



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

Qualified Opinion

We have audited the financial statements of the **Sugar Regulatory Administration (SRA)**, which comprise the statements of financial position as at December 31, 2022 and 2021, and the statements of financial performance, statements of changes in net assets/equity, and statements of cash flows for the years then ended, statement of comparison of budget and actual amounts for the year ended December 31, 2022, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the *Bases for Qualified Opinion* section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of the SRA as at December 31, 2022 and 2021, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSASs).

Bases for Qualified Opinion

The faithful representation and verifiability in the financial statements of the balance of the Property, plant and equipment (PPE) account in the carrying amount of P776.668 million as at December 31, 2022 could not be established due to variance in the aggregate amount of P576.676 million in the total cost of PPE items per books of P1,152.537 million vis-a-vis the Report on the Physical Count of PPE (RPCPPE) in the total amount of P575.861 million, which could be attributed to, among others: (a) significant difference on the PPE-land account of P532.360 million between the Accounting records of P532.548 million and RPCPPE of P0.188 million; (b) 116 PPE items costing P38.544 million recorded in the books, but not included in the RPCPPE; (c) 59 PPE items costing P14.042 million reported in the RPCPPE, but not recorded in the books; and (d) incomplete physical count of PPE items located in 12 offices of the SRA Visayas compound, contrary to Paragraph 27 of IPSAS 1 and Paragraph 3.26 of the Conceptual Framework for General Purpose Financial Reporting by Public Sector Entities (CFGPFRPSE). Moreover, the unserviceable PPE items with total cost of P16.077 million included in the RPCPPE were not derecognized in the books due to non-disposal thereof, resulting in the overstatement/misstatement of the PPE, Accumulated depreciation,

Impairment losses, Accumulated surplus/(deficit) and other accounts affected, contrary to Paragraph 82 of IPSAS 17.

In addition, the faithful representation in the financial statements of the balance as at December 31, 2022 of the Investment property-land account with carrying amount of P45.227 million could not be ascertained due to the variance of 276 square meters (sq.m.) in the area of the land located in Civil Service Commission, Batasan Hills, Quezon City, between the Tax Declaration and Transfer Certificate of Title of 37,874 sq.m. vis-à-vis Accounting records and Annual Report of Investment property-land account of 38,150 sq.m., contrary to Paragraphs BC3.7 and BC3.13 of CFGPFRPSE. Likewise, there was no disclosure in the Notes to Financial Statements on the Investment property-land account as to the fair value of the two lots located in Quezon City with total land area of 69,204 sq.m., contrary to Paragraphs 86 and 90 of IPSAS 16.

We were unable to obtain sufficient appropriate evidence about the balances of the PPE and Investment property-land accounts due to the inadequacy of the accounting and property records. Consequently, we were not able to determine the possible cumulative effect on the financial statements and whether any adjustments to these accounts are necessary.

We conducted our audits in accordance with the 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 Revised Code of Conduct and Ethical Standards for the Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified 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 IPSASs, 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 the 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 ISSAIs 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 SRA'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 SRA'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 disclosures 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 SRA 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 Other Legal and Regulatory Requirements

Our audits were 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, 2022 required by the Bureau of Internal Revenue as disclosed in Note 33 to financial statements is presented for purposes of additional analysis and is not a required part of the basic financial statements prepared in accordance with IPSASs. Such supplementary information is the responsibility of Management of the SRA.

COMMISSION ON AUDIT



FIDELINA C. CABERTO

OIC-Supervising Auditor

Audit Group C - PCA/SRA/PHILSUCOR

Cluster 5 - Agriculture and Natural Resources

Corporate Government Audit Sector

May 10, 2023



Republic of the Philippines
Department of Agriculture

SUGAR REGULATORY ADMINISTRATION

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STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

The Management of the Sugar Regulatory Administration (SRA) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2022 and 2021 in accordance with the prescribed financial reporting framework indicated therein, 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 the SRA or to cease operations, or has no realistic alternative to do so.

The Sugar Board is responsible to overseeing the SRA's financial reporting process.

The Sugar Board reviews and approves the financial statements, including the schedules attached therein, and submits the same to the stakeholders.

The Commission on Audit, through its authorized representative, has examined the financial statements of the SRA pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 28 of the Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines. The audit was conducted in accordance with the International Standards of Supreme Audit institutions and the auditor, in its report to the Sugar Board, has expressed its opinion on the fairness of presentation upon completion of such audit.

DOMINGO F. PANGANIBAN

Chairperson/ Senior Undersecretary, Department of Agriculture

PABLO LUIS S. AZCONA
SRA Acting Administrator/Vice Chairperson

ERLINDA I. ABACAN
Chief Accountant

ATTY. BRANDO D. NOROÑA
Deputy Administrator II for Administration & Finance

Signed this 9th day of May, 2023



DA-CO-OSEC-UC20230517-00055



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SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION

As at December 31, 2022 and 2021

(In Philippine Peso)

	Note	2022	2021 As restated	January 1, 2021 As restated
ASSETS				
Current assets				
Cash and cash equivalents	6	2,560,143,660	717,497,136	990,405,538
Investments	7	36,507,905	36,063,008	35,785,586
Receivables - net	8	100,403,164	823,059,099	1,405,110,937
Inventories	9	546,223,867	104,858,176	6,388,554
Other current assets	13	7,416,458	16,913,398	12,641,990
Total current assets		3,250,695,054	1,698,390,817	2,450,332,605
Non-current assets				
Receivables - net	8	123,498	339,930	347,866
Investment property - net	10	48,091,696	48,220,621	48,586,583
Property, plant and equipment - net	11	776,668,131	1,315,573,667	846,217,645
Intangible assets - net	12	-	236,000	472,000
Other non-current assets	13	827,150	850,573	850,573
Total non-current assets		825,710,475	1,365,220,791	896,474,667
TOTAL ASSETS		4,076,405,529	3,063,611,608	3,346,807,272
LIABILITIES				
Current liabilities				
Financial liabilities	14	31,276,387	100,727,186	79,167,632
Inter-agency payables	15	37,161,079	45,372,307	43,661,434
Trust liabilities	16	1,552,034,163	14,718,010	61,933,101
Other payables	18	154,651,772	53,965,035	84,203,302
Total current liabilities		1,775,123,401	214,782,538	268,965,469
Non-current liabilities				
Financial liabilities	14	5,298,858	5,737,576	5,574,943
Inter-agency payables	15	68,327	8,560,231	8,560,231
Trust liabilities	16	9,712,873	12,349,979	1,339,487
Provisions	17	121,149,953	88,551,138	89,790,585
Deferred credits		122,358	122,358	122,358
Other payables	18	21,076,810	21,395,856	21,395,706
Total non-current liabilities		157,429,179	136,717,138	126,783,310
TOTAL LIABILITIES		1,932,552,580	351,499,676	395,748,779
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		2,143,852,949	2,712,111,932	2,951,058,493
NET ASSETS/EQUITY				
Government equity	30	606,957,801	606,957,801	606,957,801
Accumulated surplus/(deficit)	31	1,536,895,148	2,105,154,131	2,344,100,692
TOTAL NET ASSETS/EQUITY		2,143,852,949	2,712,111,932	2,951,058,493

The notes on pages 11 to 84 form part of these financial statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021 As restated
REVENUE			
Service and business income	19	868,107,964	625,787,846
TOTAL REVENUE		868,107,964	625,787,846
CURRENT OPERATING EXPENSES			
Personnel services	22	219,738,199	185,738,943
Maintenance and other operating expenses	23	315,437,074	355,435,380
Financial expenses	24	97,666	84,797
Non-cash expenses	25	42,257,443	44,396,119
TOTAL CURRENT OPERATING EXPENSES		577,530,382	585,655,239
SURPLUS FROM CURRENT OPERATIONS		290,577,582	40,132,607
Gains	20	211,472	554,386
Other non-operating income	21	1,353,024	1,069,210
SURPLUS BEFORE TAX		292,142,078	41,756,203
Less: Income tax expense	26	98,673,135	32,086,759
SURPLUS AFTER TAX		193,468,943	9,669,444
Less: Net financial assistance/subsidy/contribution	27	612,869,508	200,034,510
NET DEFICIT FOR THE PERIOD		(419,400,565)	(190,365,066)

The notes on pages 11 to 84 form part of these financial statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Government equity Note 30	Accumulated surplus/(deficit) Note 31	Total
BALANCE AT JANUARY 1, 2021	606,957,801	2,404,143,773	3,011,101,574
ADJUSTMENTS:			
Prior period adjustments (<i>Note 4.2</i>)	-	(60,043,081)	(60,043,081)
BALANCE AT JANUARY 1, 2021, AS RESTATED	606,957,801	2,344,100,692	2,951,058,493
Changes in Net Assets/Equity for CY 2021			
Add/(Deduct):			
Net deficit for the period, as restated	-	(190,365,066)	(190,365,066)
Dividends for CY 2021, as restated	-	(48,581,495)	(48,581,495)
BALANCE AT DECEMBER 31, 2021, AS RESTATED	606,957,801	2,105,154,131	2,712,111,932
Changes in Net Assets/Equity for CY 2022			
Add/(Deduct):			
Net deficit for the period	-	(419,400,565)	(419,400,565)
Dividends for CY 2022	-	(148,858,418)	(148,858,418)
BALANCE AT DECEMBER 31, 2022	606,957,801	1,536,895,148	2,143,852,949

The notes on pages 11 to 84 form part of these financial statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(In Philippine Peso)

	Note	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of guaranty and customer deposits		6,042,383,331	7,344,128
Collection of revenue		871,763,081	623,566,507
Receipt of assistance/subsidy	27	246,365,500	-
Collection of receivables		2,678,384	15,737,075
Other receipts		56,843,188	48,914,703
Total cash inflows		7,220,033,484	695,562,413
Adjustments		1,786,796	2,617,271
Adjusted cash inflows		7,221,820,280	698,179,684
Cash outflows			
Refund of deposits		4,503,246,271	46,544,381
Payment of expenses		429,037,187	391,878,932
Release of inter-agency fund transfers		109,836,254	32,977,542
Remittance of personnel benefit contributions		84,308,600	88,866,668
Reversion/return of unutilized/unused Notice of Cash Allocation		37,850,811	-
Payment of accounts payable		28,193,697	60,135,795
Grant of cash advances		19,908,628	16,100,381
Prepayments		4,005,415	1,639,558
Purchase of inventories		290,170	690,787
Other disbursements		13,754,132	5,547,184
Total cash outflows		5,230,431,165	644,381,228
Adjustments		70,300	128,722
Adjusted cash outflows		5,230,501,465	644,509,950
Net cash provided by operating activities		1,991,318,815	53,669,734
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		895,039	378,384
Proceeds from sale of scrap and waste materials		407,265	93,650
Collections of gains from prior years' sale of investment property		35,417	517,486
Total cash inflows		1,337,721	989,520
Cash outflows			
Purchase/construction of property, plant and equipment		93,414,206	248,005,503
Total cash outflows		93,414,206	248,005,503
Net cash used in investing activities		(92,076,485)	(247,015,983)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends		48,049,902	79,562,153
Payment of long-term liabilities		8,545,904	-
Total cash outflows		56,595,806	79,562,153
Net cash used in financing activities		(56,595,806)	(79,562,153)
Net increase/(decrease) in cash and cash equivalents		1,842,646,524	(272,908,402)
Cash and cash equivalents, January 1		717,497,136	990,405,538
Cash and cash equivalents, December 31	6	2,560,143,660	717,497,136

The notes on pages 11 to 84 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, 2022

(In Philippine Peso)

	Budgeted Amount		Actual Amounts on Comparable Basis	Difference - Final Budget and Actual
	Note 32			
	Original	Final		
RECEIPTS				
Service and business income	765,172,000	765,172,000	868,107,964	(102,935,964)
Assistance and subsidy	671,255,000	671,255,000	561,490,500	109,764,500
Gains	675,000	675,000	211,472	463,528
Others	653,000	653,000	1,353,024	(700,024)
Total receipts	1,437,755,000	1,437,755,000	1,431,162,960	6,592,040
PAYMENTS				
Personnel services	452,300,000	452,300,000	219,738,199	232,561,801
Maintenance and other operating expenses	643,363,000	563,040,765	472,432,898	90,607,867
Capital outlay	342,092,000	340,592,235	202,663,095	137,929,140
Total payments	1,437,755,000	1,355,933,000	894,834,192	461,098,808
NET RECEIPTS	-	81,822,000	536,328,768	(454,506,768)

The notes on pages 11 to 84 form part of these financial statements.