



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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

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

Qualified Opinion

We have audited the financial statements of the Philippine Rice Research Institute, which comprise the Statement of Financial Position as of December 31, 2020, and the Statement of Financial Performance, Statement of Changes in Net Assets/Equity, Statement of Cash Flows and Statement of Comparison of Budget and Actual Amounts for the year then ended, and Notes to the Financial Statements, including a summary of significant accounting policies.

In our opinion, except for the effects of the matter described in the *Basis for Qualified Opinion* section of our report, the accompanying financial statements present fairly in all material respects, the financial position of the Philippine Rice Research Institute as of December 31, 2020, and its financial performance, its cash flows, and its statement of comparison of budget and actual amounts for the year then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Qualified Opinion

As discussed in Part II of this report, the Auditor rendered a qualified opinion on the fairness of presentation of the financial statements in view of accounting errors, deficiencies and omissions affecting the accuracy and reliability of the reported balances of different accounts of the Institute, such as (a) *Other Assets* (i) capitalization of undelivered goods amounting to ₱735,998,450.72 at PhilRice–Central Experiment Station (CES); (ii) questionable existence of fully depreciated/unserviceable Property, Plant and Equipment (PPE) amounting to at least ₱11,340,978.51 still reflected in the subsidiary ledger (SL); (iii) understatement of Other Assets account amounting to at least ₱1,079,888.70 and ₱1,320,392.44 at PhilRice-Isabela and Midsayap Stations; and (iv) inclusion of semi-expendable items in the Other Assets account amounting to ₱20,663.42; (b) *Trust Liabilities* (v) non-liquidation of 181 inactive research projects totaling to ₱200,277,982.52; (vi) failure of the Project Leaders (PLs) to enforce the liquidation of funds transferred to various Implementing Agencies (IAs) aggregating to ₱162,660,965.83 for the implementation of projects out of the Trust Fund; (vii) inability of the PLs/Heads of Requesting Offices to provide for more than one year the necessary supporting documents to settle duly obligated payables of ₱55,853,422.72; and (viii)

inclusion of 17 research projects with unreconciled negative balance of ₱6,025,806.48 in the Subsidiary Ledger (SL), understating the balance of Trust Liabilities; (c) *Receivables* (ix) doubtful recovery of Accounts Receivables (A/R) of ₱87,522,937.21 in the absence of written contracts/loan agreements between the Institute and the borrowers; (x) non-provision for Impairment of Trade Receivables of ₱788,749.36 that were misclassified as Due from National Government Agencies (NGAs) and Due from Local Government Units (LGUs) in the books of accounts; (xi) inclusion of Accounts Payable (A/P) of ₱2,028,527.73 which overstated the balance of Due from Regional/Branch Offices; (xii) understatement of the Receivables account balance by at least ₱18,112,919.44 due to questionable/erroneous debit postings to the subsidiary ledgers (SLs) of some debtors with no previous A/R balances; (xiii) overstatement by ₱3,668,687.07 of the reported Loans Receivable of PhilRice-CES; (vi) inclusion of Inter-Agency and Intra-Agency Receivables with negative SL Balances reducing the same by ₱22,439,554.50 and ₱111,005,225.76 respectively; (xiv) non-elimination of Due from Other Funds in the Post-Closing Consolidated Trial Balance amounting to ₱8,434,402.20; and (xv) reduction of ₱566,490.07 in the Due from Officers and Employees account due to abnormal balances; and lastly (d) *Accounts Payable* (xvi) capitalization of undelivered goods of ₱355,835,566.44 overstating the reported balance of the A/P account of the Rice Competitiveness Enhancement Fund (RCEF); (xvii) erroneous recognition of the entire contract cost of two unfinished construction projects under RCEF totaling to ₱14,813,554.06, overstating the Construction in Progress (CIP) and Accounts Payable by ₱6,587,902.39 (xviii) continuous non-reversion of long outstanding payables amounting to ₱74,746,374.89, aged two to 13 years, to the Accumulated Surplus (Deficit) account; (xix) maintenance of subsidiary ledgers (SLs) with negative balances which reduced the reported A/P balance by at least ₱15,888,403.79; and (xx) misclassification of payables under Due to Regional/Branch Offices and Other Funds to the A/P in the sum of ₱11,727,033.47.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the agency in accordance with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified opinion.

Key Audit Matters

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

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

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Public Sector Accounting Standards, and for such internal control as management determines is necessary to enable the

preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

COMMISSION ON AUDIT

By:



MIRASOL B. LIWANAG
Regional Supervising Auditor

May 31, 2020

Philippine Rice Research Institute
CONDENSED STATEMENT OF FINANCIAL POSITION
 ALL FUNDS (Corporate, BDD and Trust Funds)
 As at December 31, 2020
(With Comparative Figures for CY 2019)

	<i>Notes</i>	2020	2019
A S S E T S			
Current Assets			
Cash and Cash Equivalents	3.4, 4	₱ 1,509,077,442.32	₱ 1,558,289,964.89
Receivables, Net	3.5, 5	1,127,796,577.57	387,447,178.05
Inventories	3.6, 6	350,498,957.49	299,977,646.76
Other Current Assets	7	777,441,487.98	1,210,479,219.41
Total Current Assets		3,764,814,465.36	3,456,194,009.11
Non-Current Assets			
Property, Plant and Equipment, Net	3.7, 8	1,223,248,501.37	1,166,578,701.70
Biological Assets	9	92,740.00	93,340.00
Total Non-Current Assets		1,223,341,241.37	1,166,672,041.70
Total Assets		4,988,155,706.73	4,622,866,050.81
LIABILITIES			
Current Liabilities			
Financial Liabilities	3.3b, 10	1,036,133,394.89	2,308,339,019.13
Inter-Agency Payables	3.3b, 11	464,434,837.61	452,138,100.73
Intra-Agency Payables	3.3b, 12	190,618,221.44	150,823,241.00
Trust Liabilities	3.3b, 13	5,331,699.85	4,038,552.71
Deferred Credits	3.3b, 14	49,251,145.44	41,133,689.42
Provisions	3.3b	125,748,091.69	0.00
Other Payables	3.3b, 15	370,363,326.37	346,844,167.99
Total Current Liabilities		2,241,880,717.29	3,303,316,770.98
Total Liabilities		2,241,880,717.29	3,303,316,770.98
Total Assets less Liabilities		₱ 2,746,274,989.45	₱ 1,319,549,279.83
NET ASSETS/EQUITY			
Government Equity	29	₱ 2,746,274,989.45	₱ 1,319,549,279.83
Total Net Assets/Equity		₱ 2,746,274,989.45	₱ 1,319,549,279.83

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

Philippine Rice Research Institute
CONDENSED STATEMENT OF FINANCIAL PERFORMANCE
 ALL FUNDS (Corporate, BDD and Trust Funds)
 For the Year Ended December 31, 2020
(With Comparative Figures for CY 2019)

	<i>Notes</i>	2020	2019
Revenue			
Service and Business Income	3.11, 16 ₱	132,120,798.42 ₱	105,265,757.60
Shares, Grants and Donations	17	188,479.07	2,679,637.08
Total Revenue		132,309,277.49	107,945,394.68
Current Operating Expenses			
Personnel Services	18	272,770,384.76	234,481,486.77
Maintenance and Other Operating Expenses	19	2,716,336,061.15	1,263,561,657.63
Financial Expenses	20	58,800.00	90,064.65
Direct Costs	21	68,949,400.49	48,292,548.44
Non-Cash Expenses	22	83,702,112.41	71,275,416.97
Total Current Operating Expenses		3,141,816,758.81	1,617,701,174.46
Surplus/(Deficit) from Current Operations		(3,009,507,481.32)	(1,509,755,779.78)
Net Assistance/Subsidy (Financial Assistance/Subsidy /Contribution)	24	3,268,592,133.48	1,330,233,157.89
Other Non-Operating Income	23.1	2,206,455.29	4,509,890.61
Gains	23.2	1,223.10	1,359,467.28
Losses	23.3	(1,478,194.49)	(6,940,087.53)
Net Surplus/(Deficit) for the Period	₱	259,814,136.06 ₱	(180,593,351.53)

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

Philippine Rice Research Institute
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
 ALL FUNDS (Corporate, BDD and Trust Funds)
 For the Year Ended December 31, 2020
(With Comparative Figures for CY 2019)

	NOTE*	Accumulated Surplus/(Deficit)	Government Equity	Total
BALANCE AT JANUARY 1, 2019		₱ 1,065,011,817.52	₱ 467,101,414.48	₱ 1,532,113,232.00
ADJUSTMENTS:				
Add/(Deduct):				
Changes in Accounting Policy	3.8, 3.15, 26	(435,956.70)	0.00	(435,956.70)
Prior Period Errors	3.8, 3.16, 26	(14,854,949.89)	0.00	(14,854,949.89)
Other Adjustments	3.8, 3.15, 3.16, 26	(16,679,694.05)	0.00	(16,679,694.05)
RESTATED BALANCE AT JANUARY 1, 2019		1,033,041,216.88	467,101,414.48	1,500,142,631.36
Changes in Net Assets/Equity for CY 2019				
Add/(Deduct):				
Surplus/(Deficit) for the period	26	(180,593,351.53)	0.00	(180,593,351.53)
BALANCE AT DECEMBER 31, 2019		852,447,865.35	467,101,414.48	1,319,549,279.83
Changes in Net Assets/Equity for CY 2020				
Add/(Deduct):				
Surplus/(Deficit) for the period	26	259,814,136.06	0.00	259,814,136.06
Changes in Accounting Policy		12,159,837.23	(12,215,351.36)	(55,514.13)
Prior Period Errors		8,331,679.73	0.00	8,331,679.73
Other Adjustments		1,158,635,407.86	0.00	1,158,635,407.86
BALANCE AT DECEMBER 31, 2020		₱ 2,291,388,926.23	₱ 454,886,063.12	₱ 2,746,274,989.35

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

Philippine Rice Research Institute
CONDENSED STATEMENT OF CASH FLOWS
 ALL FUNDS (Corporate, BDD and Trust Funds)
 For the Year Ended December 31, 2020
 (With Comparative Figures for CY 2019)

	<i>Notes</i>	2020	2019
CASH FLOW FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from Sale of Goods and Services	3.11, 16	₱ 64,421,844.54	₱ 89,029,051.44
Collection of Income/Revenues	3.11, 17, 24	35,681,574.47	46,597,172.82
Receipt of Assistance/Subsidy from NG	24	3,293,037,447.16	1,364,989,349.81
Collection of Receivables	3.5, 5.1, 5.4	8,568,674.33	21,969,673.80
Receipt of Inter-Agency Fund Transfers	5.2, 11	2,311,478,159.49	572,972,997.32
Receipt of Intra-Agency Fund Transfers	5.3, 12	347,757,329.43	374,763,999.11
Trust Receipts	11, 13	110,157,621.70	126,120,758.63
Other Receipts (Deferred Credits/payables)	14 - 15	272,890,635.54	434,255,668.50
Total Cash Inflows		6,443,993,286.66	3,030,698,671.43
Adjustments	3.8, 3.15-16	36,475,267.79	18,211,062.06
Adjusted Cash Inflows		6,480,468,554.45	3,048,909,733.49
Cash Outflows			
Remittance to National Treasury	11	0.00	2,978,686.30
Payment of Expenses	18 - 21	1,010,529,833.61	650,460,675.19
Purchase of Inventories	3.6, 6	1,579,633,143.37	392,943,248.39
Grant of Cash Advances	3.5, 7	18,638,134.51	33,440,760.67
Prepayments	3.5, 7	3,757,845.48	7,806,207.22
Refund of Deposits (receivables)	3.5, 5, 7	9,551,872.92	72,911,242.86
Payment of Accounts Payable	10	2,197,621,878.65	334,157,563.38
Remittance of Personnel Benefit Contributions	3.13, 11	95,035,181.99	120,001,291.67
Grant of Financial Assistance/Subsidy to Stations	5.3, 12, 24	464,209,086.96	370,460,231.58
Release of Inter-Agency Fund Transfers	3.5, 5.2	168,673,793.25	446,121,078.56
Release of Intra-Agency Fund Transfers	3.5, 5.3	117,207,195.85	179,222,714.53
Other Disbursements	19 - 20	635,179,631.24	47,466,547.36
Total Cash Outflows		6,300,037,597.83	2,657,970,247.71
Adjustments	3.8, 3.15-16	41,000,877.82	19,942,611.83
Adjusted Cash Outflows		6,341,038,475.65	2,677,912,859.54
Net Cash Provided by Operating Activities	25	139,430,078.80	370,996,873.95
CASH FLOW FROM INVESTING ACTIVITIES			
Cash Inflows			
Purchase of Property & Equipment	3.7, 8	4,598,302.94	5,601.00
Cash Outflows			
Purchase of Property & Equipment	3.7, 8	193,240,904.31	202,817,296.04
Total Cash Outflows		(188,642,601.37)	(202,811,695.04)
Net Cash Used in Investing Activities		(188,642,601.37)	(202,811,695.04)
Net Increase/(Decrease) in Cash and Cash Equivalents		(49,212,522.57)	168,185,178.91
Cash and Cash Equivalents, January 1	3.4, 4	1,558,289,964.89	1,390,104,785.98
Cash and Cash Equivalents, December 31	3.4, 4	₱ 1,509,077,442.32	₱ 1,558,289,964.89

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

Philippine Rice Research Institute
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNT
 ALL FUNDS (Corporate, BDD and Trust Funds)
 For the Year Ended December 31, 2020

PARTICULARS		Budgeted Amount		Actual Amounts on Comparable Basis	Difference in Final Budget and Actual
		Original	Final		
Notes					
RECEIPTS					
Services and Business Income	3.11, 16	P 50,000,000.00	P 131,893,713.81	P 131,893,713.81	P 0.00
Assistance and Subsidy					
Continuing Fund from Prior Years Subsidy/Income	3.12, 3.13	20,557,591.00	20,557,591.16	20,557,591.16	0.00
Subsidy from the National Government	24	3,733,535,112.00	3,708,070,112.22	3,287,872,125.45	420,197,986.77
Shares, Grants and Donations	17		188,479.07	188,479.07	
Total Receipts		3,804,092,703.00	3,860,709,896.26	3,440,511,909.49	420,197,986.77
PAYMENTS					
Personnel Services	3.13, 18	256,080,510.00	256,080,507.02	272,770,384.76	(16,689,877.74)
Maintenance and Other					
Operating Expenses	19, 20	3,276,491,000.00	3,383,751,329.13	2,716,394,861.15	667,356,467.98
Capital Outlay	3.7, 8	140,584,000.00	88,795,867.23	80,689,751.76	8,106,115.47
Total Payments		3,673,155,510.00	3,728,627,703.38	3,069,854,997.67	658,772,705.71
NET RECEIPTS/PAYMENTS		P 130,937,193.00	P 132,082,192.88	P 370,656,911.82	P (238,574,718.94)

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