



Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Avenue, Quezon City
Corporate Government Sector
Cluster C
Office of the Cluster Director

INDEPENDENT AUDITOR'S REPORT

The Board of Directors

Philippine Fisheries Development Authority
PCA Annex Building
Elliptical Road, Diliman, Quezon City

We have audited the accompanying financial statements of the Philippine Fisheries Development Authority (PFDA), which comprise the balance sheet as of December 31, 2010, and the statement of revenues and expenditures, statement of changes in capital deficiency and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

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 International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit 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 risks 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 a basis for our qualified audit opinion.

As discussed in Comments and Observations No. 1, the results of the confirmation with the Bureau of the Treasury of the balances of the accounts *Due to National Treasury and Loans Payable - Foreign* disclosed total variances between the book balances and the balances confirmed in the amount of P555.55 million and P35.59 million, respectively, casting doubt on the accuracy of the account balances as of December 31, 2010.

In addition, as explained in Comments and Observations No. 2, the validity, accuracy and valuation of the *Accounts Receivable - Trade/Business* in the total amount of P140.34 million could not be ascertained due to non-submission of documents to support the lease contract's terms and rate of lease rental, discrepancy of P41.04 million between the book balance and the confirmed balances and the existence of negative subsidiary ledger balances totaling P8.88 million. Moreover, inadequate allowance for doubtful accounts was provided for CY 2010.

As discussed in Comments and Observations No. 4, the transfer of the amount of P62.84 million from various bank accounts maintained by the PFDA to the account of the City of Navotas, to cover payment of real property taxes due on properties leased by the Agency to its clients, was recorded in the books as debit to Prior Years Adjustment account, instead of Accounts Receivable, resulting in understatement of *Retained Earnings* in the amount of P62.84 million and *Accounts Receivable* by the same amount. Moreover, the Navotas Fish Port Complex has not yet collected the amount from said clients as of year-end.

As explained in Comments and Observations No. 5 and 6, the accuracy of account balances of Property, Plant and Equipment could not be ascertained due to incomplete accounting and inventory reports. Completed projects costing P91.029 million, recorded under Construction In Progress account, were not reclassified to the proper PPE accounts. Moreover, the corresponding depreciation was not provided on the said projects.


Qualified Opinion

In our opinion, except for the effects and the possible effects of the matters described in the Basis for Qualified Opinion paragraphs, the financial statements present fairly, in all material respects, the financial position of the Philippine Fisheries Development Authority as of December 31, 2010, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

Emphasis of Matter

We draw attention to Note 20 to the financial statements on the Authority's various real property tax liabilities to different local government units which were not taken up in the books because said liabilities were passed on to the lessees in accordance with the existing lease contract provisions that the lessee shall pay the real property tax imposed by local government units in respect to the leased premises.

COMMISSION ON AUDIT


ROBERTO Z. RABULAN *med*
Supervising Auditor

Audit Group B- Irrigation and Fishery
Cluster C – Corporate Government Sector

July 28, 2011

BALANCE SHEET
December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Notes	2010	2009 (As restated)
ASSETS			
Current Assets			
Cash	2/3	374,195,591	331,118,992
Receivables - net	2/4	142,887,531	140,968,358
Inventories	2/5	15,144,942	12,490,523
Prepayments	6	8,108,662	8,297,330
Guaranty Deposits		8,643,937	8,643,937
Total Current Assets		548,980,663	501,519,140
Non-current Assets			
Investments	7	139,000	139,000
Property, Plant and Equipment - Net	2/8	434,160,037	418,971,632
Receivables - Non-current	9	17,781,396	20,776,318
Other Assets	10	7,023,640	6,782,718
Total Non-current Assets		459,104,073	446,669,668
TOTAL ASSETS		1,008,084,736	948,188,808
LIABILITIES AND CAPITAL DEFICIENCY			
Current Liabilities			
Payables		28,434,813	31,560,968
Inter-agency Payables	11	855,294,984	815,743,872
Other Liabilities	12	71,794,415	57,243,987
Total Current Liabilities		955,524,212	904,548,827
Non-current Liabilities			
Loans Payable - Foreign	13	54,267,279	55,696,961
Deferred Credits		21,513,242	15,375,592
Total Non-current Liabilities		75,780,521	71,072,553
TOTAL LIABILITIES		1,031,304,733	975,621,380
CAPITAL DEFICIENCY		23,219,997	27,432,572
TOTAL LIABILITIES AND CAPITAL DEFICIENCY		1,008,084,736	948,188,808

The notes on pages 7 to 23 form part of these financial statements.

STATEMENT OF REVENUES AND EXPENDITURES**For the Year Ended December 31, 2010**

(With corresponding figures for 2009)

(In Philippine Peso)

	Notes	2010	2009 (As restated)
REVENUES			
Business Income	15	344,326,700	355,893,768
Service Income		90,814,496	85,869,133
Permits and Licenses	17	68,708,396	55,065,037
Other Income		1,315,333	903,352
		505,164,925	497,731,290
Miscellaneous Revenues			
Interest Income		3,317,111	3,052,209
Income from Grants and Donations		1,877,702	6,083,045
Gain on Sale/Disposal of Assets		-	395,525
Loss on Foreign Exchange	13/15	(2,682,764)	(382,466)
Interest and Other Financing Charges		(777,108)	(900,893)
Financial Expenses		(15,968)	(19,864)
		1,718,973	8,227,556
Total Revenues and Net Miscellaneous Revenues		506,883,898	505,958,846
EXPENDITURES	18/19	502,658,738	526,397,763
NET REVENUES (LOSS)		4,225,160	(20,438,917)

The notes on pages 7 to 23 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENT OF CHANGES IN CAPITAL DEFICIENCY

For the Year Ended December 31, 2010

(With corresponding figures for 2009)

(In Philippine Peso)

	Notes	2010	2009 (As restated)
GOVERNMENT EQUITY	14		
Balance, beginning of year		570,365,751	570,365,751
Adjustment re: Non-Operational Ice Plants and Cold Storages		(12,585)	-
Balance, end of year		570,353,166	570,365,751
DEFICIT	15		
Balance, beginning of year		597,798,323	577,359,406
Net Revenues (Loss)		4,225,160	(20,438,917)
Balance, end of year		593,573,163	597,798,323
CAPITAL DEFICIENCY		23,219,997	27,432,572

The notes on pages 7 to 23 form part of these financial statements.

PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010
(With corresponding figures for 2009)
(In Philippine Peso)

	Notes	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash received from customers		519,051,137	467,184,584
Funds received from NGA for the implementation of projects		140,300,000	182,349,567
Funds received from NGA for the rehabilitation of PFDA ports		4,574,122	2,856,000
Subsidies received from the National Government	16	-	12,500,000
Cash paid to suppliers and employees		(473,438,065)	(446,534,181)
Funds transferred to LGUs/NGAs for project implementation		(9,135,000)	(10,477,500)
Disbursement for the implementation of projects		(6,429,154)	(70,608,571)
Auditing services remitted to National Treasury		(6,316,541)	(5,326,352)
Other operating cash payments		(1,292,599)	-
Return of unused trust funds		-	(801,632)
Funds garnished by Municipality of Navotas -payment of real property tax		-	(62,841,948)
<i>Net cash provided by operating activities</i>		167,313,900	68,299,967
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of assets		-	820,248
Interest received		3,317,110	3,052,209
Construction/purchase of Property and Equipment		(118,107,659)	(31,184,934)
<i>Net cash used in investing activities</i>		(114,790,549)	(27,312,477)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividends paid to the National Government	19	(4,557,198)	(4,461,177)
Payment of foreign loans - principal		(3,608,713)	(11,477,786)
Interests paid on loans		(777,108)	(832,413)
<i>Net cash used in financing activities</i>		(8,943,019)	(16,771,376)
EFFECT OF EXCHANGE RATE CHANGES ON CASH		(503,733)	(269,249)
NET INCREASE IN CASH		43,076,599	23,946,865
CASH AT BEGINNING OF YEAR		331,118,992	307,172,127
CASH AT END OF YEAR	3	374,195,591	331,118,992

The notes on pages 7 to 23 form part of these financial statements.