



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, 2011, and the statement of revenues and expenditures, statement of changes in net worth 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.

### *Basis for Qualified Opinion*

As discussed in Part II.A - Comments and Observations, our audit disclosed the following which we consider in forming our audit opinion:

1. The accuracy and validity of the year-end balances of Due to National Treasury and Loans Payable-Foreign accounts stated at P340.137 million and P51.474 million, respectively, were not established due to unreconciled variances of P567.333 million and P20.179 million between the book and confirmed balances. (*Comments and Observations No. 1*)
2. The existence and accuracy of the Property, Plant and Equipment (PPE) accounts with year-end balances totaling P771.102 million could not be ascertained due to incomplete physical inventory of PPE totaling P174.200 million, non-submission of the Required Report on the Physical Count of Property, Plant and Equipment on PPE totaling P265.737 million, unreconciled differences between subsidiary ledger balances and property inventory reports totaling P19.181 million, non-reclassification of completed and turned-over projects costing P33.925 million from the Construction-in-Progress account to the appropriate asset account and inclusion of obsolete and unserviceable property under the PPE accounts. (*Comments and Observations No. 2*)
3. The validity, accuracy, and valuation of Accounts Receivables -Trade/Business with book value of P276.961 million as of December 31, 2011, could not be ascertained because of unupdated subsidiary ledgers, accounts of inactive/non-existing clients totaling P66.296 million, dormant accounts of P8.600 million, accounts with abnormal balances of P5.404 million, unreconciled discrepancy of P64.372 million between book and confirmed balances, absence of lease contracts to support transactions on receivables and insufficient allowance for doubtful accounts. (*Comments and Observations No. 3*)
4. The validity and accuracy of Inventories account with year-end balance of P3.211 million in Navotas Fish Port Complex (NFPC) representing 23% of the aggregated balance of Inventories at P13.803 million could not be determined due to unreconciled discrepancy of P1.773 million noted between balances per books and Report on the Physical Count of Inventories. (*Comments and Observations No. 4*)
5. Acquisition of petroleum products in the ZFPC totaling P0.716 million was directly charged to Expense instead of charging to the Inventory account pursuant to COA Circular Nos. 2001-004 and 2002-002. (*Comments and Observations No. 5*)

### *Qualified Opinion*

In our opinion, except for the effects and the 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 Fisheries Development Authority as of December 31, 2011, 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 19 to Financial Statements on the Authority's various real property tax liabilities to different local government units which 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.**

Supervising Auditor

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

June 27, 2012



**BALANCE SHEET**  
**December 31, 2011**  
 (With corresponding figures for 2010)  
 (In Philippine Peso)

	Notes	2011	2010 As restated
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash	2/3	399,128,359	374,195,591
Receivables - net	2/4	208,649,702	209,896,607
Inventories	2/5	13,803,103	14,728,002
Prepayments	6	6,025,238	8,108,662
Guaranty Deposits		8,643,937	8,643,937
<b>Total Current Assets</b>		<b>636,250,339</b>	<b>615,572,799</b>
<b>Non-current Assets</b>			
Investments	7	89,000	139,000
Property, Plant and Equipment - Net	2/8	349,969,571	427,872,554
Receivables - Non current	9	13,921,806	17,781,396
Other Assets	10	7,030,294	7,023,640
<b>Total Non-current Assets</b>		<b>371,010,671</b>	<b>452,816,590</b>
<b>TOTAL ASSETS</b>		<b>1,007,261,010</b>	<b>1,068,389,389</b>
<b>LIABILITIES AND CAPITAL</b>			
<b>Current Liabilities</b>			
Payables		39,707,660	27,821,902
Inter-agency Payables	11	783,225,593	855,294,984
Other Liabilities	12	71,254,642	71,794,415
<b>Total Current Liabilities</b>		<b>894,187,895</b>	<b>954,911,301</b>
<b>Non-current Liabilities</b>			
Loans Payable - Foreign	13	51,474,784	54,267,279
Deferred Credits		20,250,374	21,513,242
<b>Total Non current Liabilities</b>		<b>71,725,158</b>	<b>75,780,521</b>
<b>TOTAL LIABILITIES</b>		<b>965,913,053</b>	<b>1,030,691,822</b>
<b>NET WORTH</b>		<b>41,347,957</b>	<b>37,697,567</b>
<b>TOTAL LIABILITIES AND CAPITAL</b>		<b>1,007,261,010</b>	<b>1,068,389,389</b>

The notes on pages 8 to 23 form part of these financial statements.

**PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY**  
**STATEMENT OF REVENUES AND EXPENDITURES**  
**For the Year Ended December 31, 2011**  
(With corresponding figures for 2010)  
(In Philippine Peso)

	Notes	2011	2010 As restated
<b>REVENUES</b>			
Business Income		342,130,578	341,965,075
Service Income		93,821,975	90,814,496
Permits and Licenses		75,611,065	68,708,396
Other Income		1,712,495	1,315,333
		513,276,113	502,803,300
<b>Miscellaneous Revenues</b>			
Interest Income		2,716,661	3,317,111
Income from Grants and Donations		39,228	1,877,702
Loss on Sale/Disposal of Assets		(67,708)	-
Loss on Foreign Exchange		(1,038,465)	(2,682,764)
Interest and Other Financing Charges		(703,218)	(777,108)
Financial Expenses		(11,548)	(15,968)
		934,950	1,718,973
Total Revenues and Net Miscellaneous Revenues		514,211,063	504,522,273
<b>EXPENDITURES</b>	16/17	510,560,673	439,379,549
<b>NET REVENUES</b>		3,650,390	65,142,724

The notes on pages 8 to 23 form part of these financial statements.



**PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY**  
**STATEMENT OF CHANGES IN NET WORTH**  
**For the Year Ended December 31, 2011**  
(With corresponding figures for 2010)  
(In Philippine Peso)

	Notes	2011	2010 As restated
<b>GOVERNMENT EQUITY</b>	14		
Balance, beginning of year		570,353,166	570,365,751
Adjustment re: Non-Operational Ice Plants and Cold Storages		-	(12,585.00)
Balance, end of year		570,353,166	570,353,166
<b>DEFICIT</b>	15		
Balance, beginning of year		(532,655,599)	(597,798,323)
Net Revenues		3,650,390	65,142,724
Balance, end of year		(529,005,209)	(532,655,599)
<b>NET WORTH</b>		<b>41,347,957</b>	<b>37,697,567</b>

The notes on pages 8 to 23 form part of these financial statements.

**PHILIPPINE FISHERIES DEVELOPMENT AUTHORITY**

**STATEMENT OF CASH FLOWS**

**For the Year Ended December 31, 2011**

(With corresponding figures for 2010)

(In Philippine Peso)

	Note	2011	2010 As restated
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash received from customers		515,430,958	519,051,137
Funds received from NGA for the implementation of projects		62,500,000	140,300,000
Funds received from NGA for the rehabilitation of PFDA ports		2,675,317	4,574,122
Change in inventories		1,341,839	-
Cash paid to suppliers and employees		(464,124,000)	(473,438,065)
Disbursement for the implementation of projects		(3,684,527)	(6,429,154)
Auditing services remitted to National Treasury		(3,300,458)	(6,316,541)
Other operating cash payments		(2,456,046)	(1,292,599)
Funds transferred to LGUs/NGAs for project implementation		(1,363,500)	(9,135,000)
Others		(80,349)	-
<i>Net cash provided by operating activities</i>		106,939,234	167,313,900
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Interest received		2,716,661	3,317,110
Construction/purchase of property and equipment		(77,855,999)	(118,107,659)
Others		50,000	-
<i>Net cash used in investing activities</i>		(75,089,338)	(114,790,549)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Payment of foreign loans - principal		(3,817,565)	(3,608,713)
Dividends paid to the National Government		(2,382,951)	(4,557,198)
Interests paid on loans		(703,218)	(777,108)
<i>Net cash used in financing activities</i>		(6,903,734)	(8,943,019)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH</b>		(13,394)	(503,733)
<b>NET INCREASE IN CASH</b>		24,932,768	43,076,599
<b>CASH AT BEGINNING OF YEAR</b>		374,195,591	331,118,992
<b>CASH AT END OF YEAR</b>	<b>3</b>	<b>399,128,359</b>	<b>374,195,591</b>