



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

CORPORATE GOVERNMENT SECTOR
Cluster 5 – Agricultural and Natural Resources

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Sugar Regulatory Administration
North Avenue, 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 statements of financial position as at December 31, 2019 and 2018, and the statements of financial performance, statements of changes in net assets/equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information.

In our opinion, except for the possible effects 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, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with Philippine Public Sector Accounting Standards (PPSAS).

Basis for Qualified Opinion

The Property, Plant and Equipment (PPE) is presented in the Statement of Financial Position at the carrying amount of P252.825 million as at December 31, 2019. However, the PPE General Ledger (GL) balance of P573.778 million differed by P86.777 million from the total of the Report on the Physical Count of PPE and by P459,607 from the Subsidiary Ledgers (SLs). Also, the accumulated depreciation and the depreciation expense recorded in the GLs differed by P55.457 million, and P13.320 million, respectively, from the balances of the SLs. In addition, unserviceable property costing P11.455 million were not derecognized from PPE account in undetermined net book value as required in paragraph 82 of the PPSAS 17.

The Investment Property (IP) account with the total cost of P61.261 million and carrying amount of P48.762 million did not faithfully represent the land and land improvements owned by SRA in the financial statements due to the variance between the property records and various legal documents on the land area and unrecorded land measuring 976,232 square meters granted to SRA by virtue of Presidential Proclamation No. 421. Also, the IP account lacks the necessary disclosures in the Notes to financial statements required in Sections 86 and 90 of the PPSAS 16 - *Investment Property*.

Deduction of unpaid terminal leave benefits from taxable income for taxable years 2018 and 2019 resulted in the understatement of income tax expense/accumulated surplus and income tax payable accounts by P29.345 million.

We were unable to obtain sufficient appropriate evidence about the balances of the PPE and IP accounts due to inadequacy of the accounting and property records. Consequently, we were not able to determine whether any adjustments to these accounts were necessary.

We conducted our audit in accordance with International Standards of Supreme Audit Institutions (ISSAI). 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.

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 PPSAS, 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 ISSAI, 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.

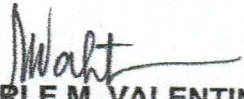
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control.
- Evaluate the appropriateness of accounting 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 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 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 Bureau of Internal Revenue (BIR) Regulations 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, 2019 required by the BIR as disclosed in Note 34 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 PPSAS. Such supplementary information is the responsibility of management.

COMMISSION ON AUDIT


MERLE M. VALENTIN
Acting Supervising Auditor
Audit Group C-PCA/SRA/PHILSUCOR
Cluster 5 – Agricultural and Natural Resources

September 16, 2020



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

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, 2019 and 2018 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.

WILLIAM D. DAR

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.

Signed this 11th day of Sept., 2020



Management System
ISO 9001:2015



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"A food-secure Philippines with prosperous farmers and fisherfolk"

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 As Restated
ASSETS			
Current assets			
Cash and cash equivalents	6	2,533,115,956	1,916,015,096
Investments	7	35,180,515	33,881,199
Receivables - net	8	1,519,338,740	1,082,283,353
Inventories	9	2,238,141	2,427,147
Other current assets	10	12,391,910	6,492,920
Total current assets		4,102,265,262	3,041,099,715
Non-current assets			
Receivables - net	8	308,888	4,091,422
Investment property - net	11	48,762,138	48,923,063
Property, plant and equipment - net	12	252,824,963	207,353,892
Intangible assets	13	708,000	944,000
Other non-current assets	14	977,312	977,312
Total non-current assets		303,581,301	262,289,689
TOTAL ASSETS		4,405,846,563	3,303,389,404
LIABILITIES			
Current liabilities			
Financial liabilities	15	43,558,556	45,194,546
Inter-agency payables	16	16,870,595	80,450,306
Trust liabilities	17	570,021,857	435,808,216
Other payables	19	163,750,892	166,164,636
Total current liabilities		794,201,900	727,617,704
Non-current liabilities			
Financial liabilities	15	5,981,618	3,316,527
Inter-agency payables	16	8,560,231	8,560,231
Trust liabilities	17	1,387,193	3,406,917
Provisions	18	97,708,604	90,503,036
Deferred credits		122,358	122,358
Other payables	19	21,504,181	21,422,408
Total non-current liabilities		135,264,185	127,331,477
TOTAL LIABILITIES		929,466,085	854,949,181
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		3,476,380,478	2,448,440,223
NET ASSETS/EQUITY			
Government equity	31	74,597,801	74,597,801
Accumulated surplus	32	3,401,782,677	2,373,842,422
TOTAL NET ASSETS/EQUITY		3,476,380,478	2,448,440,223

The Notes on pages 12 to 60 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018 As Restated
REVENUE			
Service and business income	20	913,479,291	919,847,882
TOTAL REVENUE		913,479,291	919,847,882
CURRENT OPERATING EXPENSES			
Personnel services	23	203,182,187	190,616,144
Maintenance and other operating expenses	24	598,091,383	273,596,904
Financial expenses	25	159,941	285,695
Non-cash expenses	26	30,248,783	27,247,109
TOTAL CURRENT OPERATING EXPENSES		831,682,294	491,745,852
SURPLUS FROM CURRENT OPERATIONS		81,796,997	428,102,030
Gains	21	932,853	342,475
Other non-operating income	22	1,476,059	1,602,585
SURPLUS BEFORE TAX		84,205,909	430,047,090
Less: Income tax expense	27	134,216,192	136,303,428
SURPLUS/(DEFICIT) AFTER TAX		(50,010,283)	293,743,662
Assistance and subsidy - SIDA Fund	28	1,237,500,000	112,500,000
NET SURPLUS FOR THE PERIOD		1,187,489,717	406,243,662

The Notes on pages 12 to 60 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Government Equity Note 31	Accumulated Surplus Note 32	Total
BALANCE AT JANUARY 1, 2018	74,597,801	2,211,241,318	2,285,839,119
ADJUSTMENTS:			
Deduct:			
Prior period errors	-	(5,487,929)	(5,487,929)
BALANCE AT JANUARY 1, 2018, AS RESTATED	74,597,801	2,205,753,389	2,280,351,190
Changes in Net Assets/Equity for CY 2018			
Add/(Deduct):			
Surplus for the period, as restated	-	406,243,662	406,243,662
Dividends for CYs 2017 and 2018	-	(238,154,629)	(238,154,629)
BALANCE AT DECEMBER 31, 2018, AS RESTATED	74,597,801	2,373,842,422	2,448,440,223
Changes in Net Assets/Equity for CY 2019			
Add/(Deduct):			
Surplus for the period	-	1,187,489,717	1,187,489,717
Dividends for CY 2019	-	(159,549,462)	(159,549,462)
BALANCE AT DECEMBER 31, 2019	74,597,801	3,401,782,677	3,476,380,478

The Notes on pages 12 to 60 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2019 and 2018
(In Philippine Peso)

	Note	2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Receipt of guaranty/security deposits		1,629,777,643	1,670,446,868
Receipt of assistance/subsidy	28	1,237,500,000	112,500,000
Collection of revenue		851,002,491	898,623,339
Receipt of inter-agency fund transfers		49,854,254	2,341,397
Collection of receivables		24,894,487	3,009,258
Other receipts		21,930,981	13,022,399
Total cash inflows		3,814,959,856	2,699,943,261
Adjustments		2,700,963	987,758
Adjusted cash inflows		3,817,660,819	2,700,931,019
Cash outflows			
Refund of deposits		1,502,981,273	1,234,340,824
Release of inter-agency fund transfers		680,431,495	738,760,431
Payment of expenses		617,788,719	354,879,978
Remittance of personnel benefit contributions		90,158,351	80,879,986
Grant of cash advances		32,971,000	32,924,649
Payment of accounts payable		21,179,289	13,400,063
Prepayments		18,841,335	6,314,972
Purchase of inventories		983,397	1,861,143
Other disbursements		1,206,988	1,475,628
Total cash outflows		2,966,541,847	2,464,837,674
Adjustments		56,794	-
Adjusted cash outflows		2,966,598,641	2,464,837,674
Net cash provided by operating activities		851,062,178	236,093,345
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		3,999,851	2,860,074
Proceeds from sale of scrap and waste materials	21	694,703	2,200
Collections of gains from prior years' sale of investment property	21	238,150	340,275
Total cash inflows		4,932,704	3,202,549
Cash outflows			
Purchase/construction of PPE		77,444,647	52,895,573
Total cash outflows		77,444,647	52,895,573
Net cash used in investing activities		(72,511,943)	(49,693,024)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends	32	161,449,375	76,705,254
Total cash outflows		161,449,375	76,705,254
Net cash used in financing activities		(161,449,375)	(76,705,254)
Net increase in cash and cash equivalents		617,100,860	109,695,067
Cash, January 1		1,916,015,096	1,806,320,029
Cash and cash equivalents, December 31	6	2,533,115,956	1,916,015,096

The Notes on pages 12 to 60 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, 2019
(In Philippine Peso)

	Budgeted Amount Note 33		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
RECEIPTS				
Permits and other fees	615,156,000	615,156,000	858,998,690	(243,842,690)
Service income	5,548,000	5,548,000	6,960,912	(1,412,912)
Miscellaneous income	1,028,000	1,028,000	1,476,059	(448,059)
Gains	2,576,000	2,576,000	932,853	1,643,147
Other revenues	87,692,000	87,692,000	47,519,689	40,172,311
Subsidy from National Government (SIDA)	2,907,992,718	2,907,992,718	1,237,500,000	1,670,492,718
Total receipts	3,619,992,718	3,619,992,718	2,153,388,203	1,466,604,515
PAYMENTS				
Personnel services (PS)				
Basic salaries	208,929,888	142,457,172	105,460,571	36,996,601
Personnel economic and relief allowance	10,752,000	8,246,000	5,935,806	2,310,194
Representation and transportation allowance	5,292,000	3,269,000	3,032,596	236,404
Clothing allowance	2,688,000	1,562,000	1,494,000	68,000
Magna Carta - RA 8434/ S & T Personnel	3,000,000	1,662,400	968,654	693,746
Productivity enhancement incentive	2,240,000	1,260,000	1,225,000	35,000
Performance-Based Bonus	4,830,294	4,830,294	-	4,830,294
Other bonuses and allowances:				
Per diems	2,304,000	2,304,000	410,000	1,894,000
Food subsidy	5,859,840	4,578,000	3,237,155	1,340,845
Social amelioration benefit	34,811,556	21,991,244	17,588,861	4,402,383
Loyalty/longevity pay/masteral	522,325	160,000	90,000	70,000
Merit/Step increment	-	105,918	-	105,918
Cash gift	2,240,000	1,310,000	1,245,750	64,250
Mid-year bonus	17,405,778	8,858,903	8,840,959	17,944
Year-end bonus	17,405,778	13,082,341	8,832,583	4,249,758
Terminal leave benefits	7,237,732	17,237,732	14,620,034	2,617,698
Fixed expenditures:				
Life and retirement insurance	25,071,586	18,289,117	12,561,052	5,728,065
Pag-ibig contributions	537,600	420,000	296,500	123,500
Philhealth contributions	2,872,036	1,931,879	1,212,420	719,459
ECC contributions	537,600	420,000	296,600	123,400
Total personnel services	354,538,013	253,976,000	187,348,541	66,627,459
Maintenance and other operating expenses (MOOE)				
Professional services:				
Legal services	300,000	300,000	120,000	180,000
Auditing services	6,000,000	6,000,000	5,178,110	821,890
General services	80,000,000	80,000,000	72,349,810	7,650,190
Janitorial services	10,000,000	10,000,000	5,782,268	4,217,732
Security services	20,000,000	20,000,000	14,322,320	5,677,680
Other professional services	10,000,000	10,000,000	2,858,928	7,141,072
Taxes, insurance premiums and other fees:				

	Budgeted Amount Note 33		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
Taxes, duties and licenses	6,000,000	6,000,000	1,563,012	4,436,988
Fidelity bond premiums	400,000	400,000	306,284	93,716
Insurance expense - government buildings	550,000	550,000	485,479	64,521
Insurance expense - government motor vehicles	270,000	270,000	219,947	50,053
Insurance expense - SRA directors/officers	200,000	200,000	171,164	28,836
Travelling	47,000,000	47,000,000	35,838,922	11,161,078
Supplies and materials:				
Office supplies	10,000,000	10,000,000	5,363,648	4,636,352
Medical/dental/laboratory Supplies	7,000,000	7,000,000	3,951,686	3,048,314
Fuel, oil and lubricants	13,000,000	8,000,000	4,860,687	3,139,313
Agricultural and marine supplies	18,000,000	8,000,000	3,117,596	4,882,404
Textbook and instructional materials	200,000	200,000	2,088	197,912
Other supplies	9,000,000	9,000,000	3,228,605	5,771,395
Semi-expendable machinery & equipment expenses	2,500,000	2,500,000	1,424,957	1,075,043
Semi-expendable furniture, fixtures & books expenses	3,000,000	3,000,000	1,320,957	1,679,043
Water	3,000,000	3,000,000	1,917,804	1,082,196
Electricity	14,000,000	14,000,000	12,061,183	1,938,817
Repair and maintenance:				
Office buildings	9,000,000	9,000,000	4,239,427	4,760,573
Other structures	6,000,000	6,000,000	723,804	5,276,196
Office equipment	1,000,000	1,000,000	412,144	587,856
Furniture and fixtures	500,000	500,000	314,675	185,325
Semi-expendable information and communication technology equipment	10,000	10,000	1,250	8,750
Semi-expendable furniture and fixture	220,000	220,000	27,450	192,550
Information technology equipment	600,000	600,000	97,996	502,004
Agricultural equipment	3,000,000	3,000,000	1,551,236	1,448,764
Technical and scientific equipment	2,500,000	2,500,000	1,163,957	1,336,043
Machineries	600,000	600,000	22,733	577,267
Transportation equipment	5,000,000	5,000,000	3,114,462	1,885,538
Other property and equipment	1,000,000	1,000,000	203,826	796,174
Communication expense:				
Postage and courier services	1,500,000	1,500,000	905,405	594,595
Telephone - mobile	3,400,000	3,400,000	2,662,239	737,761
Telephone - landline	1,500,000	1,500,000	1,057,405	442,595
Internet subscription	2,300,000	2,300,000	1,899,765	400,235
Transportation and delivery expenses	900,000	900,000	542,250	357,750
Membership dues and contributions	300,000	300,000	143,421	156,579
Training	24,000,000	24,000,000	15,727,209	8,272,791
Scholarship expenses	100,000	100,000	74,510	25,490
Awards and rewards	800,000	800,000	540,000	260,000
Advertising	300,000	300,000	163,613	136,387
Printing and publication	500,000	500,000	188,866	311,134
Rent expenses	2,500,000	2,500,000	1,843,345	656,655
Representation expenses	1,500,000	1,500,000	1,050,576	449,424
Subscription expenses	600,000	600,000	434,824	165,176
Donations/Grants/Subsidies/Contributions				0
Extraordinary and miscellaneous expense	350,000	350,000	27,558	322,442
Office of the Government Corporate Counsel (OGCC) lawyer allowance	210,000	210,000	210,000	-
Other MOOE	77,284,384	73,848,282	10,104,921	63,743,361

	Budgeted Amount Note 33		Actual Amounts on Comparable Basis	Difference Final Budget and Actual
	Original	Final		
Gender awareness and development	8,700,000	8,700,000	3,191,054	5,508,946
Bank charges	200,000	200,000	111,047	88,953
Interest expense	100,000	100,000	18,694	81,306
SIDA projects	1,016,007,718	1,016,007,718	369,422,190	646,585,528
Total MOOE	1,432,902,102	1,414,466,000	598,637,307	815,828,693
Capital outlay	2,051,894,000	2,051,894,000	71,729,656	1,980,164,344
Total operating expenses	3,839,334,115	3,720,336,000	857,715,504	2,862,620,496
Less: Other personnel services cost charged against savings				
Honoraria	-	-	1,114,500	(1,114,500)
Overtime pay	-	-	67,105	(67,105)
Hazard pay	-	-	6,030,730	(6,030,730)
Collective negotiation agreement (CNA)	-	-	6,171,312	(6,171,312)
Service recognition incentive	-	-	2,450,000	(2,450,000)
Total other personnel services	-	-	15,833,647	(15,833,647)
Total payments	3,839,334,115	3,720,336,000	841,881,857	2,878,454,143
NET RECEIPTS/(PAYMENTS)	(219,341,397)	(100,343,282)	1,311,506,346	(1,411,849,628)

The Notes on pages 12 to 60 form part of these Financial Statements.