



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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the **Sugar Regulatory Administration (SRA)**, which comprise the statement of financial position as at December 31, 2017, 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 effect and possible effect of the matter described 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, 2017, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Public Sector Accounting Standards (PPSASs).

Basis for Qualified Opinion

The Property Plant and Equipment (PPE) account is presented in the Statement of Financial Position with carrying value of P185.176 million; however, the general ledger balances were not reconciled with the subsidiary ledgers and with the Report on the Physical Count of PPE with variances of P76.353 million and P8.231 million, respectively, due to incomplete records. Moreover, the Technical and Scientific Equipment costing P11.444 million transferred to the program beneficiaries was not derecognized from the PPE account due to the absence of documents authorizing the transfer.

We were not able to perform alternative audit procedures to determine if adjustments to the PPE account are necessary due to inadequate accounting and property records.

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 SRA in accordance with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, 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 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 PPSASs, 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.

In preparing the financial statements, management is responsible for assessing the SRA'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 SRA or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the SRA's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, 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 ISSAI 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 Corporation'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 Corporation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosure 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 the Corporation 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.

***Report on Supplementary Information Required under
BIR Revenue Regulation 15-2010***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information for the year ended December 31, 2017 required by the Bureau of Internal Revenue as disclosed in Note 35 to the financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with PPSASs. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT


MARIA LINDA C. DECENA
OIC-Supervising Auditor
Audit Group C-PCA/SRA/PHILSUCOR
Cluster 5 - Agricultural and Natural Resources
Corporate Government Sector

April 24, 2018



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 FINANCIAL STATEMENTS


The management of the *Sugar Regulatory Administration* is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.


The Sugar Board reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.


The Commission on Audit has audited the financial statements of the *Sugar Regulatory Administration* with the International Standards of Supreme Audit Institutions and has expressed its opinion on the fairness of the presentation upon completion of such audit, in its report to the Sugar Board.


EMMANUEL F. PIÑOL

Secretary, Department of Agriculture /
Ex-Officio Chairman of the Board


HERMENEGILDO R. SERAFICA
SRA Administrator/ Vice Chairman


ERLINDA J. ABACAN
Chief Accountant


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

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF FINANCIAL POSITION

As at December 31, 2017

(In Philippine Peso)

	Note	2017	2016 (As Restated)	1 January 2016 (As Restated)
ASSETS				
Current assets				
Cash and cash equivalents	8	1,806,618,796	1,044,775,370	285,174,993
Investments	9	33,101,110	32,594,298	32,158,431
Receivables - net	10	349,071,845	15,982,300	16,659,471
Inventories	11	1,479,955	1,725,400	1,680,003
Other current assets	12	29,356,851	13,672,142	2,431,439
Total current assets		2,219,628,557	1,108,749,510	338,104,337
Non-current assets				
Receivables - net	10	4,521,535	10,281,773	4,366,256
Investment property - net	13	45,227,175	45,227,175	45,227,175
Property, plant and equipment - net	14	185,175,784	165,524,949	144,139,144
Intangible assets	15	1,180,000	-	-
Other non-current assets	16	1,018,351	1,018,351	583,706
Total non-current assets		237,122,845	222,052,248	194,316,281
TOTAL ASSETS		2,456,751,402	1,330,801,758	532,420,618
LIABILITIES				
Current liabilities				
Financial liabilities	17	34,555,485	39,197,498	10,808,918
Inter-agency payables	18	5,540,377	4,069,878	5,257,349
Trust liabilities	19	10,367,536	8,737,265	8,600,181
Other payables	20	2,498,121	5,548,924	1,577,229
Total current liabilities		52,961,519	57,553,565	26,243,677
Non-current liabilities				
Financial liabilities	17	3,917,870	5,070,949	5,070,949
Inter-agency payables	18	8,619,584	8,624,684	10,193,615
Trust liabilities	19	728,867	1,089,096	1,047,258
Deferred credits		122,358	122,358	824,847
Other payables	20	22,354,461	21,411,646	21,411,646
Total non-current liabilities		35,743,140	36,318,733	38,548,315
TOTAL LIABILITIES		88,704,659	93,872,298	64,791,992
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		2,368,046,743	1,236,929,460	467,628,626
NET ASSETS/EQUITY				
Government equity		2,368,046,743	1,236,929,460	467,628,626
TOTAL NET ASSETS/EQUITY		2,368,046,743	1,236,929,460	467,628,626

The Notes on pages 11 to 64 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF FINANCIAL PERFORMANCE
For the Year Ended December 31, 2017
(In Philippine Peso)

	Note	2017	2016 (As Restated)
REVENUE			
Service and business income	21	564,307,612	694,164,032
TOTAL REVENUE		564,307,612	694,164,032
CURRENT OPERATING EXPENSES			
Personnel services	24	168,726,631	243,657,203
Maintenance and other operating expenses	25	233,217,235	144,993,379
Financial expenses	26	412,438	310,135
Non-cash expenses	27	28,743,046	20,307,178
TOTAL CURRENT OPERATING EXPENSES		431,099,350	409,267,895
SURPLUS FROM CURRENT OPERATIONS			
		133,208,262	284,896,137
Other non-operating income	23	2,245,864	2,718,822
Gains	22	571,879	756,946
SURPLUS BEFORE TAX		136,026,005	288,371,905
Less: Income tax expense	28	39,456,086	85,890,660
SURPLUS AFTER TAX		96,569,919	202,481,245
Assistance and subsidy - SIDA Fund	29	1,136,211,429	601,103,571
NET SURPLUS FOR THE PERIOD		1,232,781,348	803,584,816

The Notes on pages 11 to 64 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CHANGES IN NET ASSETS/EQUITY
For the Year Ended December 31, 2017
(In Philippine Peso)

	Accumulated Surplus Note 33	Government Equity Note 32	Total
BALANCE AT JANUARY 1, 2016	371,250,160	73,499,485	444,749,645
ADJUSTMENTS:			
Add:			
Prior period errors	22,878,981	-	22,878,981
RESTATED BALANCE AT JANUARY 1, 2016	394,129,141	73,499,485	467,628,626
Changes in Net Assets/Equity for CY 2016			
Add/(Deduct):			
Surplus for the period, (as restated)	803,584,816	-	803,584,816
Dividends remitted/paid to National Government (NG)	(35,382,298)	-	(35,382,298)
Donation of equipment	-	1,098,316	1,098,316
BALANCE AT DECEMBER 31, 2016	1,162,331,659	74,597,801	1,236,929,460
Changes in Net Assets/Equity for CY 2017			
Add/(Deduct):			
Surplus for the period	1,232,781,348	-	1,232,781,348
Dividends remitted/paid to NG	(101,664,065)	-	(101,664,065)
BALANCE AT DECEMBER 31, 2017	2,293,448,942	74,597,801	2,368,046,743

The Notes on pages 11 to 64 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017
(In Philippine Peso)

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash inflows		
Collection of revenue	566,553,476	691,306,306
Receipt of assistance/subsidy	1,136,211,429	601,103,571
Collection of receivables	1,039,962	150,538
Receipt of inter-agency fund transfers	518,827	1,933,069
Receipt of intra-agency fund transfers	-	-
Trust receipts	1,027,156	177,512
Other receipts	14,593,958	12,245,120
Total cash inflows	1,719,944,808	1,306,916,116
Adjustments	518,107	-
Adjusted cash inflows	1,720,462,915	1,306,916,116
Cash outflows		
Payment of expenses	326,903,683	353,710,887
Purchase of inventories	1,916,680	-
Grant of cash advances	24,926,698	5,568,368
Prepayments	717,421	-
Refund of deposits	345,320	-
Payment of accounts payable	33,897,505	-
Remittance of personnel benefit contributions	83,810,459	120,580,692
Release of inter-agency fund transfers	348,692,020	13,595,311
Other disbursements	6,106,588	60,000
Total cash outflows	827,316,374	493,515,258
Net cash provided by operating activities	893,146,541	813,400,858
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash inflows		
Proceeds from sale/disposal of PPE	571,879	756,946
Receipt of interest earned	2,798,216	2,857,726
Total cash inflows	3,370,095	3,614,672
Cash outflows		
Purchase/construction of PPE	33,009,145	22,032,855
Total cash outflows	33,009,145	22,032,855
Net cash used in investing activities	(29,639,050)	(18,418,183)
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash outflows		
Payment of cash dividends	101,664,065	35,382,298
Total cash outflows	101,664,065	35,382,298
Net cash used in financing activities	(101,664,065)	(35,382,298)
Net increase in cash	761,843,426	759,600,377
Cash, January 1	1,044,775,370	285,174,993
Cash, December 31	1,806,618,796	1,044,775,370

The Notes on pages 11 to 64 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS
CORPORATE AND SUGARCANE INDUSTRY DEVELOPMENT ACT (SIDA) FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2017
(In Philippine Peso)

	Budgeted Amount		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Note 34			
	Original	Final		
RECEIPTS				
Permits and other fees	78,243,000	107,000,000	102,898,074	4,101,926
Service income	503,934,000	458,024,000	417,636,002	40,387,998
Miscellaneous income	1,697,000	14,500,000	2,245,864	12,254,136
Gains	326,000	676,000	571,879	104,121
Other revenues	45,800,000	49,800,000	43,773,536	6,026,464
Subsidy from National Government (SIDA)	1,400,621,000	1,400,621,000	1,136,211,429	264,409,571
Total receipts	2,030,621,000	2,030,621,000	1,703,336,784	327,284,216
PAYMENTS				
Personnel services (PS)				
Basic salaries	140,193,860	140,193,860	94,692,572	45,501,288
Personnel economic and relief allowance	10,288,000	10,288,000	6,264,362	4,023,638
Representation and transportation allowance	4,668,000	3,582,000	3,198,489	383,511
Clothing allowance	2,240,000	2,240,000	1,300,000	940,000
Subsistence allowance	3,000,000	3,000,000	1,421,059	1,578,941
Productivity enhancement incentive	2,240,000	2,240,000	1,276,500	963,500
Performance-based bonus	15,625,639	15,625,639	359,538	15,266,101
Other bonuses and allowances:				
Per diems	768,000	384,000	874,800	(490,800)
Food subsidy	5,859,840	5,375,840	3,413,532	1,962,308
Social amelioration benefit	24,907,642	24,907,642	15,601,672	9,305,970
Step increment/loyalty/longevity pay/masteral	350,485	350,485	225,000	125,485
Honoraria - Bids and Awards Committee (BAC) personnel	-	-	427,377	(427,377)
Monetization	-	-	787,942	(787,942)
Collective negotiation agreement (CNA)	-	-	6,510,417	(6,510,417)
Cash gift	2,240,000	2,240,000	1,307,000	933,000
Year-end bonus	12,453,821	11,698,821	7,938,214	3,760,607
Mid-year bonus	12,453,821	11,698,821	7,888,760	3,810,061
Overtime and night pay	-	-	348,401	(348,401)
Terminal leave benefits	-	-	1,946,754	(1,946,754)
Fixed expenditures:				
Life and retirement insurance	16,823,953	16,822,953	11,359,593	5,463,360
Pag-ibig contributions	537,600	537,600	313,200	224,400
Philhealth contributions	1,677,150	1,674,150	958,149	716,001
ECC contributions	537,600	537,600	313,300	224,300
Total personnel services	256,865,411	253,397,411	168,726,631	84,670,780
Maintenance and other operating expenses (MOOE)				
Professional services:				
Legal services	220,000	200,000	120,000	80,000
Auditing services	5,800,000	6,300,000	5,495,763	804,237
Consultancy services	200,000	100,000	-	100,000
General services	22,950,000	42,000,000	39,640,248	2,359,752
Janitorial services	6,400,000	5,400,000	4,922,789	477,211
Security services	15,650,000	14,500,000	13,987,505	512,495
Other professional services	5,300,000	6,100,000	5,759,011	340,989
Taxes, insurance premiums and other fees:				
Taxes, duties and licenses	1,190,000	1,190,000	898,954	291,046
Fidelity bond premiums	382,000	382,000	215,530	166,470
Insurance expense - government buildings	410,000	410,000	321,863	88,137
Insurance expense - government motor vehicles	310,000	310,000	162,016	147,984

	Budgeted Amount Note 34		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
Insurance expense - SRA directors/officers	220,000	220,000	165,959	54,041
Income tax expense	-	-	54,460,895	(54,460,895)
Travelling	28,710,000	23,560,000	18,635,134	4,924,866
Supplies and materials:				
Office supplies	6,373,000	4,753,000	3,249,430	1,503,570
Laboratory supplies	7,310,000	8,470,000	7,054,582	1,415,418
Fuel, oil and lubricants	8,120,000	5,920,000	2,596,566	3,323,434
Agricultural and marine supplies	4,550,000	3,850,000	1,222,836	2,627,164
Textbook and instructional materials	200,000	150,000	8,088	141,912
Other supplies	3,560,000	4,640,000	3,057,892	1,582,108
Semi-expendable machinery & equipment expenses	-	900,000	664,119	235,881
Semi-expendable furniture, fixtures & books expenses	-	700,000	412,346	287,654
Water	3,800,000	2,800,000	1,362,286	1,437,714
Electricity	13,900,000	12,700,000	10,502,389	2,197,611
Repair and maintenance:				
Office buildings	11,221,980	4,546,980	2,397,616	2,149,364
Other structures	6,950,000	3,000,000	26,448	2,973,552
Office equipment	1,640,000	1,155,000	427,389	727,611
Furniture and fixtures	450,000	330,000	157,337	172,663
Semi-expendable information and communication technology equipment	-	100,000	2,750	97,250
Information technology equipment	340,000	300,000	59,359	240,641
Agricultural equipment	400,000	400,000	237,073	162,927
Technical and scientific equipment	1,477,920	1,327,920	1,135,796	192,124
Machineries	1,123,600	873,600	160,218	713,382
Transportation equipment	3,688,200	3,038,200	2,874,985	163,215
Other property and equipment	800,000	400,000	152,547	247,453
Communication expense:				
Postage and courier services	2,300,000	2,300,000	893,194	1,406,806
Telephone - mobile	1,700,000	1,900,000	1,521,397	378,603
Telephone - landline	2,100,000	2,100,000	1,057,802	1,042,198
Internet subscription	1,070,000	1,070,000	655,950	414,050
Transportation and delivery expenses	1,400,000	600,000	439,930	160,070
Membership dues and contributions	500,000	500,000	-	500,000
Training	16,530,000	9,200,000	5,394,008	3,805,992
Scholarship expenses	3,000,000	3,000,000	1,172,459	1,827,541
Awards and rewards	200,000	600,000	520,000	80,000
Advertising	420,000	510,000	300,528	209,472
Printing and publication	900,000	500,000	213,330	286,670
Rent expenses	650,000	750,000	585,425	164,575
Representation expenses	488,000	588,000	459,298	128,702
Subscription expenses	300,000	400,000	175,062	224,938
Survey expenses	-	-	-	-
Donations/Grants/Subsidies/Contributions	-	100,000	90,000	10,000
Extraordinary and miscellaneous expense	160,000	160,000	42,840	117,160
Miscellaneous expenses	150,000	100,000	-	100,000
Office of the Government Corporate Counsel (OGCC) lawyer allowance	180,000	180,000	165,000	15,000
Other MOOE	27,055,300	10,363,761	7,320,210	3,043,551
Gender awareness and development	4,000,000	4,000,000	2,942,755	1,057,245
SIDA projects	1,400,621,000	1,400,621,000	81,181,931	1,319,439,069
Total MOOE	1,627,371,000	1,600,569,461	287,678,838	1,312,890,623
Capital outlay	146,134,589	124,599,794	27,987,446	96,612,348
Financial expenses	250,000	420,000	392,821	27,179
Total payments	2,030,621,000	1,978,986,666	484,785,736	1,494,200,930
NET RECEIPTS/(PAYMENTS)	-	51,634,334	1,218,551,048	(1,166,916,714)

The Notes on pages 11 to 64 form part of these Financial Statements.