



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Sugar Regulatory Administration
Sugar Center Building
North Avenue, Diliman, 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, 2016**, and the statement of financial performance, statement of changes in net assets/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, 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 the 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 in our audit is sufficient and appropriate to provide a basis for our qualified audit opinion.

Basis for Qualified Opinion

The 243 unsold lots and 14 road lots with total area of 31,304 square meters and total estimated cost of P32.629 million situated in Sugartowne Homes, Quezon City are not recorded in the books as investment property contrary to Philippine Public Sector Accounting Standard 16, thereby understating the total assets by P32.629 million and equity account by the same amount as at December 31, 2016.

Likewise, the existence, accuracy and reliability of the Property, Plant and Equipment (PPE) account with carrying value of P188.789 million as at December 31, 2016 could not be ascertained due to unreconciled discrepancies between the balances of the General Ledgers against Subsidiary Ledgers and the Report on the Physical Count of PPE (RPCPPE) of P0.729 million and P14.275 million, respectively; reclassification of communication equipment of P3.460 million to Other Assets account without supporting documents; incomplete RPCPPE in the SRA Visayas; unaccounted discrepancy on the parcels of land situated in Floridablanca, Pampanga and the unrecorded parcels of land with total area of 976,232 square meters located in La Carlota, Negros Occidental of undetermined fair value; and unserviceable properties totaling P15.330 million were not supported with Inventory and Inspection Report for Unserviceable Property as basis to record the dropping of these PPE items from the books of accounts.

We were unable to obtain sufficient appropriate audit evidence about the balance of the PPE account with carrying value of P188.789 million, due to inadequacy of the accounting and property records. Consequently, we were unable to determine whether any adjustments to this amount were necessary.

Qualified Opinion

In our opinion, except for the effect and the possible effect of the matters described in the Basis for Qualified Opinion section of our report, the financial statements present fairly, in all material respects, the financial position of SRA as at December 31, 2016, 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-PCA/SRA/PHILSUCOR

Cluster 5-Agricultural and Natural Resources

Corporate Government Sector

June 1, 2017



Republic of the Philippines
Department of Agriculture
SUGAR REGULATORY ADMINISTRATION
Sugar Center Bldg., North Ave., Diliman, Quezon City
Philippines 1101
TIN 000-784-336


**Statement of Management's Responsibility for the Financial
Statements Calendar Year 2016**

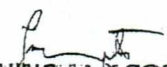
The management of Sugar Regulatory Administration (SRA) is responsible for all information and representations contained in the financial statements for the year ended December 31, 2016. The financial statements have been prepared in conformity with the Philippine Public Sector Accounting Standard and generally accepted State accounting principles and reflect amounts that are based on the best estimates and informed judgment of management with an appropriate consideration for materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized.

The management officials have reviewed the financial statements before such statements are approved.

The Commission on Audit, in pursuance of its mandate under Section 2, Articles IX-D of the Philippine Constitution and the pertinent provisions of the Presidential Decree 1445, has audited the financial statements of the Sugar Regulatory Administration in accordance with laws, Commission on Audit standards and applicable generally accepted accounting and auditing standards and has expressed its opinion on the fairness of the presentation upon completion of such examination in its report to the management of the Sugar Regulatory Administration.


ERLINDA J. ABACAN
Chief Accountant


JOSEPHINO M. AGOSTO
Manager III - Adm. & Finance Dept.


ANNA ROSARIO V. PANER
Administrator



SUGAR REGULATORY ADMINISTRATION
STATEMENT OF FINANCIAL POSITION
December 31, 2016
(In Philippine Peso)

	Note	2016	2015 (As restated)
ASSETS			
Current assets			
Cash	4	1,044,775,370	285,174,993
Other investments	5	32,594,298	32,158,431
Receivables	6	15,921,493	16,489,524
Inventories	7	1,725,400	1,680,003
Other current assets	8	3,234,986	2,431,439
		1,098,251,547	337,934,390
Non-current assets			
Receivables - net	6	10,416,591	4,366,256
Property, plant and equipment - net	9	188,788,966	167,403,161
Other non-current assets	10	1,018,351	583,706
		200,223,908	172,353,123
TOTAL ASSETS		1,298,475,455	510,287,513
LIABILITIES			
Current liabilities			
Financial liabilities	11	39,003,666	10,909,351
Inter-agency payables	12	4,066,772	5,257,349
Trust liabilities	13	8,737,265	8,600,181
Other payables	14	6,259,488	2,222,672
		58,067,191	26,989,553
Non-current liabilities			
Financial liabilities	11	5,070,949	5,070,949
Inter-agency payables	12	8,624,684	10,193,615
Trust liabilities	13	1,089,096	1,047,258
Deferred credits		122,358	824,847
Other payables	14	21,411,646	21,411,646
		36,318,733	38,548,315
TOTAL LIABILITIES		94,385,924	65,537,868
EQUITY		1,204,089,531	444,749,645

The Notes on pages 10 to 24 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended December 31, 2016
(In Philippine Peso)

	Note	2016	2015 (As restated)
INCOME			
Service and business income	15	694,164,032	480,996,092
		694,164,032	480,996,092
CURRENT OPERATING EXPENSES			
Personnel services	17	243,265,108	235,006,826
Maintenance and other operating expenses	18	144,510,973	137,769,845
Financial expenses	19	310,135	95,212
Non-cash expenses	20	20,309,540	16,928,574
		408,395,756	389,800,457
INCOME FROM CURRENT OPERATIONS		285,768,276	91,195,635
Other non-operating income	16.1	2,718,795	1,794,970
Gains	16.2	756,946	9,508,239
INCOME BEFORE TAX AND SUBSIDY		289,244,017	102,498,844
Income tax	21	96,723,720	15,969,654
NET INCOME BEFORE SUBSIDY AFTER TAX		192,520,297	86,529,190
Assistance and subsidy Sugarcane Industry Development Act (SIDA) fund	22	601,103,571	-
NET INCOME AFTER TAX AND SUBSIDY		793,623,868	86,529,190

The Notes on pages 10 to 24 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the Year Ended December 31, 2016
(In Philippine Peso)

	Accumulated Surplus Note 24	Government Equity Note 23	Total
BALANCE AT JANUARY 1, 2015	307,426,071	73,328,924	380,754,995
Prior period errors	4,825,050	-	4,825,050
BALANCE AT JANUARY 1, 2015, As restated	312,251,121	73,328,924	385,580,045
Changes in Net Assets/Equity for CY 2015			
Add/(Deduct):			
Net income after taxes	70,764,596	-	70,764,596
Other adjustments	15,764,594	-	15,764,594
Dividends remitted/paid to National Government (NG)	(27,530,151)	-	(27,530,151)
Donation of equipment	-	170,561	170,561
BALANCE AT DECEMBER 31, 2015, As restated	371,250,160	73,499,485	444,749,645
Changes in Net Assets/Equity for CY 2016			
Add/(Deduct):			
Net income after taxes	793,623,868	-	793,623,868
Dividends remitted/paid to NG	(35,382,298)	-	(35,382,298)
Donation of equipment	-	1,098,316	1,098,316
BALANCE AT DECEMBER 31, 2016	1,129,491,730	74,597,801	1,204,089,531

The Notes on pages 10 to 24 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016
(In Philippine Peso)

	Note	2016	2015 (As restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Service income and fees received		644,087,401	431,292,071
Receipt of assistance and subsidy from National Government		601,103,571	-
Rent received		40,155,534	36,078,980
Refund of light, water, telephone, etc.		9,526,325	11,793,645
Collection of other business income		7,063,371	11,153,696
Miscellaneous receipts		2,718,795	1,794,970
Fund received from DOST for molecular techniques project		986,866	1,624,301
Receipts of fund from government and private entities for research and field tests		636,880	493,184
Fund received from DOST-PCAARRD for the design and development of harvesting equipment for sugarcane farms		309,323	552,819
Receipts held in trust, net of refunds		177,512	1,618,917
Collection of receivables from COA disallowances		150,538	223,000
Payments to or on behalf of employees		(185,904,452)	(218,424,892)
Payments to or on behalf of suppliers and other claims		(132,332,129)	(139,166,963)
Payment/remittances of taxes due to BIR		(120,580,692)	(43,549,677)
Payment of retirement and terminal leave benefits of employees		(35,474,306)	(6,458,444)
Dividends paid to NG (BTr)		(35,382,298)	(27,530,151)
Cash entrusted to UPLB and PNRI for SIDA projects		(8,158,605)	-
Advances to officers and employees, net of liquidation		(5,568,368)	(465,618)
Disbursements/cash entrusted to government entities and MDDCs for YESS, Sweeteners' Study and High Yield Variety Projects		(3,604,086)	(6,415,095)
Disbursements/cash entrusted - NGOs, paid from trust fund		(1,832,620)	(1,325,221)
Guaranty deposit posted for vehicles acquired from LBP Leasing Corporation		(457,389)	-
Refund to DAR of expenses charged to Block Farm trust fund disallowed in audit		(60,000)	-
Refund to DAR of unexpended balance of fund received for the Phase I of Block Farming Project		-	(2,916,842)
Net cash provided by operating activities		777,561,171	50,372,680
CASH FLOWS FROM INVESTING ACTIVITIES			
Interest received		2,857,726	2,471,345
Proceeds from sale of properties and scrap materials		756,946	9,508,239
Payments for purchase of equipment		(21,575,466)	(29,487,296)
Net cash used in investing activities		(17,960,794)	(17,507,712)
NET INCREASE IN CASH		759,600,377	32,864,968
CASH AT BEGINNING OF YEAR		285,174,993	252,310,025
CASH AT END OF YEAR	4	1,044,775,370	285,174,993

The Notes on pages 10 to 24 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF BUDGET AND ACTUAL AMOUNT

For the period January 1 to December 31, 2016
(In Philippine Peso)

	Budget	Actual Expenses	Difference
PERSONAL SERVICES (PS)			
Basic salaries	124,548,612	101,629,664	22,918,948
Allowances and other compensation			
Personnel economic and relief allowance	8,364,000	7,670,812	693,188
Representation and transportation allowance (RATA)	3,294,000	3,174,000	120,000
Clothing allowance	2,155,000	1,790,000	365,000
Magna carta - Republic Act No. 8439/S & T personnel	2,800,000	1,558,000	1,242,000
Performance-based bonus	13,886,464	12,682,649	1,203,815
Other bonuses and allowances			
Per diems	384,000	250,000	124,000
Food subsidy	4,732,480	4,182,275	550,205
Social amelioration benefit	17,118,102	16,509,696	608,406
Merit/step increment/loyalty/masteral	1,204,000	750,000	454,000
Cash gift	1,715,000	1,640,996	74,004
Year-end bonus	9,084,551	9,027,845	56,706
Retirement benefits	800,000	671,414	128,586
Terminal leave benefits	46,204,238	46,123,443	80,795
	111,741,835	106,041,130	5,700,705
Fixed expenditure			
Life and retirement insurance	14,910,753	12,165,072	2,745,681
Pag-IBIG contributions	474,200	383,200	91,000
PhilHealth contributions	1,255,400	1,159,750	95,650
ECC contributions	474,200	383,000	91,200
	17,114,553	14,091,022	3,023,531
TOTAL PS	253,405,000	221,761,816	31,643,184
MAINTENANCE AND OTHER OPERATING EXPENSES (MOOE)			
Professional services			
Legal services	170,000	120,000	50,000
Auditing services	4,500,000	4,349,969	150,031
Consultancy services	1,000,000	280,000	720,000
General services	28,685,000	20,608,669	8,076,331
Janitorial services	4,970,000	4,529,509	440,491
Security services	13,680,000	12,902,593	777,407
Other professional services	1,360,000	1,098,730	261,270
Taxes, insurance premiums and other fees			
Taxes, duties and licenses	2,180,000	2,164,547	15,453
Fidelity bond premiums	327,000	228,256	98,744
Insurance expense - government buildings	355,000	335,494	19,506
Insurance expense - government motor vehicles	222,000	217,474	4,526
Insurance expense - SRA officials	250,000	211,875	38,125
Travelling	22,385,000	16,390,429	5,994,571
Supplies and materials			
Office supplies	4,840,000	3,278,816	1,561,184
Medical/dental/laboratories supplies	5,040,000	3,478,496	1,561,504
Gasoline, oil and lubricants	4,218,100	2,426,939	1,791,161
Agricultural supplies	4,105,000	1,958,909	2,146,091
Textbook and instructional materials	91,000	3,385	87,615
Other supplies	4,095,000	3,230,064	864,936
Semi-expendable and machinery and equipment expenses	-	871,693	(871,693)
Semi-expendable furniture, fixtures and books expenses	-	1,143,792	(1,143,792)
Water	2,860,000	1,149,918	1,710,082

	Budget	Actual Expenses	Difference
Electricity	12,045,000	10,133,741	1,911,259
Repairs and maintenance			
Office buildings	6,045,000	3,105,435	2,939,565
Other structures	3,031,000	410,689	2,620,311
Office equipment	590,000	383,300	206,700
Furniture and fixtures	60,000	12,689	47,311
IT equipment	260,000	84,963	175,037
Agricultural, fishery and forestry equipment	420,000	378,070	41,930
Laboratory equipment	1,160,000	884,597	275,403
Other machinery and equipment	350,000	168,740	181,260
Government vehicles	2,300,000	2,272,618	27,382
Other property, plant and equipment	360,000	357,765	2,235
Communication expenses			
Postage and delivery	1,760,000	684,245	1,075,755
Telephone - landline	1,710,000	1,267,766	442,234
Telephone - mobile	1,925,000	1,421,263	503,737
Internet	995,000	918,496	76,504
Cable, satellite, telegraph	82,000	1,570	80,430
Transportation and delivery expenses	2,130,000	809,172	1,320,828
Membership dues and contributions	50,000	-	50,000
Other MOOE			
Training	9,890,000	4,057,633	5,832,367
Scholarship expenses	3,000,000	2,011,154	988,846
Membership dues and contributions	600,000	45,000	555,000
Awards and indemnities	300,000	91,426	208,574
Advertising	1,000,000	165,824	834,176
Printing and binding	1,000,000	495,888	504,112
Rent expenses	835,000	317,944	517,056
Representation expenses	408,000	182,278	225,722
Extraordinary and miscellaneous expense	160,000	3,075	156,925
Miscellaneous expenses	50,000	-	50,000
OGCC lawyer allowance	180,000	93,000	87,000
Others	34,521,800	26,872,263	7,649,537
Gender awareness and development	2,500,000	782,274	1,717,726
SIDA Projects	508,072,000	5,118,538	502,953,462
TOTAL MOOE	703,122,900	144,510,973	558,611,927
CAPITAL OUTLAY (CO)			
Equipment outlay	1,380,371,100	21,575,466	1,358,795,634
TOTAL CO	1,380,371,100	21,575,466	1,358,795,634
	2,336,899,000	387,848,255	1,949,050,745
FINANCIAL EXPENSES	320,000	310,135	9,865
OTHER PS and INCOME TAX CHARGED AGAINST SAVINGS			
Income tax paid	-	96,723,720	(96,723,720)
Honoraria-BAC personnel	-	263,000	(263,000)
Anniversary bonus	-	1,074,000	(1,074,000)
Monetization	-	1,308,704	(1,308,704)
Collective negotiation agreement (CNA)	-	7,987,500	(7,987,500)
Productivity enhancement incentive	-	1,310,000	(1,310,000)
Mid year bonus	-	9,502,987	(9,502,987)
Overtime pay	-	57,101	(57,101)
	-	118,227,012	(118,227,012)
TOTAL	2,337,219,000	506,385,402	1,830,833,598

The Notes on pages 10 to 24 form part of these Financial Statements.