



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

INDEPENDENT AUDITOR'S REPORT

The Board of Trustees

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

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the financial statements of the Philippine Rice Research Institute (PhilRice), which comprise the Statement of Financial Position as of December 31, 2024 and 2023, 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 *Bases 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, 2024 and 2023, 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 (IPSASs).

Bases for Qualified Opinion

As discussed in Part II of this report, there were material accounting errors and omissions that affected the fairness of presentation of the accounts in the financial statements as follows:

1. The failure of depositors to submit deposit slips for their online deposits impeded the Cash Unit's ability to match these transactions with the Statements of Account, delaying the issuance of Official Receipts by the Accountable Officer and the timely recognition of collections in the books of accounts. Furthermore, the existence of unresolved reconciling items and the substantial negative and positive beginning balances of ₱16,655,627.59 and ₱21,014,917.12, respectively were recorded under Other Deferred Credits – Bank Reconciling Items account indicate deficiencies in reconciliation procedures, which may lead to misstated financial records and affect the reliability of reported cash balances while the non-recognition of bank reconciling items of other PhilRice Branch Stations resulted in the net overstatement of Cash in Bank and Accumulated Surplus/(Deficit) by

₱88,833.45 which is not in accordance with International Public Sector Accounting Standards (IPSAS) 1.

2. Various deficiencies noted in the recognition of transactions pertaining to receivables due to lack of access of BDD's Accountant to the Bill of Payments (BOPs) related to rental transactions, and erroneous classification of trade receivables, and negative balances in the Accounts Receivable resulting to an understatement of that account by ₱35,812,785.87, overstatement of Due from Operating Units, Other Receivables and Accumulated Surplus/(Deficit) by ₱34,258,533.69, ₱658,450.00, and ₱600,184.48, respectively. Thus, affecting the fair presentation of the financial statements which is not in accordance with the International Public Sector Accounting Standards (IPSAS) 1.
3. Weak internal controls over inventory management, specifically the lack of reconciliation between the books and the Report of Physical Count of Inventories (RPCI) for the Business Development Division (BDD) Fund of PhilRice – CES, and incomplete physical count of PhilRice - LB, led to unrecognized inventory issuances and erroneous classification of merchandise inventory account. This oversight caused an overstatement of Inventory and Accumulated Surplus/Deficit accounts totaling ₱17,998,674.62, thereby affecting the fair presentation of the financial statements in accordance with International Public Sector Accounting Standards.
4. The Property, Plant and Equipment (PPE), Accumulated Depreciation, Impairment Loss, Accumulated Surplus/(Deficit) and other accounts affected were misstated as the unserviceable PPE items with a total cost of ₱102,347,660.65 were not yet derecognized in the books of accounts since these were not yet disposed of as at year-end, contrary to Paragraph 82 of the International Public Sector Accounting Standards (IPSAS) 17. Moreover, inclusion of unaccounted properties totaling ₱10,997,911.73 along with the previously mentioned accounts, affected the fair presentation of financial statements which is not in accordance with IPSAS 1.
5. Non-compliance with applicable Accounting Standards, and the Institute's Significant Accounting Policies on depreciation, due to the application of incorrect estimated useful lives and computational errors, resulted in discrepancies in the recorded balances of Property, Plant, and Equipment (PPE) and accumulated depreciation. Thus, a net overstatement of PPE by ₱4,191,570.94, an overstatement of Accumulated Surplus/(Deficit) by ₱2,014,737.17, and an understatement of accumulated depreciation by ₱4,191,570.94, thereby affecting the fair presentation of the financial statements which is not in accordance with International Public Sector Accounting Standards (IPSAS) 1.
6. The accuracy and existence of the "Other Assets" account of PhilRice – Negros could not be ascertained due to the improper and inefficient recording of related transactions, leading to an overstatement of the Other Assets and Accounts Payable accounts by ₱12,539,953.36, and ultimately compromised the fair presentation in the Financial Statements.

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.

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.

In preparing the financial statements, Management is responsible for assessing PhilRice's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate PhilRice or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PhilRice'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.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 PhilRice's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the PhilRice's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention on our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our

auditor's report. However, future events or conditions may cause PhilRice to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

COMMISSION ON AUDIT



TERESITA C. GUEVARRA
Supervising Auditor

April 28, 2025

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF FINANCIAL POSITION (All Funds)
As of December 31, 2024 and 2023
(In Philippine Peso)

	Note	2024	2023
ASSETS			
Current Assets			
Cash and Cash Equivalents	3.4, 4	4,396,388,873.31	3,259,944,430.84
Receivables, Net	3.5, 5	354,284,243.05	363,257,751.73
Inventories	3.6, 6	492,139,327.68	625,026,519.87
Other Current Assets	7	22,854,240.37	21,295,175.72
Total Current Assets		5,265,666,684.41	4,269,523,878.16
Non-Current Assets			
Property, Plant and Equipment, Net	3.7, 8	1,054,612,115.51	1,085,816,850.11
Biological Assets	9	88,340.00	88,340.00
Total Non-Current Assets		1,054,700,455.51	1,085,905,190.11
Total Assets		6,320,367,139.92	5,355,429,068.27
LIABILITIES			
Current Liabilities			
Financial Liabilities	3.3b, 10	960,171,665.51	545,467,273.91
Inter-Agency Payables	3.3b, 11	266,222,910.30	267,130,258.23
Trust Liabilities	3.3b, 12	3,882,785.91	4,098,945.69
Deferred Credits/Unearned Income	3.3b, 13	221,258,083.74	83,860,051.67
Provisions	3.3b, 14	147,369,161.09	135,928,210.59
Other Payables	3.3b, 15	479,294,275.48	421,285,219.72
Total Current Liabilities		2,078,198,882.03	1,457,769,959.81
Total Liabilities		2,078,198,882.03	1,457,769,959.81
EQUITY			
Government Equity	25	457,377,709.21	518,915,329.25
Accumulated Surplus	25	3,784,790,548.68	3,378,743,779.21
Total Equity		4,242,168,257.89	3,897,659,108.46
Total Liabilities and Equity		6,320,367,139.92	5,355,429,068.27

The notes on pages 9 to 52 form part of these statements.

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF COMPREHENSIVE INCOME (All Funds)
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	<i>Note</i>	2024	2023
Income			
Service and Business Income	3.11, 16	182,212,095.00	222,412,045.09
Shares, Grants and Donations	3.10, 17	592,500.00	2,281,582.06
Total Income		182,804,595.00	224,693,627.15
Expenses			
Personnel Services	18	308,625,651.21	311,673,169.34
Maintenance and Other Operating Expenses	19	3,711,745,500.25	3,612,742,787.20
Direct Costs	20	126,375,171.73	151,272,685.86
Non-Cash Expenses	21	85,570,331.56	87,245,596.70
Total Expenses		4,232,316,654.75	4,162,934,239.10
Loss Before Tax		(4,049,512,059.75)	(3,938,240,611.95)
Income Tax Expense/(Benefit)		0.00	0.00
Loss After Tax		(4,049,512,059.75)	(3,938,240,611.95)
Net Assistance/Subsidy	23	5,101,367,517.54	4,561,827,458.99
Net Income		1,051,855,457.79	623,586,847.04
Other Non-Operating Income for the Period	22	2,899,901.97	4,788,751.98
Other Non-Operating Loss for the Period	21, 22	(595,213.68)	(9,487,578.57)
Comprehensive Income		1,054,160,146.08	618,888,020.45

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF CHANGES IN EQUITY
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	Accumulated Surplus	Government Equity	Total
BALANCE AT DECEMBER 31, 2022	3,376,030,198.88	485,267,560.49	3,861,297,759.37
CHANGES IN EQUITY FOR 2023			
Add/(Deduct):			
Surplus for the period	618,888,020.45	0.00	618,888,020.45
Changes in Accounting Policy	0.00	0.00	0.00
Prior Period Errors	363,366,280.30	0.00	363,366,280.30
Other Adjustments	(979,540,720.42)	33,647,768.76	(945,892,951.66)
BALANCE AT DECEMBER 31, 2023	3,378,743,779.21	518,915,329.25	3,897,659,108.46
CHANGES IN EQUITY FOR 2024			
Add/(Deduct):			
Surplus for the period	1,054,160,146.08	0.00	1,054,160,146.08
Changes in Accounting Policy	1,192,883.86	0.00	1,192,883.86
Prior Period Errors	(161,929,717.70)	0.00	(161,929,717.70)
Other Adjustments	(487,376,542.77)	(61,537,620.04)	(548,914,162.81)
BALANCE AT DECEMBER 31, 2024	3,784,790,548.68	457,377,709.21	4,242,168,257.89

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF CASH FLOWS
For the Years Ended December 31, 2024 and 2023
(In Philippine Peso)

	Note	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Proceeds from Sale of Goods and Services		118,317,410.64	197,887,467.23
Collection of Income Revenue		51,801,502.34	23,509,165.88
Receipt of Assistance/Subsidy from NG		5,102,545,904.78	4,721,444,062.00
Collection of Receivables		53,746,863.38	68,846,591.53
Receipt of Inter-Agency Fund Transfers		326,495,245.07	342,497,416.64
Receipt of Intra-Agency Fund Transfers		0.00	547,195,635.81
Trust Receipts		329,120,036.71	671,021,909.58
Other Receipts		2,900,133,792.22	775,833,580.97
Total Cash Inflows		8,882,160,755.14	7,348,235,829.64
Adjustments		4,915,459,930.71	4,264,334,458.44
Adjusted Cash Inflows		13,797,620,685.85	11,612,570,288.08
Cash Outflows			
Payment of Expenses		(3,918,143,425.76)	(3,978,981,002.57)
Purchase of Inventories		(3,476,151,622.97)	(4,015,404,180.03)
Purchase of Semi-Expendable Machinery, Equipment, Furniture, Fixtures & Books		(904,650.76)	0.00
Grant of Cash Advances		(60,219,682.59)	(47,435,546.99)
Prepayments		(189,502.07)	(239,729.02)
Payments of Accounts Payable		(635,798,489.01)	(418,399,785.57)
Remittance of Personnel Benefit Contributions and Mandatory Deducti		(108,733,483.42)	(97,056,765.87)
Release of Inter-Agency Fund Transfers		(306,666,341.61)	(451,908,076.63)
Release of Intra-Agency Fund Transfers		0.00	(752,896,771.64)
Other Disbursements		(3,579,630,523.85)	(1,473,852,272.74)
Total Cash Outflows		(12,086,437,722.04)	(11,236,174,131.06)
Adjustments		(421,181,707.14)	(33,616,855.31)
Adjusted Cash Outflows		(12,507,619,429.18)	(11,269,790,986.37)
Net Cash Provided by Operating Activities	24	1,290,001,256.67	342,779,301.71
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Receipt of Interest Earned		0.00	10,630.17
Total Cash Inflows		0.00	10,630.17
Cash Outflows			
Purchase/Construction of Property, Plant and Equipment		(153,556,814.20)	(102,733,654.18)
Total Cash Outflows		(153,556,814.20)	(102,733,654.18)
Net Cash Used by Investing Activities		(153,556,814.20)	(102,723,024.01)
INCREASE IN CASH AND CASH EQUIVALENTS			
Effects of Exchange Rate Changes on Cash and Cash Equivalents		0.00	0.00
CASH AND CASH EQUIVALENTS, JANUARY 1	4	3,259,944,430.84	3,019,888,153.14
CASH AND CASH EQUIVALENTS, DECEMBER 31	4	4,396,388,873.31	3,259,944,430.84

The notes on pages 9 to 52 form part of these statements.

PHILIPPINE RICE RESEARCH INSTITUTE
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
For the Year Ended December 31, 2024
(in Philippine Peso)

PARTICULARS		Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
		Original	Final		
	<i>Note</i>				
RECEIPTS					
Services and Business Income	3.11	45,980,389.05	210,578,927.00	197,487,745.00	13,091,182.00
Assistance and Subsidy					
Continuing Fund from Prior Years	23, 29	53,871,466.87	53,871,466.87	53,871,466.87	0.00
Subsidy/Income					
Subsidy from the National Government	23, 29	4,843,715,275.03	5,240,395,366.03	5,048,674,437.91	191,720,928.12
Others	22	0.00	2,964,309.76	2,964,309.76	0.00
Total Receipts		4,943,567,130.95	5,507,810,069.66	5,302,997,959.54	204,812,110.12
PAYMENTS					
Personnel Services	3.13, 18	307,060,000.00	307,060,000.00	308,625,651.21	(1,565,651.21)
Maintenance and Other Operating Expenses	29	4,509,250,989.48	5,077,380,601.08	3,857,185,853.41	1,220,194,747.67
Capital Outlay	3.7	127,256,141.47	120,630,966.41	116,056,000.42	4,574,965.99
Total Payments		4,943,567,130.95	5,505,071,567.49	4,281,867,505.04	1,223,204,062.45
NET RECEIPTS/PAYMENTS		0.00	2,738,502.17	1,021,130,454.50	(1,018,391,952.33)

The notes on pages 9 to 52 form part of these statements.