



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Sugar Regulatory Administration
North Avenue, Quezon City

We have audited the accompanying financial statements of the **Sugar Regulatory Administration (SRA)**, which comprise the statement of financial position as at December 31, 2014, and the statement of comprehensive income, statement of changes in equity 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 in the Philippines, 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 disclosure 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 a basis for our audit opinion.

Basis for Qualified Opinion

We rendered a qualified opinion on the fairness of the presentation of the financial statements in view of the following:

1. The accuracy of nine asset accounts with total year-end balance of P17.755 million could not be ascertained at any given period since Subsidiary Ledgers are not completely maintained for these accounts, contrary to Section 12 of the Manual on the New Government Accounting System, Volume II; and
2. The probability of being able to recover from the nine receivables accounts which have been dormant from 22 to more than 30 years with total year-end balance of P65.201 million is very uncertain due to absence of sufficient records/documents and/or the debtors no longer exist or could no longer be located, to the detriment of the government.

Opinion

In our opinion, except for the effects of the matters discussed in the Basis for Qualified Opinion paragraph, the financial statements present fairly, in all material respects, the financial position of **SRA** as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with State accounting principles.

COMMISSION ON AUDIT

Annie L. Recabo

ANNIE L. RECABO

State Auditor IV

OIC-Supervising Auditor

Audit Group C

Cluster 5-Agricultural and Natural Resources

Corporate Government Sector

July 24, 2015

**SUGAR REGULATORY ADMINISTRATION
STATEMENT OF FINANCIAL POSITION**

December 31, 2014
(In Philippine Peso)

	Note	2014	2013 (As restated)
ASSETS			
Current assets			
Cash	3	253,220,810	325,951,589
Short-term investments	4	31,746,831	31,545,483
Receivables - net	5	15,278,763	12,645,521
Prepaid expenses	6	4,572,224	3,780,785
		304,818,628	373,923,378
Property, plant and equipment - net	7	149,233,619	119,982,699
Other assets		557,119	-
		149,790,738	119,982,699
TOTAL ASSETS		454,609,366	493,906,077
LIABILITIES AND EQUITY			
Current liabilities			
Payables		9,170,336	3,161,432
Due to officers and employees		7,290,672	4,401,374
Due to government agencies	8	20,622,115	29,575,724
Due to National Sugar Trading Corporation (NASUTRA) creditors	9	16,549,224	16,549,224
Due to Liberty Aviation Corporation	10	4,527,586	4,527,586
Other current liabilities	11	16,575,294	59,825,077
		74,735,227	118,040,417
Equity	14,15	379,874,139	375,865,660
TOTAL LIABILITIES AND EQUITY		454,609,366	493,906,077

The Notes on pages 11 to 19 form part of these financial statements.

LATEST AUDITED FINANCIAL REPORTS - 2014

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended December 31, 2014

(In Philippine Peso)

	Note	2014	2013 (As restated)
INCOME			
Monitoring fees		201,647,841	185,295,082
Permit fees		49,106,753	45,640,672
Clearance and certification fees		46,129,676	48,300,138
Stabilization fees		39,314,063	37,803,284
Rent income		35,969,497	35,619,719
Regular and swapping fees		13,282,308	29,212,046
Sale of sugar product		6,793,726	8,871,987
Registration fees		5,863,355	5,468,468
Special milling fee		3,932,185	3,778,962
Fines and penalties		1,960,952	2,981,748
Others		6,109,215	8,671,164
		<u>410,109,571</u>	<u>411,643,270</u>
EXPENSES			
	12; 13		
Personal services		231,683,258	243,036,652
Taxes, insurance premiums and other fees		21,736,237	30,276,385
Professional services		28,641,850	26,605,975
Depreciation		18,372,610	18,375,383
Utilities		13,370,883	11,427,823
Supplies		10,342,817	10,203,612
Local travel		13,575,316	9,974,238
Repairs and maintenance		15,936,960	3,753,446
Communication		3,453,912	2,835,789
Transportation and delivery		1,121,120	845,862
Other maintenance and other operating expenses (MOOE)		29,973,575	12,071,373
		<u>388,208,538</u>	<u>369,406,538</u>
INCOME FROM OPERATION		<u>21,901,033</u>	<u>42,236,732</u>
OTHER INCOME			
Interest income		2,247,176	3,360,546
Gain on sale of property		1,968,094	8,367,984
		<u>4,215,270</u>	<u>11,728,530</u>
NET INCOME AFTER TAX		<u>26,116,303</u>	<u>53,965,262</u>

The Notes on pages 11 to 19 form part of these financial statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013 (As restated)
GOVERNMENT CONTRIBUTION			
	14		
Balance at beginning of year		64,156,972	58,718,838
Donation of equipment		9,256,952	5,438,134
		73,413,924	64,156,972
RETAINED EARNINGS			
Balance at beginning of year	15	311,708,688	286,433,556
Net income after taxes		26,116,303	53,965,262
2012 Dividends remitted/paid to national government during the year		(31,364,776)	(28,690,130)
		306,460,215	311,708,688
EQUITY		379,874,139	375,865,660

The Notes on pages 11 to 19 form part of these financial statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014
(In Philippine Peso)

	Note	2014	2013 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Fees and penalties received		363,859,761	378,134,656
Rent received		35,969,497	35,619,719
Refund of light, water, telephone, etc.		14,598,366	13,542,256
Return/refund of provident fund-NG share		6,101,288	-
Proceeds from sale of sugar products		5,556,619	7,843,211
Miscellaneous receipts		5,148,721	6,513,090
Receipts held in trust		2,293,731	4,726,553
Fund received from DOST for molecular techniques project		1,298,837	1,962,617
Fund received from DAR for block farming project		-	3,377,500
Funds for the SRA-UPLBFI joint scholarship grant project (5-year) net of liquidation		-	(6,704,369)
Refund of fund received from Bureau of Agricultural Research (BAR)		-	(1,339)
Payment of COLA to retired employees		(10,500)	(12,376)
Disbursements/cash entrusted- to MDDCs for high yielding variety project (HYV)		(2,324,526)	-
Refund of unexpended balance of DOE-fund for bio-fuel monitoring system		(3,091,758)	-
Disbursements/cash entrusted- NGOs paid from trust funds (NG)		(4,180,574)	(16,652,707)
Remittance to SMPF, SIFI, etc. of fees collected/held in trust		(15,800,000)	(5,335,172)
Performance bond received, net of refunds		(22,751,991)	19,610,444
Dividends paid to NG (BTr)		(31,364,776)	(28,690,130)
Payment/remittances of taxes due to BIR		(59,795,100)	(69,910,981)
Payments to or on behalf of employees		(213,997,981)	(225,627,334)
Payments to or on behalf of suppliers and other claims		(140,164,112)	(77,585,139)
Net cash (used in) provided by operating activities		(58,654,498)	40,810,499
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sale of property		1,968,095	7,817,362
Interest received		1,864,738	3,111,235
Payments for purchase of equipment		(17,909,114)	(19,342,733)
Net cash used in investing activities		(14,076,281)	(8,414,136)
NET (DECREASE) INCREASE IN CASH		(72,730,779)	32,396,363
CASH AT BEGINNING OF YEAR		325,951,589	293,555,226
CASH AT END OF YEAR	3	253,220,810	325,951,589

The Notes on pages 11 to 19 form part of these financial statements.