RTF-001	35,588.22
157	574A-RTF-001	73,404.26
158	580-RTF-003a	219,589.18
159	585-RTF-185	32,500.00
160	594-RTF-001a	496,793.95
161	594-RTF-001b	483,534.68
162	594-RTF-001c	516,023.49
163	594-RTF-001d	387,197.20
164	594-RTF-001h	405,088.80
165	594-RTF-001i	213,199.12
166	594-RTF-001j	378,098.33
167	629-RTF-001a	(169,095.15)
168	629-RTF-001b	(18,983.58)

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class
As of December 31, 2014

	Project code	December 31, 2014 Balance
169	629-RTF-001c	P (77150.55)
170	629-RTF-001d	(78,189.14)
171	629-RTF-001e	(3,349.25)
172	629-RTF-001f	68,295.76
173	629-RTF-001g	(3,818.80)
174	629-RTF-001h	(129,341.56)
175	629-RTF-001i	(30,313.87)
176	629-RTF-001j	(69,380.18)
177	340A-RTF-084	17,277.00
178	371-RTF-103	-
179	371-RTF-103a	96,458.25
180	537-RTF-003	132,335.81
181	551D-RTF-001	(29,907.50)
182	578-RTF-181	1,592.26
183	627-RTF-003	(1,900.07)
184	627-RTF-003a	204,056.13
185	633A-RTF-194	303,504.66
186	633B-RTF-194	(481,082.64)
187	646-RTF-001	476,230.84
188	646-RTF-001A	97,414.73
189	647A-RTF-002	-
190	648-RTF-201	106,880.47
191	649-RTF-001	(443,833.54)
192	654-RTF-001	61,560.00
193	659-RTF-002	656,215.05
194	340-RTF-084	(37,500.00)
195	510-RTF-001	(60.00)
196	550D-RTF-001	(167,167.87)
197	629-RTF-001	(4,103,274.50)
198	AGN-001	88,560.44
199	AGN-002-001	15,396.89
200	ASD-003-003	14,501.11
201	CCP-002-001	1,035.00
202	CCP-003-001	55,096.00
203	CCP-003-002	53,275.67
204	CCP-006-002	185,883.57
205	CO-001	54,676.78
206	CO-002-000	250,000.00
207	CO-003-000	318,167.96
208	CO-004	(11,207.98)
209	CPD-006-002	1,894.09
210	CPD-007-001	809,258.12

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class
As of December 31, 2014

	Project code	December 31, 2014 Balance
211	CPD-008-002	₱ (1,000.20)
212	DEV-001-008	11,079.89
213	DVC-007-002A	
214	DEV-002-008	164,354.75
215	DVC-007-006	92,624.35
216	DVC-008-001	-
217	DVC-008-001a	160,615.60
218	DVC-008-001b	119,429.32
219	DVC-008-001c	55,931.33
220	GAS-004-010	127,309.05
221	GAS-008	(70,359.20)
222	GAS-008-000	740,086.05
223	GRD-003-004	130,443.82
224	GRD-008-002	181,663.48
225	HVP-004-001	(27,683.92)
226	HVP-004-001	33,164.42
227	IRB-004-001	(44,070.82)
228	ISD-002-001	(16,955.70)
229	IRB-008-000	
230	MIN-003-007	368.00
231	MIN-003-008	17,358.99
232	MIN-004-009	11,870.82
233	MIN-004-010	9,219.50
234	MIN-008-004	38,241.45
235	MIN-008-005	40,707.00
236	MIN-008-006	99,949.60
237	MIN-008-007	22,430.00
238	NYR-001-000	6,890.17
239	RCF-003-003	8,971.80
240	REM-003-002a	2,643.46
241	SAT-003-000	311,148.21
242	SAT-003-001	166,995.94
243	SPR-001-042	16,004.64
244	SPR-048-000	49,981.67
245	TGM-003-000	47,956.01
246	TMS-008-001a	471,459.72
247	TMS-008-001b	312,562.73
248	TMS-008-001c	356,618.23
249	TMS-009-001	48,866.99
250	646-RTF-001b	362,135.65
	TOTAL	₱ 68,951,735.17

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class - CY 2009 Beginning Balance
As of December 31, 2009

	Project code	2009 Beginning balance	2009 Debits	2009 Credits	December 31, 2009 Balance
1	135A-RTF-032	0.00	₱ 5,148,731.89	₱ 3,110,730.69	₱ 2,038,001.20
2	325-RTF-071	0.00	370,000.00		370,000.00
3	367-RTF-100	0.00	2,308,533.24	1,641,865.01	666,668.23
4	388-RTF-001	0.00	43,612.50	87,225.00	(43,612.50)
5	412-RTF-001	0.00	161,714.96	157,361.87	4,353.09
6	412-RTF-120	0.00	612,730.25	133,586.67	479,143.58
7	424-RTF-001	0.00	2,504.70		2,504.70
8	442-RTF-001	0.00	352,576.72	226,384.36	126,192.36
9	448-RTF-133	0.00	64,281.60	39,800.00	24,481.60
10	456-RTF-138	0.00	17,250.10		17,250.10
11	460-RTF-001	0.00	894,348.07	405,697.23	488,650.84
12	479-RTF-001	0.00	398,182.66	228,202.80	169,979.86
13	483-RTF-001	0.00	2,292,636.48	1,183,238.72	1,109,397.76
14	488-RTF-001	0.00	447,466.65	302,717.82	144,748.83
15	511-RTF-141	0.00	256,686.85	137,039.71	119,647.14
16	512A-RTF-001	0.00	1,375,555.56	991,088.83	384,466.73
17	512B-RTF-001	0.00	138,678.94	88,968.94	49,710.00
18	535-RTF-001	0.00	2,252,094.80	2,026,000.00	226,094.80
19	536-RTF-001	0.00	10,072.97		10,072.97
20	289-RTF-052	0.00		505.00	(505.00)
21	442A-RTF-001	0.00		23,143.50	(23,143.50)
	TOTAL		₱ 5,148,731.89	₱ 3,110,730.69	₱ 2,038,001.20

Philippine Rice Research Institute - Agusan
Summary of Fund Balances per Project Class with Negative Balances
As of December 31, 2014

	Project code	December 31, 2014 Balance
1	388-RTF-001	P (43,612.50)
2	289-RTF-052	(505.00)
3	442A-RTF-001	(571,624.75)
4	G3-003-000	(143,966.35)
5	MIN-002	(3,201.20)
6	MIN-014-006	(348,250.95)
7	RTR-000	(766,373.23)
8	TAS-001-003A	(932.92)
9	580-RTF-003	(292,725.00)
10	G3-000-003	(5,786.00)
11	GAS-012-000	(0.83)
12	GAS-002-002	(31,400.00)
13	134A-RTF-001	(20,600.00)
14	551-RTF-001	(241,337.50)
15	629-RTF-001a	(169,095.15)
16	629-RTF-001b	(18,983.58)
17	629-RTF-001c	(77,150.55)
18	629-RTF-001d	(78,189.14)
19	629-RTF-001e	(3,349.25)
20	629-RTF-001g	(3,818.80)
21	629-RTF-001h	(129,341.56)
22	629-RTF-001i	(30,313.87)
23	629-RTF-001j	(69,380.18)
24	551D-RTF-001	(29,907.50)
25	627-RTF-003	(1,900.07)
26	633B-RTF-194	(481,082.64)
27	649-RTF-001	(443,833.54)
28	340-RTF-084	(37,500.00)
29	510-RTF-001	(60.00)
30	550D-RTF-001	(167,167.87)
31	629-RTF-001	(4,103,274.50)
32	CO-004	(11,207.98)
33	CPD-008-002	(1,000.20)
34	GAS-008	(70,359.20)
35	HVP-004-001	(27,683.92)
36	IRB-004-001	(44,070.82)
37	ISD-002-001	(16,955.70)
	TOTAL	P (8,485,942.25)

Philippine Rice Research Institute - Agusan
Details of Account 144 - Due from Other Funds
As of December 31, 2014

Year	Beginning Balance	Debit	Credit	Balance
2009	0.00	P 535,353.10	P 535,353.10	P 0.00
2010	0.00	2,473,306.00	579,600.00	1,893,706.00
2011	1,893,706.00	14,662,827.91	8,007,534.44	8,548,999.47
2012	8,548,999.47	25,872,178.32	31,286,114.54	3,135,063.25
2013	3,135,063.25	1,138,375.56	1,596,375.56	2,677,063.25
2014	2,677,063.25	1,667,334.01	959,046.81	3,385,350.45
TOTAL		P 535,353.10	P 535,353.10	P 0.00

Summary of Fund Transfers per Recipient

Recipient	Amount
Government Agencies	
Abra State Institute of science & Technology	₱ 225,828.00
Aklan State University	95,000.00
APC Bohol Tagbilaran (DA)	465,200.00
Bataan Peninsula State University	5,750.00
Benguet State University	90,200.00
Bulacan Agricultural State College	210,550.00
Camarines Norte State College	200,000.00
Capiz State University	420,000.00
Center for Agrarian Reform and Dev't	16,875.00
Central Luzon State University	2,411,759.50
Central Mindanao University	164,700.00
Central Philippine University	64,900.00
Cotton Development Authority	1,962,500.00
DA Bicol Integrated Agricultural Research Center	228,800.00
DA CVIARC	60,900.00
DA CVLMROS Agricultural Pilot Center	709,200.00
DA RFU V	125,000.00
DA RFU VIII	187,538.00
DA RFU XI	100,000.00
DA Western Mindanao Integrated Agricultural Research Center	411,200.00
DA-RFU VI	382,778.96
DA-WESVIARC	616,871.16
DEBESMSCAT	129,600.00
Department of Agriculture (INPC-ILIARC)	47,700.00
Eastern Samar State University	200,000.00
Iligan Experiment Station	52,400.00
LGU-Victoria Tarlac	88,050.00
Mindoro State College of Agriculture and Technology	425,500.00
MMSU	54,800.00
Municipality of Naujan	50,000.00
Nueva Ecija University of Science and Technology	208,050.00
Nueva Vizcaya State University	286,600.00
Office of the Municipality Ma. Aurora, Aurora	89,500.00
Office of the Prov'l Gov. Davao Oriental	95,400.00
Office of the Prov'l Gov. of Abra	15,000.00
Office of the Prov'l Gov. of Apayao	15,000.00
Office of the Prov'l Gov. of Benguet	15,000.00
Office of the Prov'l Gov. of Bohol	30,000.00
Office of the Prov'l Gov. of Mt. Province	15,000.00
OMM Tublay, Benguet	118,600.00
OPG South Cotabato	95,400.00
OPG Sultan Kudarat	119,800.00
OPG Tabuk Kalinga	279,500.00

Summary of Fund Transfers per Recipient

Recipient	Amount
Pampanga Agricultural College	P 88,050.00
Pangasinan State University	106,700.00
Philippine Association of State Universities and Colleges Region VI	1,613,222.22
PhilRice Agusan	9,046,490.00
PhilRice Batac	5,310,048.12
Philrice Bicol Trust Fund	100,000.00
PhilRice CMU	1,087,769.00
PhilRice Isabela	11,919,147.49
PhilRice Los Banos	200,000.00
PhilRice Los Banos	11,371,583.50
PhilRice Midsayap	8,731,664.84
PhilRice Negros	6,460,913.94
Ramon Magsaysay	88,050.00
San Luis, Aurora	48,000.00
sarmar SA	3,363,673.28
Sorsogon State College-Castilla Campus	420,000.00
Sultan Kudarat Polytechnic State College	200,000.00
Surigao del Norte College of Agriculture & Technology Dinagat Islands	200,000.00
Surigao del sur State University	200,000.00
Tarlac College of Agriculture	52,000.00
University of Eastern Philippines	624,600.00
University of South Eastern Philippines	420,000.00
University of Southern Mindanao	303,900.00
University of the Philippines-Los Banos	7,337,141.96
Visayas State University	644,000.00
WESMIARC	5,000.00
Western Philippines University	60,000.00
adjustment/Bank Transfers	(7,447,808.00)
Sub-Total	P 74,140,596.97
NGO/POs	
Aurora Grains, incorporated	P 1,500,000.00
Digital Environmental Mgt. Inc.	637,283.75
La Granja National Crop Research and Development Center	54,800.00
Malasimbu Agricultural Cooperative	39,750.00
Rural Based Organization Region 10, Inc.	112,000.00
Society Towards Reinforcing Inherent Viability for Enrichment (SIKAP/STRIVE)	
Foundation, Inc.	3,458,807.00
Sub-Total	P 5,802,640.75
Total	P 79,943,237.72

Project	Check #	Date	Agency	Purpose	Amount	No. of Years		
						Yrs.	Mos.	Days
552-RTF-001	181850	11/13/2012	DA CVLMROS Agricultural Pilot Center	Implementation of the Multi-Environment Trials of Breeding Lines for Location Specific Adaptation and Acceptability in Rainfed Lowland	180,000.00	2	1	18
411-RTF-001	5266	6/8/2006	DA-RFU VI	To Cover the Electrical System Rehabilitation intended for Da WESVIARC	382,778.96	8	6	25
411-RTF-001	5233	5/25/2006	PhilRice Agusan	Implementation of Palayamanan Village Model	150,000.00	8	7	6
551-RTF-001	181446	2/29/2012	PhilRice Agusan	Implementation of NCT Project for 2012	103,600.00	2	2	10
551-RTF-001	181717	7/31/2012	PhilRice Agusan	RSSP Project at the Station	407,000.00	2	5	0
551-RTF-001	181732	7/31/2012	PhilRice Agusan	Implementation of NCT Projects 2012	103,600.00	2	5	0
411-RTF-001	5296	6/23/2006	PhilRice Batac	Implementation of Palayamanan Village Model	300,000.00	8	6	8
552-RTF-001	73827	7/26/2012	PhilRice Batac	MET of Breeding lines for Location Specific, Adaptability and Acceptability in Rainfed Lowlands Rice Areas	180,000.00	2	5	5
551-RTF-001	66658	6/30/2012	PhilRice Batac	Project water & Weed Management	335,000.00	2	6	1
551-RTF-001	181814	10/31/2012	Philrice Bicol Trust Fund	PhilRice-IRRI Sub- Project 1: strategit assessment of yield limiting and reducing factors in the phils	100,000.00	2	2	0
411-RTF-001	5298	6/23/2006	PhilRice Isabela	Implementation of Palayamanan Village Model	300,000.00	8	6	8
411-RTF-001	177890	7/24/2006	PhilRice Isabela	Implementation of Palayamanan Village Model	600,000.00	8	5	7
552-RTF-001	73828	7/26/2012	PhilRice Isabela	MET of Breeding lines for Location Specific, Adaptability and Acceptability in Rainfed Lowlands Rice Areas	180,000.00	2	5	5
551-RTF-001	181502	3/31/2012	PhilRice Isabela	Nucleus and Breeder Seed Production	200,000.00	2	9	0
551-RTF-001	73840	7/31/2012	PhilRice Isabela	Implementation of NCT Projects 2012	183,400.00	2	5	0
551-RTF-001	448219	2/29/2012	PhilRice Isabela	Implementation of Various NCT Projects for 2012	183,400.00	2	10	2

Project	Check #	Date	Agency	Purpose	Amount	No. of Years		
						Yrs.	Mos.	Days
411-RTF-001	5297	6/23/2006	PhilRice Los Banos	Implementation of Palayamanan Village Model	300,000.00	8	6	8
551-RTF-001	181445	2/29/2012	PhilRice Los Banos	Implementation of NCT Project for 2012	100,000.00	2	2	10
551-RTF-001	181503	3/31/2012	PhilRice Los Banos	Nucleus and Breeder Seed Production	500,000.00	2	9	0
551-RTF-001	181606	4/30/2012	PhilRice Los Banos	Rice Breeding Operations Manual	200,000.00	2	8	1
551-RTF-001	181734	7/31/2012	PhilRice Los Banos	Implementation of NCT Projects 2012	100,000.00	2	5	0
551-RTF-001	181875	12/31/2012	PhilRice Los Banos	Activities of Rice Garden Project	500,000.00	2	0	0
411-RTF-001	177892	7/24/2006	PhilRice Midsayap	Implementation of Palayamanan Village Model	100,000.00	8	5	7
411-RTF-001	177891	7/24/2006	PhilRice Negros	Implementation of Palayamanan Village Model	200,000.00	8	5	7
483-RTF-001	181585	4/18/2012	University of Eastern Philippines	The State Colleges and Universities Partners in Bringing Palaycheck and Palayamanan System	200,000.00	2	8	13
411-RTF-001	177880	5/18/2006	University of Southern Mindanao	Implementation of Enhancing the Productivity of Rice Farmers through the Diversified and Integrated Farming Systems	100,000.00	8	7	13





