



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

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, 2020 and 2019, 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, 2020 and 2019, and its financial performance and its cash flows for the years then ended in accordance with International Public Sector Accounting Standards (IPSAS).

Basis for Qualified Opinion

The Property, Plant and Equipment (PPE) is presented in the Statement of Financial Position at the carrying amount of P337.064 million as at December 31, 2020. However, the PPE General Ledger (GL) balance of P687.593 million differed by P135.283 million from the total of the Report on the Physical Count of PPE (RPCPPE) and by P459,607 from the Subsidiary Ledgers (SLs). Also, the accumulated depreciation and the depreciation expense recorded in the GLs differed by P5.890 million, and P13.919 million, respectively, from the balances of the SLs. In addition, unserviceable property costing P16.957 million were not derecognized from PPE account in undetermined net book value as required in paragraph 82 of the IPSAS 17 – *Property, Plant and Equipment*.

The Investment Property (IP) account with the total cost of P61.261 million and carrying amount of P48.587 million did not faithfully represent the land and land improvements owned by SRA in the financial statements due to: (a) the variance between the property records and various legal documents on the land area; (b) unrecorded land measuring 976,232 square meters granted to SRA by virtue of Presidential Proclamation No. 421; and (c) lack of necessary disclosures in the Notes to financial statements required in Sections 86 and 90 of the IPSAS 16 - *Investment Property*.

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 IPSAS, 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, 2020 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 IPSAS. 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

June 30, 2021



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, 2020 and 2019 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

DEPARTMENT OF AGRICULTURE

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HERMENEGILDO R. SERAFICA
 SRA Administrator/Vice Chairman

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

ERLINDA J. ABACAN
 Chief Accountant

Signed this 23th day of June, 2021

Management System
 ISO 9001:2015



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SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF FINANCIAL POSITION
As at December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 As restated
ASSETS			
Current assets			
Cash and cash equivalents	6	990,405,538	2,533,115,956
Investments	7	35,785,586	35,180,515
Receivables - net	8	1,405,166,325	1,520,025,144
Inventories	9	2,747,654	2,238,141
Other current assets	10	14,058,863	12,391,910
Total current assets		2,448,163,966	4,102,951,666
Non-current assets			
Receivables - net	8	213,110	441,906
Investment property - net	11	48,586,583	48,762,138
Property, plant and equipment - net	12	337,063,871	253,991,629
Intangible assets	13	472,000	708,000
Other non-current assets	14	850,573	850,573
Total non-current assets		387,186,137	304,754,246
TOTAL ASSETS		2,835,350,103	4,407,705,912
LIABILITIES			
Current liabilities			
Financial liabilities	15	79,961,675	41,793,738
Inter-agency payables	16	4,453,363	46,155,631
Trust liabilities	17	61,848,551	570,021,857
Other payables	19	84,135,654	663,634,872
Total current liabilities		230,399,243	1,321,606,098
Non-current liabilities			
Financial liabilities	15	5,574,943	5,981,618
Inter-agency payables	16	8,560,231	8,560,231
Trust liabilities	17	1,417,228	1,387,193
Provisions	18	89,749,694	97,518,153
Deferred credits		122,358	122,358
Other payables	19	21,413,043	21,504,181
Total non-current liabilities		126,837,497	135,073,734
TOTAL LIABILITIES		357,236,740	1,456,679,832
NET ASSETS (TOTAL ASSETS LESS TOTAL LIABILITIES)		2,478,113,363	2,951,026,080
NET ASSETS/EQUITY			
Government equity	31	74,597,801	74,597,801
Accumulated surplus	32	2,403,515,562	2,876,428,279
TOTAL NET ASSETS/EQUITY		2,478,113,363	2,951,026,080

The Notes on pages 12 to 65 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF FINANCIAL PERFORMANCE
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 As restated
REVENUE			
Service and business income	20	666,732,946	913,482,166
TOTAL REVENUE		666,732,946	913,482,166
CURRENT OPERATING EXPENSES			
Personnel services	23	188,997,746	202,182,649
Maintenance and other operating expenses	24	771,611,242	596,786,431
Financial expenses	25	153,144	159,941
Non-cash expenses	26	33,444,498	29,006,917
TOTAL CURRENT OPERATING EXPENSES		994,206,630	828,135,938
SURPLUS/(DEFICIT) FROM CURRENT OPERATIONS			
		(327,473,684)	85,346,228
Gains	21	252,414	932,853
Other non-operating income	22	940,244	1,476,059
SURPLUS/(DEFICIT) BEFORE TAX		(326,281,026)	87,755,140
Less: Income tax expense	27	67,137,186	136,464,123
DEFICIT AFTER TAX		(393,418,212)	(48,708,983)
Assistance and subsidy - SIDA Fund	28	-	1,237,500,000
NET SURPLUS/(DEFICIT) FOR THE PERIOD		(393,418,212)	1,188,791,017

The Notes on pages 12 to 65 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF CHANGES IN NET ASSETS/EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Government Equity Note 31	Accumulated Surplus Note 32	Total
BALANCE AT JANUARY 1, 2019	74,597,801	2,373,842,422	2,448,440,223
ADJUSTMENTS:			
Deduct:			
Prior period errors (Note 4.2)	-	(361,865,698)	(361,865,698)
BALANCE AT JANUARY 1, 2019, AS RESTATED	74,597,801	2,011,976,724	2,086,574,525
Changes in Net Assets/Equity for CY 2019			
Add/(Deduct):			
Net surplus for the period, as restated	-	1,188,791,017	1,188,791,017
Dividends for CY 2019	-	(324,339,462)	(324,339,462)
BALANCE AT DECEMBER 31, 2019, AS RESTATED	74,597,801	2,876,428,279	2,951,026,080
Changes in Net Assets/Equity for CY 2020			
Add/(Deduct):			
Net deficit for the period	-	(393,418,212)	(393,418,212)
Dividends for CY 2020	-	(79,494,505)	(79,494,505)
BALANCE AT DECEMBER 31, 2020	74,597,801	2,403,515,562	2,478,113,363

The Notes on pages 12 to 65 form part of these Financial Statements.

SUGAR REGULATORY ADMINISTRATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash inflows			
Collection of revenue		665,317,500	851,002,491
Receipt of inter-agency fund transfers		28,745,167	49,854,254
Collection of receivables		2,757,798	24,894,487
Receipt of guaranty/security deposits		2,742,336	1,629,777,643
Receipt of assistance/subsidy	28	-	1,237,500,000
Other receipts		15,273,461	21,930,981
Total cash inflows		714,836,262	3,814,959,856
Adjustments		10,744,588	2,700,963
Adjusted cash inflows		725,580,850	3,817,660,819
Cash outflows			
Payment of expenses		525,375,624	617,788,719
Refund of deposits		512,441,270	1,502,981,273
Release of inter-agency fund transfers		351,745,535	680,431,495
Remittance of personnel benefit contributions		75,128,977	90,158,351
Grant of cash advances		21,699,942	32,971,000
Payment of accounts payable		16,259,292	21,179,289
Prepayments		1,344,619	18,841,335
Purchase of inventories		1,335,526	983,397
Other disbursements		19,447,220	1,206,988
Total cash outflows		1,524,778,005	2,966,541,847
Adjustments		158,398	56,794
Adjusted cash outflows		1,524,936,403	2,966,598,641
Net cash provided by/(used in) operating activities		(799,355,553)	851,062,178
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash inflows			
Receipt of interest earned		1,625,952	3,999,851
Collections of gains from prior years' sale of investment property	21	247,814	238,150
Proceeds from sale of scrap and waste materials	21	4,600	694,703
Total cash inflows		1,878,366	4,932,704
Cash outflows			
Purchase/construction of PPE		85,683,769	77,444,647
Total cash outflows		85,683,769	77,444,647
Net cash used in investing activities		(83,805,403)	(72,511,943)
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash outflows			
Payment of cash dividends	32	659,549,462	161,449,375
Total cash outflows		659,549,462	161,449,375
Net cash used in financing activities		(659,549,462)	(161,449,375)
Net increase/(decrease) in cash and cash equivalents		(1,542,710,418)	617,100,860
Cash and cash equipments, January 1		2,533,115,956	1,916,015,096
Cash and cash equivalents, December 31	6	990,405,538	2,533,115,956

The Notes on pages 12 to 65 form part of these Financial Statements.